

AGENDA SUPPLEMENT (1)

Meeting: Audit and Governance Committee

Place: Kennet Room - County Hall, Bythesea Road, Trowbridge, BA14 8JN

Date: Wednesday 7 February 2024

Time: 2.30 pm

The Agenda for the above meeting was published on 30 January 2024. Additional documents are now available and are attached to this Agenda Supplement.

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

This Agenda and all the documents referred to within it are available on the Council's website at www.wiltshire.gov.uk

6 **Statement of Accounts 2019/20** *(Pages 3 - 266)*

A report from the Deputy Chief Executive, S.151 Officer, and Monitoring Officer, is attached.

DATE OF PUBLICATION: 2 February 2024

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Wiltshire Council

Audit and Governance Committee

7 February 2024

2019/20 Statement of Accounts Approval

Executive Summary

The responsible financial officer is required to approve and publish the Statement of Accounts for the Council by the deadlines set out in regulation, or as soon as reasonably practicable after the receipt of the auditor's final findings. The statutory deadline for the 2019/20 Statement of Accounts approval was 30 November 2020.

The External Auditors ISA260 draft report was received on 2 February 2024 and concludes the audit work for the 2019/20 Financial Statements. The delay in the audit process has been reported to this committee frequently and the reasons for delay are known and well debated. They relate to errors and misstatements in the draft accounts due mainly to technical asset accounting and also to the national valuation issues, particularly on non-current assets.

The key messages of the ISA260 report is that the auditors are issuing a 'disclaimer of opinion', a statutory recommendation under section 24 of the Local Audit and Accountability Act and an adverse 'Value for Money' (VFM) conclusion.

It is critical that the process for the 2019/20 is drawn to conclusion and this report therefore requests that the Audit & Governance Committee approve the final 2019/20 Statement of Accounts and Letter/s of Representation to bring the audit to closure, note the ISA260 report and its contents and approves for noting by Full Council the response to the statutory recommendation.

Proposals

It is recommended that the Audit & Governance Committee:

1. Accept the ISA260 report from the External Auditor, noting:
 - a. the auditor's 'disclaimer of opinion';
 - b. the adverse conclusion on the council's arrangements for VFM and officers' response to this conclusion; and
 - c. the Statutory Recommendation under section 24 of the Local Audit and Accountability Act;
2. Approve the response to the s24 Statutory Recommendation from the External Auditor and in line with the act request that Full Council note the response;
3. Approve, the following items:

- a. The Letters of Representation for the Statement of Accounts 2019/20;
and
 - b. The final Statement of Accounts 2019/20.
4. Ratify that no amendments are required to the Annual Governance Statement for 2019/20.

Reason for Proposals

The responsible financial officer is required to approve and publish the Statement of Accounts for the Council by the deadlines set out in regulation, or as soon as reasonably practicable after the receipt of the auditor's findings report.

The statutory recommendation included in the External Auditors ISA260 report, issued under section 24, Schedule 7 of the Local Audit and Accountability Act 2014 requires the council, under Section 4 (5) of the same Act to consider the recommendation at a meeting held before the end of the period of one month beginning on the day the ISA260 report was sent to the council.

Andy Brown
Deputy Chief Executive & Corporate Director of Resources

Lizzie Watkin
Director of Finance & Procurement (S151 Officer)

Perry Holmes
Director of Legal & Governance (Monitoring Officer)

2019/20 Statement of Accounts Approval

Purpose of Report

1. This report presents the final 2019/20 Statement of Accounts for approval. It also sets out the Letters of Representation for both the council and pension fund, for approval by the committee and the council's response to all elements of the ISA260 report from the External Auditor and approves for noting by Full Council a response to the External Auditor's s24 Statutory Recommendation for approval.

Relevance to the Council's Business Plan

2. The responsible financial officer, the council's Section 151 Officer, is required to approve and publish the Statement of Accounts for the council by the deadlines set out in regulation, or as soon as reasonably practicable after the receipt of the auditor's findings report.

Background

3. The Audit and Governance Committee have received regular reports that set out the delays the council has faced in approving the 2019/20 Statement of Accounts that had a statutory deadline for approval was 30 November 2020.
4. The delays the council has faced are not unique and as at 16 November 2023 nationally in excess of 900 external audit opinions were outstanding dating back to 2015/16. The council has continued to work with the External Auditor to progress the 2019/20 audit however progress has been limited with continuing delays being seen, and more recently the audit conclusion work has been protracted with continuing internal review processes required by the External Auditor.
5. The External Auditor has now issued their ISA260 report that draws the audit to conclusion and allows the council to finally approve the 2019/20 Statement of Accounts. These accounts are subject to some additional narrative disclosure amendments that will be provided by the External Auditors prior to the issue of the final audit certificate and publication. These amendments do not impact the values included in the primary statements and notes to the accounts and therefore the committee is requested to approve the accounts noting these minor changes will occur.
6. The council is now able to provide a final response to the control deficiencies set out in the report, many of which were reported to this committee at their meeting on 25 July 2023 and these are included in Appendix A to this report.

7. The following paragraphs set out the council's responses to the External Auditor's VFM adverse conclusion and the Statutory Recommendation.

Value for Money

8. The External Auditor is required to provide a conclusion on the council's arrangements for securing economy, efficiency and effectiveness as part of their annual audit process. This ISA260 report presented by them sets out an adverse conclusion.
9. This conclusion confirms that it is in reference to the production of the International Financial Reporting Standards (IFRS) compliant financial statements (the accounts). The council do not agree with this conclusion, although the council agrees that the original draft accounts were not fully compliant with the regulations and contained errors and misstatements as a result of weaknesses in controls associated with the production of the accounts; these were mainly limited to the accounting for non-current assets.
10. The External Auditor uses language such as pervasive that could lead the reader to believe that all elements of the accounts contained errors and/or misstatements but this is not the case and the council's view is that the weaknesses should not lead automatically to an adverse conclusion on Value for Money (VFM).
11. The council has worked tirelessly with the auditors, and have brought in specific, experienced resources to address the errors and misstatements within the original draft accounts. As can be seen Appendix A, all material errors and misstatements have been corrected so that the latest accounts, to be approved and published are, in the view of officers materially correct [with the exception of the known revaluation reserve issue].
12. Any VFM assessment is much broader than the IFRS accounts and officers would argue that those other elements of VFM consideration are more significant in a VFM assessment. The council has shown in all other aspects of VFM that controls were sound, that the council has tight financial management controls in place, robust estimates are used for budgeting and quality public services are delivered in a cost-effective way. For the 2019/20 financial year the council ended the year in an underspend position and set a balanced budget for the following year, and this approach has continued for all subsequent financial years. The findings of the Ofsted and Care Quality Commission inspections also have not identified any significant value for money risks during the 2019/20 period or since.
13. Many elements of the IFRS accounts are unintelligible for most people, with complex regulation to allow comparability across public and private sector but the council believes that regulation is no longer fit for purpose for the public sector and the complexity of the accounts, and the complexity of the regulation has, in part led to the national backlog issues that have been explained to the committee in the past. The council will be responding to any future government consultations on financial reporting, and the accounts and audit requirements and processes to this effect.

14. Although the IFRS accounts are a statutory responsibility for the council to produce and publish they are not a document on which the council bases business and operational decisions. They are critical for regulatory compliance and the regulation is important for public reporting and transparency, however they are a small element of public reporting and officers would suggest that budget setting and monitoring processes and reporting are far more critical, and it is the scale and impact of the IFRS accounts that the council disagrees with having such an impact on the VFM assessment, to lead to 'adverse conclusion'.

Statutory Recommendation

15. The External Auditor is using powers under Section 24 schedule 7 (2) of the Local Audit and Accountability Act to make a Statutory Recommendation, that the Council addresses the control weaknesses identified in their ISA260 report. The Council is required under Section 4 (5) of the same Act to consider that recommendation at a meeting held before the end of the period of one month beginning on the day this report is sent as a final report to the Council. The wording of the recommendation is subject to approval by the Public Sector Audit Appointments company (PSAA), and hence, at this stage the ISA260 report remains draft. Confirmation will be given by the External Auditor at the committee as to progress of this approval by PSAA.

16. Officers can confirm that there is an action plan in place and has been for many months, that address the weaknesses that have been identified during the audit of the 2019/20 accounts process. Officers have worked tirelessly with the auditors during this audit process and have corrected errors and misstatements and put in additional controls to ensure future accounts are produced on a more robust basis and without the same errors and misstatements.

17. Reports have been presented to this committee over the period of the audit, since February 2021, and the action plan was reported at this committee at its meeting on 25 July 2023. The action plans sets out the action taken to address the weaknesses and deficiencies, showing that the council has taken action and is committed to these improvements. This action plan can be seen in Appendix A.

18. The final accounts attached in Appendix B and to be approved have been amended and additional controls implemented so that the errors and misstatements do not get repeated in future years. As the audit has been continuing for several years and on-going delays have been seen, with a very protracted process these additional controls have not been able to be tested and evidence validated through an audit of the following years accounts. Management can confirm that they are content that the weaknesses that they agree with have been fully understood and action addresses them.

19. Due to the statutory nature of the recommendation from the External Auditor a report is required to be presented to Full Council to consider the recommendation. It is proposed that the Audit & Governance committee approve that the following wording be noted by Full Council and returned back to the External Auditor in respect to their Statutory Recommendation:

“Council note the Statutory Recommendation made by the External Auditor using powers under Section 24 schedule 7 (2) of the Local Audit and Accountability Act received on 30 January 2024. Under Section 4 (5) of the same Act Council can confirm that it has considered the recommendation at its meeting on 20 February 2024 and has received assurances from officers that the control weaknesses identified in the ISA260 report have been addressed.”

20. It should be noted that this Statutory Recommendation relates to the Accounts for 2019/20, which had a statutory completion deadline of 30 November 2020 and are now significantly overdue and the recommendation could be considered out of date. The prolonged audit has resulted in the subsequent accounts not progressing and are now expected to be completed through the mechanisms government is looking to implement to clear the backlog of accounts and will result in further disclaimer opinions, with little to no audit work being performed on them.

Overview and Scrutiny Engagement

21. No overview and scrutiny engagement has taken place due to the statutory nature of the Statement of Accounts and Audit process. Those charged with governance are responsible for the review and approval of all matters concerning the annual accounts and responsible for the approval of the accounts.

22. A briefing note has been sent to all councillors to ensure the utmost transparency of reporting.

Safeguarding Implications

23. There are no safeguarding implications associated with this report.

Public Health Implications

24. There are no public health implications associated with this report.

Procurement Implications

25. Matters of performance associated with External Audit Services is managed through the Public Sector Audit Appointments (PSAA) contract and the on-going arbitration on the External Auditors request for additional fees in respect of the extensive additional audit work will be resolved through these contractual mechanisms.

Equalities Impact of the Proposal

26. There are no equalities impacts arising from this report.

Environmental and Climate Change Considerations

27. There are no environmental and climate change considerations arising from this report.

Risks that may arise if the proposed decision and related work is not taken

28. The annual Statement of Accounts are required to be approved and published by the deadlines set out in regulation or as soon as reasonably practicable after the receipt of the external auditor's final findings report. The 2019/20 accounts and audit process has remained outstanding for a significant period of time and has meant that the ability to progress the accounts and audit process for 2020/21 has been limited and results in further delay to this process and all subsequent accounts. The statutory deadline for publishing audited accounts in respect of the council's outstanding accounts were as follows:

- 2019/20 accounts - 30 November 2020;
- 2020/21 - 30 September 2021;
- 2021/22 accounts - 30 November 2022; and
- 2022/23 accounts - 30 September 2023.

Risks that may arise if the proposed decision is taken and actions that will be taken to manage these risks

29. The responsible financial officer, the council's Section 151 Officer, is required to approve and publish the Statement of Accounts for the council by the deadlines set out in regulation, or as soon as reasonably practicable after the receipt of the auditor's final findings.

30. It is expected that the draft accounts for 2020/21 will be published during February 2024 allowing for the statutory public inspection period to be undertaken as soon as possible. All other accounts will progress following this and will meet new regulatory requirements to meet the 'backstop date' which government have announced is likely to be 30 September 2024.

31. It is a requirement under Section 4 (5) of the Local Audit and Accountability Act to consider the Statutory Recommendation made by the External Auditor at a meeting held before the end of the period of one month beginning on the day their ISA260 report was sent to the Council.

Financial Implications

32. The sub-standard original draft accounts for 2019/20 and prolonged external audit process has exposed the council to significant costs associated with the use of specialist, experienced agency staff to manage correcting the errors and misstatements and the continued and repetitive audit queries and process. The continued audit process will result in additional audit fees that will be determined through the PSAA contractual arrangements and arbitration.

Legal Implications

33. Regulation sets out the publication requirements for local authority accounts and the council is unable to meet these requirements due to the on-going issues. Notices are published on the council's website giving detail of the late publication for the outstanding accounts.

34. The External Auditor is using powers under Section 24 schedule 7 (2) of the Local Audit and Accountability Act to make a Statutory Recommendation. The Council is required under Section 4 (5) of the same Act to consider that recommendation at a meeting held before the end of the period of one month beginning on the day this report was sent to the Council.
35. As soon is practicable the council will publish the remaining Statement of Accounts that are overdue and will allow inspection of those accounts through public inspection periods that are consecutive, so that they are in line with the statutory requirement to allow public access and scrutiny. Notifications of these accounts' publications and public inspection periods will be available on the council's website.

Workforce Implications

36. Additional in-house and external resource has been and continues to be committed to the work to conclude the outstanding accounts.

Options Considered

37. Accounts are concluded in line with guidance and regulation set by Government and other regulators. The responsible financial officer, the council's Section 151 Officer, is required to approve and publish the Statement of Accounts for the council by the deadlines set out in regulation, or as soon as reasonably practicable after the receipt of the auditor's final findings. There are no other options to consider.

Conclusions

38. It is recommended that Audit and Governance Committee note the contents of this report and its appendix, approve the accounts so they can be concluded and the External Auditor able to issue the final audit certificate, and approve for noting by Full Council the response to the statutory recommendation from the External Auditor.

Andy Brown

Deputy Chief Executive & Corporate Director of Resources

Lizzie Watkin

Director of Finance & Procurement (S.151 Officer)

Perry Holmes

Director of Legal & Governance (Monitoring Officer)

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26/01/2024

Appendices

Appendix A – Control Deficiency Action Plan

Appendix B – Final Statement of Accounts 2019/20

Appendix C – Letters of Representation

Background Papers

Audit & Governance Committee – 25 July 2023 – Accounts and Audit Update report [Agenda for Audit and Governance Committee on Tuesday 25 July 2023, 2.30 pm | Wiltshire Council](#)

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Appendix A – Control Deficiency Action Plan

	Deloitte Observation	Severity	Deloitte Recommendation	Council Response	Responsibility	Council Action Update
1	The Council should procure IFRS versions of their PFI models to help produce the accounts. We note management's review of the PFI arrangements has taken place and significant improvements have been identified in relation to the work that supports the accounting for these arrangements. A misstatement was identified as a result of this review.	Medium	It is recommended that the Council consider separately commissioning a suitably qualified financial advisor to develop an 'IFRS' accounting model. For example, an assessment of the impact of IFRS 16 on the accounting in advance of the standard being applied to Local Government.	A review of the PFI arrangements has taken place and significant improvements made to the accounting for these arrangements. Management will consider what additional changes are required to ensure the accounting remains robust, including options on the models used.	Chief Accountant	This is will be considered as part of any changes required by the impact of IRFS16 on PFI accounting in 2024/25.
2	During the testing of the expected credit loss provision, we noted that the Council apply a specific percentage to each aged debt category in order to calculate the expected credit loss provision. The Council have not updated the percentages applied for a significant number of years and therefore there is a risk these are no longer appropriate. Additionally, the Council have not performed an assessment of these percentages for the current financial year to explain why these percentages remain appropriate for 2019/20. Under IFRS 9 which was introduced in the prior year, this assessment is a critical part of the requirements.	High	We note that the percentages are not causing a material misstatement for 2019/20, however, it is recommended that a detailed review of the methodology and judgements applied is completed to ensure they remain appropriate for 2020/21 and this is then completed on a regular basis.	Management have reviewed the percentages used in 2020/21 to ensure these are representative of the expected impact of credit losses, particularly having regard to the Covid 19 pandemic.	Chief Accountant	Management will review the percentages used in each year to ensure these are representative of the expected impact of credit losses.
Page 13	During the testing of the expected credit loss provision, Deloitte was unable to obtain the year end report used to disclose the Housing Benefit Overpayment balance of £6.9m. We were informed that the report can only be run at a point in time and the report was not saved as at 31/03/2020. We instead obtained the report as at 30/09/2020 and noted that the value per this report was not materially different, and that the Council provides for 100% of housing benefit overpayments.	High	We appreciate this is a limitation within the finance system however it is recommended that the Council save all working papers and reports used in the financial reporting process so that the auditors can evidence the workings and test the balances accordingly.	Agreed, management will ensure controls are put in place to ensure time critical reports are run at the relevant time.	Chief Accountant	No further action required - the revised process will be used for all future year end and accounts processes and will include saving all reports used in the financial reporting process.
4	During the testing of schools balances, Deloitte identified that the cash, debtors and creditors for four schools which had been transformed into academies in the financial year were included in the schools balances of the financial statements despite no longer being under Council control.	Medium	It is recommended that a control is implemented to ensure that schools that are subsequently transformed into academies in the financial year are removed from the Council's account balances appropriately.	Management have introduced a revised schools consolidation process for the 2020/21 balances and transactions, which includes controls to identify schools that have converted to academies.	Chief Accountant	No further action required - the revised process will be used for all future year end and accounts processes.
5	During the testing of creditors/debtors, Deloitte were informed that the balances of various General Ledger (GL) codes are split between the categories in the creditor/debtor note for disclosure. For example, the GL code 943704 DCE Schools Balance Sheet Creditors with a year end balance of £8.5m is split between Sundry Creditors (£3.5m) and Receipts in Advance (£5m). As the balances are not material this could not lead to a material classification misstatement. However, the working papers provided to Deloitte were manually coded and no additional support could be obtained. Therefore, no evidence could be obtained to show how the GL codes had been split. We also note that the original working papers used to manually split the GL codes were not saved and therefore have been lost.	High	It is recommended that all working papers to support the values in the financial statements are saved so they can be provided to the auditors for testing. This should also be standard practice in case staff members who performed the work are absent or leave the Council preventing access to the working papers.	Agreed, management have implemented additional controls for 2020/21, including preparer and reviewer support and checks, rationale for splits etc.	Chief Accountant	No further action required - the revised process will be used for all future year end and accounts processes.

	Deloitte Observation	Severity	Deloitte Recommendation	Council Response	Responsibility	Council Action Update
6	Deloitte have been unable to identify sufficient or appropriate controls in place at the Council to ensure accrued expenditure is complete. We would expect the Council to implement additional controls to mitigate the fact they do not have a common PO system. We also note that the budget management process at the Council does not mitigate this risk as we have not been able to evidence the review of the monthly budget variance reports and subsequent investigation into any variances. As part of our audit we have completed detailed testing to significant risk level sample sizes to identify any understatement of expenditure. Some errors have been identified as reported in our misstatements schedules later in this report, however they are not material.	High	It is recommended that the Council implement additional controls to ensure the completeness of accrued expenditure. This could include a manual review to check for open POs/invoices which should be accrued for, and a manual review of post year end bank statements or invoices received to check that an accrual had been raised for a sample of payments/invoices.	Deloitte recommendations opposite are now in place.	Chief Accountant	No further action required - the revised process will be used for all future year end and accounts processes.
7	Deloitte note that the valuer has not been instructed to provide land and building value apportionment for the Non Specialised Operational fixed assets. We understand that this is normally required for accounting depreciation purposes.	Medium	It is recommended that the Council instruct the valuer to provide this level of detail to ensure depreciation is recorded accurately.	The controls around PPE valuations have been strengthened for 2020/21 closedown, including providing instructions for splitting assets into components.	Chief Accountant	No further action required - the revised process will be used for all future year end and accounts processes.
8	During our PPE revaluations testing, we noted that one of the sampled items had not been revalued since 2011 and therefore has not been included in the 3 year revaluation programme. Deloitte were informed that this asset was not selected for revaluation due to the asset having previously been transferred from investment property to operational property. (The asset in question was Warminster Car Park Garages with a carrying value of £65k in the Fixed Asset Register).	Medium	It is recommended that the Council introduce a control to review items that have been transferred between asset types to determine if any of the assets should be removed or included in the revaluation programme for the financial year.	Management have implemented additional controls for 2020/21, whereby: 1. a cross check has been carried out between what was valued by the external valuers and the valuation dates in the fixed asset register, to identify assets that needed to be revalued in accordance with the Council's valuation policy; 2. the valuation dates in the fixed asset register are up to date.	Chief Accountant	No further action required - the revised process will be used for all future year end and accounts processes.
9	During the testing of the fixed asset revaluations, we understand that circa 53 properties were inspected this year by the valuers and further inspections were limited due to the restrictions imposed by Covid 19 related lockdown from late March 2020. This is understandable but in future years it would be advisable that a detailed inspection programme is undertaken and details of the inspections undertaken is confirmed in the valuation report.	Medium	It is recommended that more detailed information on the extent of the inspection of the assets valued in the year should be provided and the Council ensures that the valuer undertakes inspections of at least a representative sample of properties.	The external valuers must comply with their professional standards and inspections form part of the standards. 2019/20 was an exceptional year due to the national lockdown and for a period only essential travel was permitted. We are hoping that such restrictions do not apply for the valuation process for 2020/21.	Estates Management team	Covid restrictions impacted on the quantity of inspections that could be carried out in 2020/21. The number of inspections increased in 2021/22, and it is expected that this will be improved on again in 2022/23.
10	During our controls testing for fixed asset valuations, we have not been able to identify a control in place relating to how the Council assures itself that there are no material impairments or changes in value for the assets not covered by the annual valuation. Our work in this area, in discussion with our Valuation Specialists, did not identify any significant issues.	High	It is recommended that a full review of assets not being revalued in the year based on the cyclical programme is completed to ensure that any assets with impairment indicators or potential increases in value are identified and revalued by the valuers.	A review of impairment events will be undertaken and evidenced and has been incorporated within the agreed timetable for the 2020/21 accounts and audit process.	Chief Accountant	No further action required - the revised process will be used for all future year end and accounts processes.
11	During the testing of the fixed assets valuations, we note that a number of times updated information was incorrectly sent to the valuer (such as HRA stock numbers) which caused errors in the valuations (although immaterial changes). We also noted that, similarly to last year, not all of the rent of housing stock is being set at social rental levels. The valuer confirmed that if they were provided with this information and asked to make the appropriate adjustments this would be possible in the future. We have considered the impact of this with our Valuation Specialists and not identified any material issues.	Medium	It is recommended that the Council provides the valuers with updated and accurate information, so the correct valuations are produced.	The proportion of affordable Housing stock will be kept under review to ensure that there is no material misstatement in the valuation of the overall HRA Council Dwellings.	Chief Accountant	The different types of housing stock have been identified and seperated out in 2020/21's accounts. They have been revalued seperately.

	Deloitte Observation	Severity	Deloitte Recommendation	Council Response	Responsibility	Council Action Update
12	<p>From our revaluations review last year and this year, we understand that the Finance team discusses with the Estates team any potential areas where impairments may apply, identifying these and forwarding to the valuer for an updated valuation to be prepared.</p> <p>We have not been able to obtain evidence to show what considerations have been made to assess and identify impairment indicators. We have not been able to understand what was considered nor obtain meeting minutes for the meeting which was recommended in the prior year.</p>	High	In line with our advice last year, we would recommend that in the future the Council documents the process either in the form of minutes or an impairment review paper detailing the discussions and considerations made between the Finance team, Estates and their appointed valuer confirming all the points that are considered in their impairment review, i.e. build cost movements, changes in the property market, physical changes to the assets etc. and the actions taken to impair any relevant assets or justifications for the conclusions reached if no impairment is deemed necessary.	An electronic record of the assets identified to be discussed as part of the impairment review discussion between Accountancy, Estates and the external valuers is retained. The impairment review discussions will be followed up in writing confirming the formal agreement. Consideration of all elements that might impact the need to impair assets will be taken into account and documented every year as part of the formal recording of the agreement.	Chief Accountant	No further action required - the revised process will be used for all future year end and accounts processes.
13	<p>During the testing of the fixed assets valuations, we noted that the Council does not have sufficient oversight of the terms of the occupational lettings. The Council is entitled to receive a set percentage of rents received from the occupational tenants of the related assets and the rent that the Council receives is subject to review every 5 years. However, the Council does not receive detailed information from the head tenant on the occupational leases and income nor a tenancy schedule and current rental information. We note that a similar finding was raised in the prior year in relation this lack of oversight.</p>	Medium	It is recommended that the Council obtain this information which would assist in the management of the rental income received. This position applies to all ground lease investments. Accordingly we would recommend that the Council reviews what information is currently received from head tenant and pursue the position if the information is not sufficiently detailed.	Agreed. The Council is already taking action to address this recommendation.	Estates Management team	The Estates Management team have a system in place to request this each year
14	<p>During the testing of the fixed assets valuations, we noted that the HRA beacons/archetype groupings are unchanged from the last year and a review of the groupings has not occurred in the last three years.</p> <p>There is a risk that the groupings are incorrect and the onus to ensure the grouping is correct is on both the Council and valuer who should consider whether changes are required.</p> <p>Through our testing we have identified an issue with incorrect groupings. This has been included in our misstatements schedule further in this report.</p>	Medium	It is recommended that the Council and valuers conduct a review of archetypes to ensure these remain appropriate. We recommend this is included in the valuers report or confirmed by the Council.	We are not aware of any changes to the rules for grouping HRA assets since the inception of beacon/archetype groupings, and therefore we do not consider a review is required. However, we will ensure any new HRA properties are included in the correct beacons/archetype groupings, and this is checked by a senior member of the finance team.	Estates Management team and Chief Accountant	No further action required - the revised process is now in place

	Deloitte Observation	Severity	Deloitte Recommendation	Council Response	Responsibility	Council Action Update
15	Throughout our audit testing of property, plant and equipment for 2019/20 and 2018/19, we have raised numerous findings in relation to fixed assets and the related account balances. We therefore note that there are significant improvements that should be made in relation to accounting procedures and policies for PPE to ensure the accuracy of the related account balances.	High	It is recommended that the Council complete a thorough review of PPE and management processes, including implementing additional controls (refer to findings raised in update report), conducting an asset verification exercise (and ensure this is conducted on a regular basis) updating the depreciation, valuation, additions and disposals policies and accounting practices to ensure these balances are recorded correctly.	Staff leaving the employment of the Council over the last couple of years together with implementing a new Asset Management system has had an impact on procedures and technical accounting processes with regard to PPE. For the 2020/21 final accounts process an external technical accounting support is being used to improve the controls and accounting treatment of PPE. A development programme is also being designed to ensure expected standards are met in future years.	Estates Management team and Chief Accountant	A significant amount of work has been done to cleanse and improve the fixed assets data. Balances and asset classes have been reviewed. The use of Asset Manager will ensure the correct accounting treatment for fixed assets and accountancy will continue to work with the services based teams to improve controls. For the 2022/23 accounts the property, plan and equipment listings from the Asset Manager system will be sent to Heads of Service to confirm that the assets are still owned and in use. Along with reviews of the general ledger, this will provide a 'belt and braces' approach to ensure all additions and depreciations are captured.
16	There were numerous errors within the first three sets of draft accounts presented for audit.	High	It is recommended that a robust review is undertaken of the accounts which are presented for audit, along with any subsequent versions of the accounts containing amendments. It is also recommended that the Council completes the CIPFA checklist as part of the closedown process, and references each requirement within the checklist to where the requirement has been satisfied within the accounts, or note that the requirement is not applicable with an explanation why. The completed checklist should then be reviewed along with the accounts prior to being presented for audit. In addition, it is also recommended that the working papers which support the balances in the accounts also undergo a review and quality assurance process in order to reduce errors in the accounts.	A detailed 2020/21 closedown timetable has been developed which includes working paper requirements [cross referenced to external audit requests] mapped to the financial statements and disclosure notes, which have a named individual responsible for completing the working paper(s). Additional control and quality assurance reviews will be implemented as part of the closedown process to ensure the accounts are presented in line with requirements. The CIPFA disclosure checklist will form part of this process and will be fully completed and reviewed prior to publication of the draft accounts and being presented for audit. This checklist will also form part of robust working papers that are being designed and implemented as part of the financial accounting improvement plan.	Chief Accountant	Additional control and quality assurance checks, as well reviewing against the CIPFA disclosure checklist will be undertaken as the 2021/22 Statement of Accounts are drafted and for all subsequent years.

	Deloitte Observation	Severity	Deloitte Recommendation	Council Response	Responsibility	Council Action Update
17	No listing is maintained setting out all properties subject to revaluation and when they were last revalued.	Medium	It is recommended that a listing is maintained detailing all assets subject to revaluation, along with their date of last valuation, and that this is reviewed on an annual basis to check that all assets due for a revaluation are included in the list sent to the valuers.	The Asset Management system that is used holds dates when assets were revalued. A full report will be run every year to ensure that all assets that are due for a revaluation are valued in line with the accounting policy. A check will be made to ensure that all assets are valued with appropriate frequency and there are no erroneous dates.	Chief Accountant	No further action required - the revised process is now in place
18	SAP has two types of journal access rights for finance employees; Park Access & Park and Post/Authorisation Access. Park Access allows a member of staff to prepare journals within the system which are then 'parked' until they are approved by a member of staff with Post Access. However, employees with 'Park Access' can upload an excel document with a number of journals and the journals can be automatically posted within SAP without secondary review. Employees with 'Post Access' can prepare and post journals directly into SAP, without a secondary review.	High	It is recommended that segregation of duties in relation to journal postings is enforced, or an alternative control is implemented to mitigate the risk that journals can be posted by staff without approval.	The Council has to consider the costs of implementing such a control as suggested, which are potentially high. Action to address the issue would include the need to reconfigure SAP and to pay to do so and prioritisation of this work considering a new system is due to be implemented during 2023/24 financial year. Wiltshire Council officers view the significance of the risk associated with potential lack of journal authorisation by a second person as minimal. From a fraud perspective, there are controls already in place in the AP and AR systems, including segregation of duties around key tasks. Journals do not actually involve expenditure or income, so the inherent risk to the Council is absolutely minimal. Regular internal audit work on our AP and AR systems have not demonstrated any risks that would need an additional authorisation to journals in the general ledger. This work provides on going evidence of the strength of controls in those systems fundamental to the Council's internal control framework. Each user of SAP has an individual ID that is registered against each transaction that the user makes. Any unusual suspicious journals are going to be	Chief Accountant	No further action required at this stage as management consider the current controls to be sufficient to address this low risk issue. The new ERP solution may resolve this issue, planned for implementation in November 2023.

	Deloitte Observation	Severity	Deloitte Recommendation	Council Response	Responsibility	Council Action Update
19	<p>We sought to identify further controls to mitigate the management override of controls risk presented by the lack of segregation of duties in journal postings.</p> <p>On a monthly basis, budget monitoring of I&E cost centres is carried out by budget managers and a detailed narrative for any large variances should be documented. This is presented monthly to the Corporate Leadership Team (CLT) meetings and quarterly to Members.</p> <p>We have identified that, although budget monitoring occurs at the Council, the control has not been formalised appropriately. We were unable to evidence any formal review of budget variance reports by budget managers so we cannot determine what challenge or investigation is undertaken. We were informed that the threshold for budget managers to investigate variances is at their discretion.</p>	Medium	<p>It is recommended that segregation of duties in relation to journal postings is enforced, or an alternative control is implemented to mitigate the risk that journals can be posted by staff without approval.</p> <p>In addition, it is recommended that the process for budget managers to undertake a review and investigation of their budget reports is formalised and an audit trail is maintained.</p>	<p>Robust budget monitoring processes are followed on a regular basis, with high risk and volatile budgets being reviewed monthly and all budget areas at least quarterly. This process includes a review from a finance officer to ensure independent challenge is carried out. As part of an improvement action plan for finance and accountancy the implementation of a checklist for those undertaking budget monitoring processes will be designed and implemented to ensure all relevant areas are discussed and a formal note made to ensure consistency of application is evidenced.</p>	Heads of Finance	<p>A checklist is being designed currently and will be implemented during 2023-24.</p>
Page 18	<p>We sought to identify further controls to mitigate the management override of controls risk presented by the lack of segregation of duties in journal postings.</p> <p>On a quarterly basis, a report should be run directly from SAP for all journals posted during the period by journal value and by staff member who posted the journal. This report is reviewed by the Chief Accountant to identify if any journals are posted by unauthorised staff members and inconsistencies are investigated.</p> <p>As the focus of the review is on the users who are posting journals, rather than the journals themselves or their value, we have not deemed the design of this control to be effective in mitigating the management override of controls risk.</p> <p>We have also identified that no formal evidence could be provided to show that this control was implemented during the financial year and we were informed that the control did not operate consistently throughout the financial year due to the Chief Accountant leaving in August 2020 and no one else taking responsibility for this control.</p>	Medium	<p>It is recommended that segregation of duties in relation to journal postings is enforced, or an alternative control is implemented to mitigate the risk that journals can be posted by staff without approval.</p>	<p>Agreed this control is set but has not been followed. The Assistant Director Finance will ensure it is fully implemented and quarterly checks carried out to support mitigation of the system process weaknesses for journal approval. Additional Balance sheet controls have been implemented following the appointment of a Chief Accountant and a comprehensive schedule listing balance sheet GL codes, the officer responsible for monitoring and producing reconciliation statements and the frequency of these reconciliations is maintained. This is reviewed by the Chief Accountant.</p>	Chief Accountant	<p>The balance sheet listing is sent each month to the wider accountancy team. Reconciliations are carried out in accordance with the schedule set and are reviewed by the relevant manager. This is then reviewed by the Chief Accountant. Also see the response to Observation 18.</p>

	Deloitte Observation	Severity	Deloitte Recommendation	Council Response	Responsibility	Council Action Update
21	We sought to identify further controls to mitigate the management override of controls risk presented by the lack of segregation of duties in journal postings. On a monthly basis, the Head of Finance (Corporate) should review each balance sheet GL code against the previous month values and investigate the reasons for any unexpected variances (including suspense accounts). We have identified that this control had not been in place since the departure of the Head of Finance (Corporate). The Chief Accountant undertook a year end full review as at 14 July 2020. We do not deem this to mitigate the risk of Management Override of Controls as there are thousands of journal postings so this control cannot be relied upon to identify incorrect journal postings.	Medium	It is recommended that segregation of duties in relation to journal postings is enforced, or an alternative control is implemented to mitigate the risk that journals can be posted by staff without approval. In addition, it is recommended that the review of balance sheet GL codes is undertaken on a monthly basis.	Additional Balance sheet controls have been implemented following the appointment of a Chief Accountant and a comprehensive schedule listing balance sheet GL codes, the officer responsible for monitoring and producing reconciliation statements and the frequency of these reconciliations is maintained. This is reviewed by the Chief Accountant. In addition to this control, as part of the improvement plan additional internal reporting of balance sheet items is being designed so that the Assistant Director – Finance and Corporate Director of Resources have full oversight of the balance sheet monitoring alongside the revenue and capital monitoring	Chief Accountant	No further action required - this is now a monthly process Also see the response to Observation 18.
22	As part of the controls to ensure all potential liabilities are disclosed in the Financial Statements there should be a documented process for the Finance team to consult with the legal team. Whilst we understand the difficulties of doing this in the Covid-19 environment the failure to complete this process increases the risk of potential liabilities being unrecorded. Our substantive testing has not however identified any undisclosed potential liabilities.	Medium	It is recommended that a meeting takes place between the Finance Team and the Legal Team at year end and that all potential legal liabilities are discussed, with the results of this meeting minuted.	Agreed – as part of the assessment of year end liabilities the finance team will consult with the legal team and document consideration of liabilities discussed. This will ensure adequate evidence is provided of liabilities disclosed (accrual, provision or contingent liability) and those not disclosed due to not meeting the criteria for disclosure.	Chief Accountant	Any potential legal liabilities are discussed as part of the budget monitoring meeting with the Head of Finance and the Head of the legal team. As part of the year end closedown process the Chief Accountant also contacts the Head of Legal via email to ascertain the accounting requirements for all potential legal liabilities.
23	The Council did not submit the first Whole of Government Accounts return by the 30 September 2020 deadline. This was instead submitted in February 2021.	High	It is recommended that the Council introduce controls to ensure that the Whole of Government accounts return is completed, reviewed and submitted by the required deadline.	Agreed – this has been incorporated within the agreed timetable for the 2020/21 accounts and audit process	Chief Accountant	No further action required.
24	We have identified that approximately 15% of purchases follow a purchase order (PO) process, whilst the remainder follow an alternative 'non-PO' process. We identified this by obtaining the Accounts Payable scorecard which details some KPIs for the AP team, such as time from invoice received to payment and the types of invoices being raised. This percentage in the prior year was nearer 20% so performance is declining. As a result, there is a risk that inappropriate purchases are made without a PO and authorisation. There is also a risk that year end expenditure may not be complete because purchases committed to are not yet available on the finance system.	High	It is recommended that the Council introduces a full PO process which all purchases should follow where appropriate.	The implementation of a new ERP and the implementation of standard processes as part of the Evolve programme will help support compliance to the control processes. Significant change and training support is included in the programme plan to help understand and address non-compliance	Head of Procurement and Chief Accountant	There will always be a need for exceptions to the full PO process and the list of exceptions is being drawn together as part of the new ERP implementation. This is will reviewed again once the new ERP solution is in place to check for compliance to the control processes.

	Deloitte Observation	Severity	Deloitte Recommendation	Council Response	Responsibility	Council Action Update
25	We identified that the reconciliation between SAP and Asset Manager system is performed by the Chief Accountant but there is no review of this reconciliation.	High	It is recommended that the reconciliation between SAP and Asset Manager is reviewed (by someone more senior than the preparer)	Agreed – this has been incorporated within the agreed timetable for the 2020/21 accounts and audit process.	Chief Accountant	The Chief Accountant reviewed the reconciliation that was conducted by another officer as part of the 2020/21 statement of accounts review process.
26	During our Design and Implementation (D&I) testing of controls over accrued expenditure, we identified one item for £3,060.90 where the invoice date was 01/09/2019, the Goods Received Note (GRN) date was 12/12/2019 and a delivery date (for services) on 11/12/2019, however the system showed the invoice received date as 18/06/2020. We have evidenced the invoice which related to 'on track education services' and was invoiced to the SEND Department at Wiltshire Council. We were informed that the invoice was input in the system late due to a workload issue in which the requisitioner did not have sufficient time to input the invoice into the system immediately and therefore this was input late and appeared as though the invoice was not received until after year end. The invoice was therefore input into the system 9 months after the Council had received it. This highlights a weakness in the Council's purchasing controls. Where invoices are posted late to the system there is a risk that services/goods received prior to the year end are not accrued especially where a GRN is not raised pre year end. Also, the Council will not have paid the supplier for this invoice for a significant period of time so there is a risk of reputational damage to the Council.	Medium	Whilst the amount identified in this specific instance is not significant, we have only looked at this one invoice as part of our controls testing, so there is a risk that this may be a wider issue. It is recommended that invoices are processed and paid in a timely manner and that controls are introduced to monitor this.	The implementation of a new ERP and the implementation of standard processes as part of the Evolve programme will help support compliance to the control processes. Significant change and training support is included in the programme plan to help understand and address non-compliance.	Head of Procurement and Chief Accountant	This is will reviewed again once the new ERP solution is in place and fully functioning. Vairance analysis is undertaken as part of the budget monitoring process and also again as part of the year end review and accruals assessments. This is will reviewed again once the new ERP solution is in place to check for compliance to the control processes.
not in present version of ISA260	We have not been able to identify a control in place relating to how the Council assures itself that there are no material impairments or changes in value for the assets not covered by the annual valuation.	High	It is recommended that on an annual basis the Council undertakes a review of assets not scheduled for revaluation to determine whether these are likely to be materially impaired or whether there may have been any changes in value which result in a material difference between the market value and the carrying value of the asset.	A review of impairment events will be undertaken and evidenced and has been incorporated within the agreed timetable for the 2020/21 accounts and audit process.	Chief Accountant	No further action required - the revised process is now in place
27	The reconciliation between Asset Manager and valuer's report which is prepared by the Capital Management Accountant is not reviewed by another member of staff.	High	It is recommended that the reconciliation between Asset Manager and the valuer's report is reviewed.	Agreed – this has been incorporated within the agreed timetable for the 2020/21 accounts and audit process.	Chief Accountant	No further action required - the revised process is now in place
28	The Council's valuer does not provide updated useful lives for the properties revalued. As a result of this there are a number of properties which have not had their useful lives updated, so there is a risk that useful lives are not accurate which may affect the depreciation charge.	Medium	It is recommended that the useful lives of fixed assets are reviewed and updated on a regular basis.	Agreed – this has been incorporated within the agreed timetable for the 2020/21 accounts and audit process	Chief Accountant	After review between Estates and Accountancy we have agreed a revised approach to useful lives.
29	Our review of the year end bank reconciliations found evidence of preparer sign off but no evidence of reviewer sign off.	High	It is recommended that bank reconciliations are reviewed	Additional Balance sheet controls have been implemented following the appointment of a Chief Accountant and a comprehensive schedule listing balance sheet GL codes, the officer responsible for monitoring and producing reconciliation statements and the frequency of these reconciliations is maintained. This is reviewed by the Chief Accountant. Bank reconciliations form part of this listing.	Chief Accountant	No further action required - the revised process is now in place

	Deloitte Observation	Severity	Deloitte Recommendation	Council Response	Responsibility	Council Action Update
30	We were informed that there are a number of assets included in the disposals figure within the 2019/20 accounts which were actually disposed of in previous financial years, however were not recorded as disposals in the relevant financial statements.	High	It is recommended that the Council reviews the process in place for recording disposals in the fixed assets system, and what controls are in place to ensure that this system is kept up to date with disposals.	Agreed – this has been incorporated within the agreed timetable for the 2020/21 accounts and audit process	Chief Accountant	Agreed – this has been incorporated within the agreed timetable for the 2020/21 accounts and audit process
31	The Useful Economic Lives (UELs) of infrastructure assets are impacted by various factors such as climate change, new technologies, changes in traffic volumes etc. This is something that should be kept under consideration going forward.	Low	It is recommended that the UELs of Infrastructure assets is reviewed if new technology, climate changes or changes in traffic volumes may impact the expected lives of assets.	As part of the annual assessment of UEL the Chief Accountant will liaise with the highways department to determine if technology, climate changes or changes in traffic volumes may impact the UEL of assets.	Chief Accountant	As part of the 2020/21 closedown process the Chief Accountant reviewed the UEL for infrastructure with the Highways Asset Manager. As a result new additions for the were analysed by category and specific UEL given to each rather than a weighted average which had been used in previous years.
Page 21	We identified that assets included within the category of Infrastructure were not separately identifiable on the FAR, and instead combined into one large overall asset covering different financial years. For example, the largest asset by cost within the infrastructure category is Structural Maintenance Schemes Completed 15-16 with a cost value of £41,843,483.41.	Medium	It is recommended that infrastructure assets are recorded separately on the FAR rather than all grouped together as one asset per financial year.	Recent expenditure on infrastructure assets is already recorded separately within broad categories within the FAR i.e. roads, bridges, land drainage, major structures. The cost [i.e. staff time] of identifying assets at a more granular level than these broad categories is considered to outweigh the benefits [i.e. annual depreciation charges that better reflect the consumption of assets to support services]. Recording assets based on these broad categories will be further enhanced through the Chief Accountant liaising with the highways department to identify UEL for each of the broad categories of assets, as opposed to using an average 60 years for all categories [which is current practice]. For historic balances transferred at the time the unitary authority was formed, the information needed to allocate the spend to these broad categories is not available and therefore these will continue to held at overall totals and an average 60 UEL used.	Chief Accountant	As part of the 2020/21 closedown process the Chief Accountant reviewed the UEL for infrastructure with the Highways Asset Manager. As a result new additions for the were analysed by category and specific UEL given to each rather than a weighted average which had been used in previous years. There is an on-going discussion with the external auditor on this issue for the historical balances.

	Deloitte Observation	Severity	Deloitte Recommendation	Council Response	Responsibility	Council Action Update
33	A error was identified in the accounts relating to the understatement of the Monkton Park loan balance (see page 57 for the error)	High	It is recommended that a record of all loans is maintained and that this is kept up to date.	The Council has a record of all treasury management and capital loans, including this loan. However, it was being accounted for incorrectly as a PFI scheme as opposed to a loan. Management will put in place additional controls to ensure that where there are changes to loan facility agreements [i.e. in this case the contract was revised in January 2011. Therefore, only the loan associated with the capital and interest cost of building Monkton Park still has to be repaid], the advice of the Chief Accountant will be sought to ensure the proper accounting treatment is adopted'	Chief Accountant	No further action required - the revised process is now in place
34	We identified that the Council does not accrue for housing benefit payments at year end. We are satisfied that this does not significantly impact expenditure recorded in the year and that the impact on the balance sheet is immaterial.	High	It is recommended that the Council undertakes an assessment at year end to determine the potential under accrual related to housing benefit payments in order to determine whether this is material	Management will work with external auditors to agree an accepted process [have regard to cost/benefit] to determine that any potential under accrual related to housing benefit payments is not material	Chief Accountant	A review will be carried out annually to determine whether this is material on both expenditure and the balance sheet.
Page 22	We identified that similar assets (i.e. wheelie bins) are grouped together on the FAR and accounted for as one larger asset. The accounting policies per the accounts do not explain that this takes place.	Low	It is recommended that the accounting policies are updated to make it clear in what circumstances assets may be grouped together and accounted for as one larger asset	The accounting policy for Property, Plant and Equipment [effective from 2020/21 SOA] will be updated to include the following text; 'Where there are large volumes of low value similar assets, these assets are grouped together on the fixed asset register and accounted for as one larger asset.'	Chief Accountant	No further action required - this was updated for 2020/21
36	As part of the Nil NBV asset review undertaken by the Council, it was identified that there was a balance of approximately £11m of assets with a nil NBV which were still in use, mainly relating to Vehicles, Plant and Equipment, indicating that these have been depreciated over too short of a period.	Medium	It is recommended that the Council reassesses the useful economic lives assigned to assets categorised as Vehicles, Plant and Equipment to determine whether these are accurate.	Management will put in place a process to reassess UELs before assets are fully depreciated to ensure annual depreciation is more reflective of the period the asset is in use.	Chief Accountant	No further action required - this was updated for 2020/21
37	We have noted throughout our audit a number of errors in relation to accounting for academies. We have therefore determined that there are insufficient controls in place to correctly dispose of schools that have converted into academies.	High	We recommend that additional controls are put in place to ensure that all related balances (cash, receivables etc) for academies are removed from the Council's financial systems/accounts and that the assets are subsequently disposed of from the FAR in a timely manner.	It is acknowledged that the two academy schools (previously PFI schools) were incorrectly recorded in the Council's fixed asset register ("FAR") and financial statements (i.e. balance sheet). The Council has introduced the following controls to ensure academy school transactions are appropriately reflected in the financial statements going forward: <ul style="list-style-type: none"> • An 'existence' check of all the school assets recorded on the FAR to underlying Council school records; and • Consolidation [into the financial statements] of school transactions [which remain under the 'control of the Council] using school's trial balances, which are cross reference to the Council's FAR records. 	Chief Accountant	No further action required - revised processes are now in place

	Deloitte Observation	Severity	Deloitte Recommendation	Council Response	Responsibility	Council Action Update
38	There are no controls in place to ensure that the accounts are updated for lease arrangements.	High	It is recommended that the Council introduces appropriate controls in order to mitigate the risk that leases are entered into and the accounts are not updated for these.		Chief Accountant	Management accepts previous controls were not sufficient to ensure lease disclosures in the accounts were accurate and complete. Steps have already been taken to improve the control environment and will continue to be improved. For example; there is now a complete list of all the Council's leases, which will be maintained by finance and periodically updated for new and expired leases through liaison with service department
Page 23	We identified a weakness in how the Council document their considerations for assessing recoverability of debtors and these could be improved.	Medium	It is recommended that a detailed review is undertaken in relation to the recoverability of debtors by type of debtor i.e. schools debtor, general debtors etc. A working paper should be produced as part of this exercise which documents the considerations applied to each type of debtor as well as what evidence there is to support those considerations based on past experience. Once the exercise has been completed and the working paper has been produced, this should be reviewed by the chief accountant or a member of the team who is suitably senior.		Chief Accountant	As per the action response to Observation 2: Management will review each year to ensure that the expected impact of credit losses is appropriate. Update: Management will consider implementing this recommendation. However, in line with the Accounting Code requirements the management will consider whether it is reasonable and there is supportable credit risk information available for the debtors without undue cost or effort. Should this not be the case management will continue to include debtors in a collective assessment with other assets with shared risk characteristics.
40	We identified that nil balances are presented inconsistently throughout the accounts. In some disclosures nil balances will be presented as '0' and in other places these are left as blanks.	Low	It is recommended that nil balances are included in the accounts rather than being shown as blanks. Alternatively, if the Council decides not to present nil balances then this decision should be applied consistently, i.e. not showing some nil balances as '0' and some as blanks	Management will consider implementing this recommendation in future years but don't consider this a high priority alongside prioritising implementation of other key recommendation.	Chief Accountant	No further action required - this will be incorporated in future years.

	Deloitte Observation	Severity	Deloitte Recommendation	Council Response	Responsibility	Council Action Update
41	We identified a number of intangible assets (£4.128m) have been included within the AUC column of the PPE disclosure and then shown as a transfer out of AUC	Medium	It's recommended that intangible assets are disclosed in the intangible assets disclosure in the accounts in the first instance rather than being included within the PPE disclosure and subsequently transferred out to the intangibles disclosure.	This practice has been corrected within the 2019/20 accounts and Intangible assets [operational and AUC] are not reflected in PPE but classified separately as intangible assets on the face of the Balance Sheet and supporting disclosure note.	Chief Accountant	No further action required - revised processes are now in place Update: This has been corrected in the 2019/20 accounts.
42	We identified that the 2020/21 draft provisions note included three provisions which had been disclosed as short term provisions in the 2019/20 accounts but that the draft note was showing had not been utilised.	Medium	It is recommended that the Council reviews provisions balances and determines whether or not these are short- or long-term provisions.	From 2020/21 management will review provision balances at the balance sheet date [and based on available evidence], make a judgement on whether specific balances [i.e. insurance claims], are short or long term, and classify on the face of the Balance Sheet accordingly.	Chief Accountant	No further action required - revised processes are now in place
43	We identified errors in the prior year figures included in the cashflow statement and associated notes as well as an error in the number included for the adjustment for non cash movements in 2019/20 caused by the incorrect signs being applied to investing and financing activities. Also the first three versions of the draft accounts did not include the movement on PFI contracts for 2018/19 of £3,351k in note 41.	Low	It is recommended that the Council review their cashflow workings and presentation	The Council recognised there were issues in the presentation of the Cashflow statement and have subsequently completely restated it.	Chief Accountant	No further action required - this was updated for 2020/21
44	We have identified numerous errors throughout our audit of the financial statements for 2019/20. We have encountered issues in obtaining adequate responses to queries, technical working papers and explanations for accounting treatment and in the quality of working papers. In some instances we have identified weaknesses in the technical accounting expertise of members of the Finance Team. In addition, there was significant turnover of staff throughout the audit and a couple of external contractors have been employed. Due to being new to the Council they do not possess an in depth knowledge of the Council to be able to allow them to answer some audit questions. Ultimately, these findings indicate insufficient staff resourcing of appropriate skills and experience to keep underlying accounting records free from material misstatement and prepare financial statements in line with IFRS and CIPFA requirements.	High	It is recommended that the Council review the finance team to identify the levels of technical accounting expertise present and identify any areas which may require further training, or where there are knowledge gaps that should be filled	Management unequivocally disagree with the following observations: - 'Due to being new to the Council they [external contractors] do not possess an in depth knowledge of the Council to be able to allow them to answer some audit questions' – there has been no occurrences where any audit questions have not been answered. - 'Ultimately, these findings indicate insufficient staff resourcing of appropriate skills and experience to keep underlying accounting records free from material misstatement'- this misses the point completely as the errors and misstatements are historic, with external resources and appointment of a new chief accountant making significant improvements. Management are already taking steps to improve the technical accounting skills of the finance team.	Chief Accountant	

	Deloitte Observation	Severity	Deloitte Recommendation	Council Response	Responsibility	Council Action Update
45	We identified during our testing of the cashflow that the Council does not have a control in place to identify grants which are received in advance, with these coded to the same place as other grants. This means it is difficult for them to identify those received in advance which are then recognised as income in the year, vs those received and recognised in year and those to be deferred. This then has implications for the ease of drafting the cashflow and recognising non-cash items etc.	High	It is recommended that the Council introduce a process to ensure the accuracy of the identification grants received in advance and code these separately, as a well as a review control to ensure the accuracy of the accounting.	Management have implemented a system to centrally record grants to improve financial reporting	Chief Accountant	
46	We identified during our testing of the cash flow statement that values had been incorrectly classified as cash items within the cashflow when they related to non-cash items, indicating the absence of an effective review control.	Medium	It is recommended that the draft cash flow is thoroughly reviewed before inclusion within the draft financial statements, to ensure that it accurately reflects cash and non-cash movements in the correct lines.	Management disagree with the observation that the classification issue was as a result of ' <i>the absence of an effective review control</i> '. The issue arose because of the method/approach taken to complete the cash flow statement. The method/approach has been changed to focus on the balance sheet movements, which has been implemented from 2019/20 accounts.	Chief Accountant	
47	All infrastructure assets are depreciated over a useful economic life (UEL) of 60 years, rather than an a UEL specific to the type of asset.	High	It is recommended that the Council apply individual UEL to categories of infrastructure assets, rather than an overall weighted average to all infrastructure in order to achieve greater accuracy in UEL and depreciation.	Management have provided Deloitte with a working paper setting out the rationale for using the 60 years UEL. Going forward from 2020/21 management will use individual UEL for different categories of infrastructure capital spend. This will be in addition to continuing to use the 60 UEL for the historic spend.	Chief Accountant	
Page 25	We performed a reconciliation between the business rates and council tax in the CIES and the Collection Fund and additionally asked the Council to also provide us with a reconciliation. The Council's reconciliation was not detailed enough to allow us to identify items we would expect to be included as reconciling items. For example, the council tax reconciliation noted the balance per the CIES, the balance per the Collection Fund and one reconciling balance between the two of "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".	High	It is recommended that when the Council produces reconciliations/working papers to support the accounts that these are reviewed internally before being presented for audit. Additionally, these should be detailed enough to allow specific reconciling items to be identified so that the reviewer of the working papers is able to clearly see what the reconciling items are.	Deloitte have not discussed this observation with the finance team, and hence this is the first time that management are aware. In the absence of any discussion, management are unable to provide a response and remediation plan solely from the observation opposite	Chief Accountant	
49	Whilst we have identified a wide range of necessary improvements in control we have not reviewed all of the controls necessary for a reliable financial reporting process.	High	The Council needs to do an end-to-end critical review of the sufficiency and design of existing controls in all key areas of the financial reporting process.	Management have already implemented [from 2020/21] improvements to a number of key controls. For example, project management disciplines, balance sheet, reconciliations, separate review and sign-off of working papers, separation of duties, review of fixed asset valuations and subsequent output from FAR, quality review of draft SOA, completeness review of lease disclosures, and revised schools' consolidation process. Management will continue to review key controls and make any required amendments as considered necessary	Chief Accountant	

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Wiltshire Council

**Annual Report and
Statement of Accounts**

2019/2020

Contents

	Page
Annual Report	
Corporate Director Resources Narrative Report	3
Financial and Performance Review	4
Annual Governance Statement	8
Statements to the Accounts	
Statement of Responsibilities for the Statement of Accounts	18
Independent Auditors' Report to the Members of Wiltshire Council	19
Key Financial Statements	
Comprehensive Income & Expenditure Statement	21
Movement in Reserves Statement	22
Balance Sheet	24
Cash Flow Statement	26
Expenditure & Funding Analysis Statement	27
Explanatory notes	
Notes to the Core Financial Statements	29
Annex 1 Accounting Policies	88
Housing Revenue Account (including notes)	101
Collection Fund (including notes)	106
Glossary of Terms	108

Corporate Director Resources Narrative Report

Wiltshire is a County with a proud heritage. The Council, like its peers and public sector partners has had to deal with a significant reduction in government funding and unprecedented increases in demand for services. In total Government funding has fallen significantly since 2009. Disproportionate increases in demand for services has compounded this with pressures of £45 million being contained and mitigated. Yet despite this, and through effective financial management, the Council has every year set and delivered a balanced budget. At the same time improving its performance in key areas.

The Statement of Accounts that follow show just how significant and complex a challenge it has been, but also shows how we have risen above the challenges and delivered.

Looking back on 2019/2020, the Council has had another successful year financially. In setting the 2019/2020 budget the Council planned to deliver £27 million of savings in the face of £45 million of growth in demand for services. The outturn shows that we have delivered a small underspend of £0.356 million and thus delivered again on the saving goals. The next section provides more detail on the financial performance.

At the same time, we have continued to resource high levels of performance and support the Council deliver quality public services.

Towards the end of the year the Council responded to the Covid-19 pandemic which placed pressure on service delivery across the Council and also gave rise to significant financial uncertainties. Due to the timing of the pandemic there is little impact in 2019/2020 in terms of the financial performance and financial position of the Council. However, the impact on the global economy results in some areas (i.e. valuations of some assets) mean that less certainty and a higher degree of caution should be attached to the valuations in these areas.

As the financial pressures facing councils increase and funding uncertainties remain both in the short and long term, we have and will continue to put financial acumen at the heart of all decision making to continue delivering an innovative, strong, resilient and sustainable financial environment.

The Statement of Accounts for 2018/2019 had an audit opinion that was qualified on an 'except for' basis due to issues with the technical disclosures of the historical balances within the revaluation reserve and capital adjustment account. The Council has been working with the external auditor to agree an approach to evidence these historic balances however the work to remove the qualification will be completed as part of the 2020/2021 accounts and audit process as agreed by the Audit and Governance Committee and the qualification will remain for this set of accounts.

The completion of the 2019/2020 accounts has been challenging for a variety of reasons and has resulted in significant delays to the conclusion to the audit. A development programme has been designed to ensure expected standards are met in future years. Details of the 2019/2020 accounts conclusion and opinion can be found in the auditor's ISA 260 report.

It is not the Council's policy to adjust for immaterial cross-casting differences between the financial statements and disclosure notes.

I recognise that to the ordinary reader the set of Statement of Accounts can appear complicated, so the remainder of this narrative simply highlights some of the key areas contained in the 2019/2020 Statement of Accounts.

Andy Brown
Corporate Director Resources
Wiltshire Council
7 February 2024

Financial and Performance Review

Overall Financial Outturn

The financial statements report a minor underspend for 2019/2020 of £0.356 million. This has been achieved after a challenging year where we again saw an increase in demand for local services whilst facing further reductions in government funding.

During 2019/2020 we took regular monitoring forecast reports to senior management and Cabinet. These reports identified the need to take action in year to deliver a balanced budget, and as a result of those actions spending has once again been managed prudently to enable that position to be achieved.

There are some areas of service delivery though that continue to face demand, and financial pressures and mitigations in other service areas have enabled the overall position to be balanced.

The following tables summaries the Council's General Fund expenditure during the year:

	2019/2020	2018/2019
	£000	£000
Adults	164,961	160,738
Childrens and Education	87,022	75,664
Growth, Investment and Place	106,451	100,633
Corporate	(26,413)	(11,446)
Budget Requirement	332,021	325,589
Funding	(332,377)	(327,746)
Surplus in year	(356)	(2,157)

The Housing Revenue Account owns approximately 5,297 homes generating rental income of over £25.7 million in the year. This income is held in a ring-fenced account (the Housing Revenue Account or "HRA") which can only be used for social housing purposes. The HRA delivered a £3.4 million overspend in the year which was funded by a contribution from HRA balances which remained at a prudent level as at 31 March 2020.

The following pages set out how this financial outturn links to performance and demand. In setting the 2019/2020 Budget the Council took account of its Business Plan to reprioritise funding where required and identified £27 million of savings to be delivered. Details are available in the budget setting papers on the Council's website.

Impact on the Council's Assets and Liabilities

The Council's Balance Sheet shows a generally stable position, the largest change is due to an increase in the Council's pension liabilities and the way these are quantified. The Pension Fund has a plan agreed with its actuaries to return the fund to a balanced position by 2036 and will keep this under review. The key elements of the balance sheet are as follows:

	31 March 2020	Restated 31 March 2019*
	£000	£000
Long-Term Assets	1,180,046	1,155,548
Current Assets	160,526	170,544
Current Liabilities	(143,714)	(113,038)
Net Pension Liability	(491,733)	(613,750)
Other Long-Term Liabilities	(452,935)	(458,710)
Net Assets	252,190	140,594

Financial and Performance Review (cont'd)

	31 March 2020 £000	Restated 31 March 2019* £000
Financed by:		
Usable Reserves	(128,399)	(146,365)
Unusable Reserves	(123,791)	5,771
Net Assets	252,190	140,594

* The 2018/2019 Balance Sheet has been restated because of various adjustments, which are detailed in a footnote to the Balance Sheet in the Key Financial Statements section that follows.

Delivery of the Capital Programme

The Council's 2019/2020 programme saw £111.5 million spent to deliver a wide range of capital works. The programme being funded from £61 million in grants, £8 million from capital receipts, £9 million HRA contributions and the balance of £33.5 million from borrowing.

The main areas of capital spend where £28 million of highways spend, £30 million on education schemes and £13 million on Council house build programmes and refurbishment of Council stock.

Note 25 on Assets Held for Sale identifies that as at 31 March 2020, £8.4 million of Council property is expected to be sold in 2020/2021. These sales will continue to support the Council's capital investment plans.

Impact on Treasury Management and Cash Flow

The Council's internal Treasury Management team manages its cash within the strategy approved by Full Council. The Treasury Management Strategy was fully adhered to in 2019/2020. The average long-term borrowing rate was 3.75%; and the return on short term investments was 0.90%.

At the end of 2019/2020 the Council had £348 million of outstanding borrowing. That is £3 million less than as at 31 March 2019. In order to minimise the cost of borrowing no new debt was taken out. This policy resulted in an 'under-borrowed' position by over £150 million which results in an overall saving in the region of £2.7 million.

Pension Fund

The deficit on pensions relates to the current actuarial valuation, and whilst it does not need to be paid in year, it will need to be found in future years.

The pension deficit as at 31 March 2020 of £492 million reflects an ongoing risk to the Council. This risk is being mitigated through a recovery plan agreed with Wiltshire Pension Fund's actuary that will see the employer's liability fall in the future.

Financial Risks

The Council seeks to manage its financial risk through prudent controls, with business case assessments, always assessing the value of its assets and investments. Overall these risks are well managed, with the risks associated with the Council's borrowing and investment activities set out in note 50 to the financial statements. There is £4.5 million set aside in provisions, mainly relating to insurance claims and Business Rates Retention Scheme appeals. More details are set out at note 29 to the financial statements.

In common with the rest of local government, the Council has seen a steady reduction in government funding in recent years. We are currently waiting on proposed funding changes following the fair funding review which will impact on our future revenue funding streams.

A risk that continued to exist during 2019/2020 related to the implications of and uncertainty around the exit from the European Union. The Council has continued to work closely with its partners through civil contingency arrangements to address this possibility; and a greater understanding of financial risk including income generation and implication on properties valuations.

Financial and Performance Review (cont'd)

A new risk that emerged towards the end of the 2019/2020 financial year was as a result of the Covid-19 pandemic. On the 23 March 2020 the Government placed the country into a nationwide lockdown. With the demand on Council services to protect the vulnerable, support businesses and communities as well as the impact on the Councils income streams, emergency Government grant was issued on 30 March 2020 to initially cover the financial impact of the lockdown. Due to the timing of the pandemic, the lockdown and ongoing government interventions there is no significant impact on the financial statements, with the exception of the material valuation uncertainty at 31 March 2020 for most types of property valuation, which is explained in note 44.

General Fund and Earmarked Reserves

Overall the outturn has meant that the Council's General Fund Reserve is £15.4 million, this is an increase of £0.356 million in year. Whilst the level of general fund reserves remains still one of the lowest in the Country in proportion to the size of the Council, it is still within the level recommended by the Chief Finance Officer.

Other earmarked reserves have decreased significantly (as set out in note 32 of the financial statements), due to use of earmarked reserves to support services in the year. Within the reserves is a significant deficit balance on the Dedicated Schools Grant ("DSG"). These funds are ring-fenced for funding schools and recovery plans are in place for these balances.

Financial and Activity / Performance

In setting the 2019/2020 budget the Council received no funding from government through general support grant (revenue support grant). This meant in 2019/2020 an additional £8.3 million was needed to be raised from Council Tax, and £5.5 million from the Social Care Levy to fund adult care pressures. The shift to less reliance on government grant also means over 98% of our funds continue to come from local residents and businesses, the same proportion as 2018/2019.

The Council continues to face demand and inflationary pressures of circa £30 million per annum. To manage this challenge the Business Plan has had a clear prioritised focus that has helped shape both the areas of financial investment and drive for continual improvement in performance.

The 2019/2020 revenue outturn was an underspend of £0.356 million. This is 0.1% of the Council's net budget. This underspend added to General Fund Reserve leaving a balance of £15.4 million at the end of the year.

The most significant issue the Council faces in future years is the financial impact of the Covid-19 pandemic. This emergency has tested all local authorities and a full recovery programme is underway. The impact on the Council has continued to affect operational service delivery during 2020/2021, with staffing resources focussed on supporting emergency response activities and the public requiring different support from the Council as well as needing to support businesses and suppliers.

The financial position has seen a significant change in the 2020/2021 financial year, with income losses of sales, fees and charges in services such as car parking, and it is unknown how long income losses in areas such as council tax and business rates will remain as the local economy as well as the global economy is profoundly affected. The Council has seen some cost reductions, such as property running costs due to lockdown building closures and delays in some areas of spend such as some capital schemes, not only as a direct result of government intervention guidelines but also as a result of the re-prioritisation of council resources, both staffing and financial.

With national Government financial support packages such as the furlough scheme and the sales, fees and charges compensation schemes, alongside emergency grant funding and the government to support councils through these unprecedented times, this additional government funding for the Council has off-set significantly the cost pressures. Unspent grant has been carried forward from 2020/2021 into the following financial years to continue to support recovery. National schemes such as the business grants scheme, where the Council is acting as an agent for central government, has impacted on the Council's overall financial position due to cash balances remaining with the Council.

Financial and Performance Review (cont'd)

All these issues will have an impact on the future year's financial statements, with changes expected across all the primary statements. Uncertainty will remain, with an expected change in the way public services will be delivered in the future, with changes in behaviours across all areas of society and uncertainty on what recovery may mean and the timing of this and the impact on funding for the Council.

The Council continues to focus on the delivery of efficient and effective public services for its residents whilst working closely with its partners and key suppliers to ensure services remain efficient and effective and value for money for the future and the Council remains operationally and financially resilient.

Annual Governance Statement

Introduction

Wiltshire Council is a local authority that is responsible for providing services to nearly half a million residents, tens of thousands of varied businesses and over a million visitors per year. It aims to create strong communities, grow the local economy and protect vulnerable people and this approach underlines everything we do. The Council secures funding from national government, local taxation and charges. So, as a public body, it needs to have a strong governance and assurance framework to make certain its business is conducted to the highest standards, ensuring:

- resources are directed in accordance with agreed policy and according to priorities;
- there is sound and inclusive decision making, conducted in accordance with the law and proper standards;
- there is clear accountability for the use of those resources in order to achieve desired outcomes for service users and communities; and
- public money is safeguarded and properly accounted for, and continuous improvement in the way in which its functions are exercised is secured, having regard to economy, efficiency and effectiveness.

This statement reflects how Wiltshire Council has met those standards in 2019/20 and beyond; as well as the ongoing actions it is taking to maintain and improve its governance arrangements. Evidence of how we have assessed ourselves has been grouped into sections as set out by the Chartered Institute of Public Finance and Accountancy ("CIPFA") in its publication 'Delivering Good Governance in Local Government Framework (2016)' and is consistent with the Local Code of Corporate Governance.

Approval of the Annual Governance Statement 2019/2020

We are satisfied that this statement provides a substantial level of assurance that good governance is in place in Wiltshire Council and that appropriate arrangements are in place to address improvements identified in our review of compliance. Progress on these improvements and on addressing and mitigating the risks will be monitored through the year by senior officers and the Audit and Governance Committee.



Terence Herbert
Chief Executive



Cllr Philip Whitehead*
Leader of Wiltshire Council

18 November 2020

* The current Leader of Wiltshire Council is Cllr Richard Clewer

The Local Code of Corporate Governance provides a means of demonstrating that a sound level of governance is operated. This local code acts as a means of assurance, but also a mechanism for achieving continuous improvement. This approach is consistent with the principles of the CIPFA/SOLACE *Delivering Good Governance in Local Government* framework. The principles are set out below:



The following pages set out a summary of the key governance controls, mapped against the CIPFA principles. These are supported by case studies to help demonstrate where positive improvement action has already been taken, and a note of improvement actions that the Council will take.

Principle A: Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law

Respect for the rule of law

The Council's [Constitution](#) provides the framework within which the Council operates. It sets out how decisions are made and the procedures which must be followed to ensure that these are efficient, effective, transparent and accountable. The constitution is kept under review by the Standards Committee who request the Constitution Focus Group to review sections. In 2019/20 this included the terms of reference for Wiltshire Pension Fund Committee and Local Pension Board, adjustments to the policy framework, reviewing the planning code of good practice, approach to petitions, new arrangements for code of conduct complaints and temporary meeting protocols for Covid-19. Bespoke arrangements are in place to ensure virtual meetings can deliver continued councillor engagement on key decisions.

The Constitution includes at Part 13 the **Members' Code of Conduct**, which makes clear the obligation of elected members in promoting and maintaining high standards of conduct and ensuring the principles of public life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership) are adhered to. Pecuniary and non-pecuniary interests are [registered](#) and published on the web site in accordance with the requirements of the Code of Conduct and the underlying legislation.

During 2020 the LGA has consulted on a Model Code of Conduct and the Council's response to the consultation was overseen by the Standards Committee.

Behaving with integrity

Strong commitment to ethical values

The Council publishes and promotes both a code of conduct for its staff and a **Behaviours Framework** that details what is expected of all employees. The behaviours framework is embedded throughout the employment lifecycle and forms a key part of the appraisal system to promote ethical awareness amongst the Council's staff.

There is a process for dealing with complaints under the code of conduct for unitary, parish, town and city councillors in Wiltshire. This process and its application is set by the Council and reviewed regularly by the Council's **Standards Committee**. This year a new assessment sub-committee system has been adopted to streamline the handling of complaints. Minutes from the meetings of this Committee can be found [online](#). There were 44 complaints last year, 11 in relation to unitary members, 33 parish members. 7 in total were referred for investigation. The number of complaints per year since 2012 has ranged from 27-82.

Ethical considerations are also evident in the Council's [Procurement Strategy](#) where Social Value is a consideration. A task & finish group has been set up to ensure Social Value is at the forefront of all procurement activity, achieving value for money on a whole life basis for the council, communities and the economy, whilst protecting the environment.

How we can improve

Deliver policy and training to embed social value across the council
 Promote with staff 'EPIC values' (Empowering People to Innovate and Collaborate) and an updated code of conduct, replacing the previous Behaviours framework

Principle B - Ensuring openness and comprehensive stakeholder engagement

Openness

The Council makes available a range of important information on its website including its strategic aims and ambitions in its published **Business Plan** and via its publication scheme. The council has arrangements for dealing with requests under Freedom of Information laws. In 2019/20 there were 1412 requests with 96% responded to within 20 days

Committee meetings are open to the public, and **agenda papers and minutes** are available on the internet in various formats along with forward work plans/ calendars.

Public engagement plays a key part in the decision-making process, across the full range of the Council's services. Key consultations undertaken during 2019/20 include those on Special Schools, the council tax reduction scheme, SEND strategy and Health and Wellbeing Strategy. A **communications protocol** is in place for councillors and officers.

The Council supports a range of partnerships including: the **Health and Wellbeing Board**, promoting integrated working between the council and the NHS; the **Wiltshire Police and Crime Panel** which reviews and scrutinises decisions of the Police and Crime Commissioner (joint committee with Swindon Borough Council); and the work of the Swindon and Wiltshire Local Enterprise Partnership (**SWLEP**). The Council has been an active partner in the Local Resilience Forum during pandemic and is leading a multi-agency Recovery Coordinating Group and plans for local outbreak control.

Wiltshire Council's 18 **Area Boards** involve the local community in decision-making within the agreed scheme of delegation. 124 area board meetings took place with devolved funding on community grants, youth, health and wellbeing and transport and devolved decision-making powers on community asset transfers.

The **Wiltshire Compact** is an agreed set of guidelines and principles to foster good working relationships between the voluntary sector and the public sector.

Engaging with citizens and service users

Quick, open, officer decision making is in place with the ability for local councillors to call-in **planning** decisions to committee in response to local concerns. A strategic planning committee oversees the application of the Local Plan. Expectations for [Community Involvement](#) in preparing Wiltshire's planning policy documents and in considering planning applications are clearly set out. Full council has recently approved a new Statement of Community Involvement as part of a five-yearly review.

Emergency and other **officer decisions** taken under the scheme of delegation during the pandemic have been enacted with the support of the Leader and published online; with regular reports to Cabinet on the key developments. Input from representative groups has been sought where appropriate and a Covid-19 task and finish scrutiny group has also been established to ensure wider councillor input continues to take place.

Engaging with institutional stakeholders

How we can improve

Implement a new Voluntary and Community Sector strategy and review the Wiltshire Compact.

Principle C - Defining outcomes in terms of sustainable economic, social and environmental benefits

Defining outcomes

The Business Plan 2017-27 was agreed in 2017 to enable the vision, priorities and goals set out to be translated into actions that deliver the changes required in the coming years.

Following the publication of the report of the LGA's **Peer Review** on Wiltshire Council in 2018, an action plan was developed and in July 2019 the Overview and Scrutiny Management Committee agreed that further scrutiny was not needed given progress on its recommendations.

A Local Development Scheme provides a three year rolling project plan for producing the **local development framework**

Parishes throughout the county can continue to request community asset transfers. During 2019/20 negotiation on significant **service delegation and asset transfer** packages took place with Bradford on Avon, following the successful asset transfer packages for Devizes and Chippenham Town Councils, Pewsey Parish Council and Salisbury City Council in previous years. This enables local communities more of a say, with the intention to extend this where possible.

Requirements for the public estate are likely to evolve further in coming years with related opportunities for capital receipts, jobs and housing.

The Council receives reports on the combined economic, social and environmental impacts of its policies in the form of various reports including the **Joint Strategic Needs Assessment (JSNA)**. These also inform community led action planning and inform other schemes such as the Big Pledge.

Community facilities have a key role in supporting people to live more active and fulfilled lives. The campus programme has provided sustainable assets for towns that provide a place, facilities and services that help to combat isolation and loneliness and increase the opportunities for social interaction; and in so doing build strong communities. Several campuses have been completed already and work continues in Calne, Cricklade and Melksham. Temporary closure of facilities during the pandemic has led to increased uptake of digital facilities; and consultation with local communities on safe reopening of library and leisure facilities.

Investment in transformation of **adult social care** has continued with strengths-based professional practice, increasing customer independence and reducing reliance on expensive packages of care. Close working with the NHS during the pandemic has also enabled a multi-professional discharge flow hub to be established. **Families and children** transformation has implemented improved multi-professional early support

Sustainable economic, social and environmental benefits

How we can improve

Pilot a multi-year outcome-based planning process aligned to budget build (when spending reviews permit).
Review approach to service delegation and asset transfer and One Public Estate.

Principle D - Determining the interventions necessary to optimise the achievement of intended outcomes

Regular Performance and financial updates are reported to senior officers and councillors, including scrutiny through the **Financial Planning Task Group** which is a task group established by the Overview and Scrutiny Management Committee.

The council's **annual budget** setting process has also seen updates to the Medium Term Financial Strategy and ongoing Capital Programme.

Oversight of corporate projects is undertaken by the Corporate Leadership Team (CLT), supported with advice from Finance, Legal, HR and Procurement Teams. The **Programme Office** manages projects and programmes on behalf of the Council and provides reports to the Council on ongoing work. During 2019/20 the majority of projects were delivered or progressed according to schedule. Monthly reports were provided to CLT with appropriate actions taken.

The **Corporate Procurement Strategy** provides the framework for the council to obtain value and social capital from all of its bought in goods and services. The strategy focuses on the delivery of the following corporate and social goals:

- Identifying and delivering efficiencies, but not at the expense of quality
- Developing and embracing the principles of sustainable procurement

Significant programmes in 2019/20 include the transformation of adult social care; families and children; and digital. A decision to defer expenditure on a number of programmes was taken by Cabinet in June 2020.

The procurement strategy is used to encourage the adoption of a mixed economy approach, evaluating on the basis of whole life costings and breaking down barriers to participate in council opportunities. Using transparent processes, the council commits to meeting its obligation to ensure that all of our procurement activity addresses relevant social, economic and environmental standards.

Following its adoption in early 2018, the Council continues to implement the **commercial policy and approach** which is designed to improve our: management information; staff skills; use of assets and resources to make financial returns; and review and revise our models of delivery.

Business plans for a **local housing company** and development company were agreed by Council in January 2020. This will involve development of four council owned sites to deliver 103 units. There is also an ambitious housing revenue account programme to deliver 1000 affordable homes at social rent levels with passivhaus specification where possible.

Council has also agreed to establish a **local energy company** so that it can trade in energy produced on its assets.

How we can improve

Review the effectiveness of the commercial policy and current procurement and commissioning approaches.

Embed good commissioning and contract management as part of staff job descriptions.

Principle E - Developing capacity, including the capability of the Council's leadership and the individuals within it

Developing capacity

The Council's **People Strategy** focuses on attracting the best people to work for the Council and engaging, developing and retaining existing staff and will be updated to reflect internal recovery focus.

A wellbeing survey in May 2020 showed an **improvement in staff engagement** overall (+18% to 88%) since December 2018. The response to the pandemic has increased opportunities and support for homeworking, inspired new ways of communicating with staff through vlogs and live Q&As, increased the agility of the workforce through the rapid redeployment of 400 staff across a number of service areas and prompted greater focus on employee welfare.

Managers complete **annual appraisals** with their staff and use these to discuss behaviours, identify training and development needs, and develop plans to address these needs. Exit interviews also ensure the council learns is a learning organisation.

Following the introduction of the **apprenticeship levy** the council now has over 276 new and upskilling apprentices. A leadership and management development programme offers aspiring and developing managers the opportunity to complete accredited qualifications using levy funding. In addition, the council now has the highest proportion of staff aged under 25 in recent years – currently standing at 6.8%, some of whom are employed as apprentices.

We have continued to develop the alignment of service responsibilities to roles at the top of the organisation to ensure joined up and effective working. A **senior management** restructure at tier 3 took place in early 2020 with further restructuring following at tiers 1 and 2 resulting in the implementation of a single Chief Executive post as a focal point of leadership for recovery from the impact of COVID-19.

The council continues to learn by seeking **best practice** both regionally and nationally and responding to the findings of external inspections such as CQC and Ofsted inspections.

The council has evaluated how well we have worked with our civil contingency partners in the response to (and recovery from) the events in south Wiltshire and will be doing the same for the pandemic in 2020 given the significant implications for the county, council and partners.

As well as the training provided as part of councillor induction a range of learning material is made available to councillors online via the Wiltshire Council **learning portal**, GROW.

Developing the capability of the Council's leadership and other individuals

How we can improve

Rollout training and awareness on decision making processes.
Work with partners to complete a multi-agency evaluation of the response to the pandemic.

Principle F – Managing risks and performance through robust internal controls and strong public financial management

Managing risk and performance

A new **risk and performance management policy** was agreed in February 2019 to replace the previously separate Corporate Risk and Corporate Performance Strategies. The Council's risks are monitored at various levels in the organisation including by Cabinet on a quarterly basis. These are now combined with financial and performance information to enable a comprehensive understanding. Managing risks is the responsibility of services who define the risks related to their service areas and assign individuals to be responsible for their management. All services risks are scored on the same basis and some service risks are elevated, through the policy, onto the corporate risk register which is published and reviewed quarterly. Bespoke risk registers relating to response to and recovery from the pandemic have also been developed. The Audit and Governance Committee monitor and review the effective development and operation of performance and risk management, receiving progress reports as required.

The Council is the administering authority for more than 180 employers through the Wiltshire Pension Fund, and the Pension Committee exercises its responsibilities in relation to investment management where it sets investment policy and appoints and monitors external investment managers. This has included participation in the Brunel Pension Partnership (as agreed by full council). The operation of a **Local Pension Board** continues, with the purpose of scrutinising the Council as Administrator for the Wiltshire Pension Fund and ensuring the efficient and effective governance of the pension scheme.

Wiltshire's section 151 Officer or **Chief Finance Officer** has a statutory duty to ensure that the Council has a strong financial control environment, including an effective and independent Internal Audit function in accordance with the Accounts and Audit Regulations.

The main **changes in risk** during 2019/20 have been relating to the implications of and uncertainty around the exit from the European Union, where the council has worked closely with its partners through civil contingency arrangements to address this possibility, and the impact of the pandemic. The pandemic will have immediate and undoubtedly long lasting significant financial implications for Wiltshire's economy, communities and residents as well as the Council itself. The magnitude and far-reaching consequences of this unprecedented situation represents a significant governance issue for the Council, which will be addressed through the Recovery Plan agreed by the Recovery Co-ordinating Group of the LRF and endorsed by Cabinet on behalf of the Council.

The Senior Information Risk Owner's **(SIRO) Annual Report**, outlines the significant work that has taken place to embed good practice and manage risk to ensure compliance across the council.

Robust internal control and strong public financial management

How we can improve

Review how performance can be communicated to the public to deliver maximum openness and transparency.

Principle G - Implementing good practices in transparency, reporting and audit to deliver accountability

Assurance and effective accountability

The Council has independent external auditors (Deloitte) and SWAP Internal Audit Services, who provide an internal audit function, Wiltshire being the biggest partner. SWAP's internal audit plan is agreed by the **Audit and Governance Committee** and periodic update reports were considered by the Committee throughout 2019/20. As at April 2020, SWAP Internal Audit completed 66 internal audit reviews, to draft and final report including significant high-risk areas e.g. contract management, programme management and procurement processes. One audit on gross loans was given no assurance. SWAP has worked closely with the Audit Committee to follow up and monitor implementation. Overall SWAP assessed the Council's control environment as 'reasonable' with no significant issues raised.

The Council has been working with the **External Auditor** to agree an approach to a technical disclosure query associated with fixed asset accounting and more specifically historical balances within the revaluation reserve and capital adjustment account. The Council has accepted an 'except for' qualification on these accounts to ensure progress to conclusion of the audit opinion for 2018/19 and 2019/20. Consideration of improvement in year-end closedown controls will be addressed as a result of the deficiencies that arose during the 2019/20 closedown process. Details of this conclusion and opinion can be found in the auditor's ISA 260 report.

There is a strong culture operating in the Council of acting to the highest standards. This is rooted in the behaviours expected of councillors and staff and upheld by the senior leaders. Where any resident feels the Council has not acted properly the Council has a **corporate complaints** procedure. The number of complaints received has fallen from previous years with 459 in 2019/20 (compared to 588 in 18/19, 624 in 17/18 and 671 in 16/17). The Council has received the Annual Letter of the Local Government and Social Care Ombudsman. There were 37 detailed investigations undertaken by the Ombudsman in the year ending 31 March 2020. The number of complaints upheld by the Ombudsman were 19. This compares with 10 (of 19) and 8 (of 20) in the previous two years. This is an uphold rate of 51% which is lower than the average rate of 56% for similar authorities. The council has complied with 100% of Ombudsman recommendations and in 5% of upheld cases the council had already provided a satisfactory remedy before the complaint was considered.

Implementing good practices in transparency and reporting

The **Overview and Scrutiny** committees in Wiltshire Council have undertaken a range of reviews to inform policy development and evaluate decisions of the executive. Key reviews include those on consultation, financial planning, maternity services, children's centres, outdoor education, climate change, homelessness, housing aids and highways. An **Annual Report** from the Overview and Scrutiny Management Committee sets out this activity in detail. During the pandemic bespoke scrutiny arrangements were agreed as outlined in Briefing Note 20-17.

The ambitions set out in the **Local Code of Corporate Governance** are reviewed regularly and quarterly updates have been provided to the Audit and Governance Committee.

The Council complies with reporting requirements such as an **online structure chart** and information on senior salaries and expenses.

How we can improve

Align organisational processes more closely to the outcomes in the Business Plan to ensure a focus on the resources used and outcomes achieved.

Statements to the Accounts

The Statement of Responsibilities for the Statement of Accounts

The Council's Responsibilities

The Council is required to:

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

The Chief Financial Officer's Responsibilities

The Chief Financial Officer is responsible for the preparation of the Statement of Accounts (which includes the financial statements) in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom ('the Code').

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

- selected appropriate accounting policies and applied them consistently;
- made reasonable and prudent judgements and estimates;
- complied with the Code of Practice.
- kept proper, up to date accounting records;
- taken reasonable steps to prevent and detect fraud and other irregularities;
- assessed the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern;
- used the going concern basis of accounting on the assumption that the functions of the Council will continue in operational existence for the foreseeable future; and
- maintained such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Statement of the Chief Financial Officer

I certify that the Statement of Accounts gives a true and fair view of the financial position of Wiltshire Council at 31 March 2020 and of its income and expenditure for the year then ended.

[This statement will be signed following the approval of the accounts at the 7 February 2024 meeting]

Lizzie Watkin

Director of Finance and Procurement (Section 151 Officer)
Wiltshire Council
7 February 2024

Approval of the Statement of Accounts

[This statement will be signed following the approval of the accounts at the 7 February 2024 meeting]

Councillor Iain Wallis

Chairman of the Audit and Governance Committee
7 February 2024

Independent Auditors' Report to the Members of Wiltshire Council

[This will be added following the approval of the accounts at the 7 February 2024 meeting]

KEY FINANCIAL STATEMENTS

Comprehensive Income & Expenditure Statement

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

	2019/2020			2018/2019 Restated*		
	Expenditure £000	Income £000	Net Expenditure £000	Expenditure £000	Income £000	Net Expenditure £000
General Fund Services						
ASC Operations - Access & Reablement	79,647	(25,020)	54,627	75,961	(21,857)	54,104
Learning Disability & Mental Health	82,853	(13,942)	68,911	78,226	(10,933)	67,293
Commissioning	81,790	(50,397)	31,393	77,768	(49,018)	28,750
Public Health	17,412	(15,654)	1,758	17,526	(16,220)	1,306
Digital & Information	17,512	(4,886)	12,626	13,986	(3,334)	10,652
Legal, Electoral & Registration	8,954	(4,057)	4,897	6,258	(1,982)	4,276
Family & Children Services	123,553	(43,838)	79,715	108,870	(40,532)	68,338
Education & Skills**	205,949	(174,688)	31,261	201,078	(175,984)	25,094
Corporate Services	9,444	(2,243)	7,201	9,963	(2,438)	7,525
Human Resources & Org Development	5,484	(1,896)	3,588	5,217	(1,757)	3,460
Economic Development & Planning	12,349	(8,169)	4,180	14,172	(8,358)	5,814
Highways & Environment***	90,849	(20,234)	70,615	86,672	(19,893)	66,779
Housing & Commercial Development	29,421	(9,596)	19,825	38,811	(11,443)	27,368
Communities & Neighbourhood	46,321	(13,735)	32,586	50,027	(14,095)	35,932
Finance	94,807	(89,298)	5,509	108,057	(100,819)	7,238
Corporate Directors & Members	3,926	(248)	3,678	3,302	(33)	3,269
Corporate	13,209	(2,709)	10,500	9,977	(4,965)	5,012
Housing Revenue Account (HRA)	23,007	(26,827)	(3,820)	22,377	(26,253)	(3,876)
Net Cost of Service	946,487	(507,437)	439,050	928,247	(509,914)	418,333
Other Operating Expenditure	Note 3		32,829			46,012
Financing and Investment Income and Expenditure***	Note 4		28,812			22,639
Taxation and Non-specific Grant Income	Note 5		(451,445)			(468,287)
(Surplus)/ Deficit on the Provision of Services			49,246			18,697
(Surplus) or deficit on revaluation of Property, Plant and Equipment Assets**	Note 36		(6,619)			(20,754)
Actuarial (Gains)/Losses on Pension Assets /Liabilities	Note 38		(158,930)			34,485
Other Comprehensive Income and Expenditure			(165,549)			13,731
Total Comprehensive Income and Expenditure			(116,303)			32,428

* 2018/2019 amounts have been restated to reflect the departmental restructure that occurred in 2019/20.

** 2018/2019 amounts have been restated to reflect the write out of the school non-current asset transactions relating to Malmesbury School and Wootton Bassett School that converted to Academies during 2011. The restatements are as follows:

- Education and Skills reduced expenditure by £0.960 million.
- (Surplus) or deficit on revaluation of Property, Plant and Equipment Assets reduced by £5.040 million.

*** 2018/2019 amounts have been restated to reflect the Council's waste vehicles (being made available to the contractor to provide the waste services) being reclassified and remeasured as a finance lease - receivable (previously treated as REFUCUS). The restatements are as follows:

- Highways & Environment reduced expenditure by £1.057 million.
- Financing and Investment Income and Expenditure reduced by £0.220 million.

Movement in Reserves Statement

The Council maintains a number of reserves that are recorded on the Balance Sheet. Some are required to be held for statutory reasons, some are needed to comply with proper accounting practice, and others have been set up voluntarily to earmark resources for future spending plans.

	General Fund Balance* £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000 Note 31	Unusable Reserves £000 Note 35	Total Authority Reserves £000
Movement in reserves during 2019/2020								
Balance at 1 April 2019	(52,343)	(13,567)	(11,970)	(4,739)	(63,746)	(146,365)	5,771	(140,594)
Loan Premium - Monkton Park former PFI**						0	4,707	4,707
Restated Balance at 1 April 2019	(52,343)	(13,567)	(11,970)	(4,739)	(63,746)	(146,365)	10,478	(135,887)
Total Comprehensive Income and Expenditure	54,352	(5,106)	0	0	0	49,246	(165,549)	(116,303)
Adjustments between accounting basis and funding basis under regulations (note 14)	(41,381)	8,529	842	(7,430)	8,160	(31,280)	31,280	0
Net (Increase)/Decrease in 2019/2020	12,971	3,423	842	(7,430)	8,160	17,966	(134,269)	(116,303)
Balance at 31 March 2020	(39,372)	(10,144)	(11,128)	(12,169)	(55,586)	(128,399)	(123,791)	(252,190)
Movement in reserves during 2018/2019 Restated***								
Balance at 1 April 2018	(53,431)	(17,951)	(12,997)	(1,599)	(53,997)	(139,975)	(52,975)	(192,950)
PFI schools converted to Academies****						0	31,874	31,874
Restated Balance at 1 April 2018	(53,431)	(17,951)	(12,997)	(1,599)	(53,997)	(139,975)	(21,101)	(161,076)
Total Comprehensive Income and Expenditure****	21,836	(3,139)	0	0	0	18,697	13,731	32,428
Finance Lease adjustment*****						0	(11,946)	(11,946)
Adjustments between accounting basis and funding basis under regulations (note 14)*****/*****	(20,748)	7,523	1,027	(3,140)	(9,749)	(25,087)	25,087	0
Net (Increase)/Decrease in 2018/2019	1,088	4,384	1,027	(3,140)	(9,749)	(6,390)	26,872	20,482
Balance at 31 March 2019	(52,343)	(13,567)	(11,970)	(4,739)	(63,746)	(146,365)	5,771	(140,594)

* The General Fund Balance is made up of the General Fund working balance and Earmarked Reserves. See Expenditure & Funding Analysis Statement for the summary of these balances and note 32 for the breakdown of the Earmarked Reserves.

** Financial Instruments Adjustment Account (Unusable Reserve) has been restated by £4.707 million as at 1 April 2019 to reflect the loan premium on the Monkton Park former PFI loan which has been reclassified and measured as a financial instrument (as opposed to a service concession). The loan premium will be written back to revenue over the remaining term of the loan, with £0.348 million being written back in 2019/2020 and the loan interest being reduced by the corresponding amount, these adjustments have been reflected in the General Fund column, lines 'Adjustment between accounting basis and funding basis under regulations (note 14)' and 'Restated Total Comprehensive Income and Expenditure', respectively. It should be noted these adjustments have not changed the General Fund balance as at 31 March 2020. The 2018/2019 comparatives have not been restated because these adjustments are not material.

*** The allocation of the 2018/2019 surplus/deficit on provision of services between General Fund and HRA has been corrected to more accurately reflect the position of each of these two funds. As a consequence, in the Movement in Reserves Statement above, the total comprehensive income and expenditure has been restated in addition to the adjustments between accounting basis and funding basis under regulations, for General Fund and HRA. It should be noted these restatements have not changed the General Fund and HRA balances as at 31 March 2019.

**** 2018/2019 amounts have been restated to reflect the write out of the school non-current asset transactions and balances relating to Malmesbury School and Wootton Bassett School that converted to Academies during 2011. The restatements are as follows:

Balance at 1 April 2018

- Unusable Reserves reduced by £31.874 million.

Total Comprehensive Income and Expenditure

- General Fund Balance reduced by £0.960 million.

- Unusable Reserves increased by £5.040 million.

Adjustments between accounting basis and funding basis under regulations (note 14)

- General Fund Balance reduced by £0.960 million.

- Unusable Reserves increased by £0.960 million.

***** 2018/2019 amounts have been restated to reflect the Council's waste vehicles (being made available to the contractor to provide the waste services) being reclassified and remeasured as a finance lease - receivable (previously treated as REFCUS). The restatements are as follows:

Balance at 30 July 2018

- Unusable Reserves increased by £11.945 million.

Total Comprehensive Income and Expenditure

- General Fund Balance reduced by £1.277 million.

Adjustments between accounting basis and funding basis under regulations (note 14)

- General Fund Balance reduced by £1.277 million.

Balance Sheet

This statement summarises the Council's assets and liabilities as at 31 March for the years 2020 and 2019, and balances as at 1 April 2018.

	NOTES	31 March 2020		31 March 2019	1 April 2018
		£000	£000	Restated £000	Restated £000
Property, Plant and Equipment	15				
Council Dwellings & Garages		299,258		305,740	303,073
Other Land and Buildings**		333,572		346,821	346,695
Vehicles, Plant, Furniture and Equipment		7,387		6,165	18,809
Infrastructure		410,393		388,208	357,494
Community Assets		4,377		6,061	6,160
Assets Under Construction		63,360		50,673	62,806
Surplus Assets Not Held for Sale		4,550		8,634	9,890
			1,122,897	1,112,302	1,104,927
Investment Properties	23	23,099		23,452	23,244
Intangible Assets	24	14,244		1,985	564
Long Term Finance Lease Receivable***	21	10,319		11,406	0
Long Term Debtors	26 & 30	9,487		6,403	5,638
			57,149	43,246	29,446
Total Long Term Assets			1,180,046	1,155,548	1,134,373
Current Assets					
Short Term Investments	30	79,820		102,277	63,805
Assets Held for Sale	25	8,477		8,427	10,165
Inventories		775		789	737
Short Term Debtors	26 & 30	60,979		50,531	50,614
Short Term Finance Lease Receivable***	21	1,852		1,817	0
Cash and Cash Equivalents	27 & 30	8,623		6,703	8,694
Total Current Assets			160,526	170,544	134,015
Current Liabilities					
Short Term Creditors	28 & 30	(117,244)		(95,689)	(86,079)
Grants Receipts in Advance	28 & 30	(11,020)		0	0
Short Term Borrowing*	30	(7,679)		(10,172)	(16,951)
Short Term PFI Creditors*	22 & 30	(3,265)		(3,581)	(3,350)
Provisions	29	(4,506)		(3,596)	(4,017)
Total Current Liabilities			(143,714)	(113,038)	(110,397)
Long Term Liabilities					
Long Term PFI Creditors*	22 & 30	(61,051)		(68,814)	(72,396)
Long Term Borrowing*	30	(340,575)		(335,029)	(313,037)
Other Long Term Liabilities		(2,067)		(2,241)	(7,376)
Pension Fund Liability	38	(491,733)		(613,750)	(550,836)
Planning Deposits		(49,242)		(52,626)	(53,270)
Total Long Term Liabilities			(944,668)	(1,072,460)	(996,915)
Net Assets			252,190	140,594	161,076
Financed by					
Usable Reserves	31		(128,399)	(146,365)	(139,975)
Unusable Reserves**/**/****	35		(123,791)	5,771	(21,101)
Total Reserves			(252,190)	(140,594)	(161,076)

A third Balance Sheet [1 April 2018] has been included to comply with the requirements of the Code of Practice on Local Authority Accounting in the United Kingdom 2019/2020, because there are prior period adjustments to 2018/2019 balances.

* The 2019/2020 Balance Sheet has been adjusted as a result of Monkton Park former PFI loan being reclassified and measured as a financial instrument (as opposed to a service concession). PFI creditors' short-term has reduced by £0.530 million and long-term reduced by £3.970 million. Borrowing short-term has increased by £0.953 million and long-term by £7.906 million. Unusable Reserves has increased by £4.359 million. The 2018/2019 comparatives have not been restated because these adjustments are not material.

** 2018/2019 amounts have been restated to reflect the write out of the school non-current asset balances relating to Malmesbury School and Wootton Bassett School that converted to Academies during 2011. The restatements are as follows:

- Other Land and Buildings reduced by £35.954 million.
- Unusable Reserves reduced by £35.954 million.

*** 2018/2019 amounts have been restated to reflect the Council's waste vehicles (being made available to the contractor to provide the waste services) being reclassified and remeasured as a finance lease - receivable (previously treated as REFCUS). The restatements are as follows:

- Long Term Finance Lease Receivable increased by £11.406 million.
- Short Term Finance Lease Receivable increased by £1.817 million.
- Unusable Reserves decreased by £13.223 million.

Lizzie Watkin

Director of Finance and Procurement (Section 151 Officer)

7 February 2024

Cash Flow Statement

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

	NOTES	2019/2020 £000	2018/2019 Restated* £000
Net (surplus) or deficit on the provision of services**/****/****		49,246	18,697
Adjustments to net surplus or deficit on the provision of services for non-cash movements**/****	39	(136,460)	(133,356)
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	39	68,646	104,129
Net cash flows from Operating Activities		(18,568)	(10,530)
Investing Activities	40	4,177	22,794
Financing Activities	41	12,471	(10,273)
Net decrease or (increase) in cash and cash equivalents		(1,920)	1,991
Cash and cash equivalents at the beginning of the reporting period		6,703	8,694
Cash and cash equivalents at the end of the reporting period	27	8,623	6,703

* 2018/2019 amounts have been restated to accurately reflect the breakdown of cash flows within operating, investing and financing, activities. This includes material adjustments to "Adjustments to net surplus or deficit on the provision of services for non-cash movements" of £114.886 million from (£18.470 million) to (£133.356 million) and an adjustment of £80.014 million to "Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing", from (£11.368 million) to £68.646 million. The investing and financing activities have been adjusted by £0.037 million and £1.589 million, respectively. The breakdown of the restatement of "net (surplus) or deficit on the provision of services" to £18,697 million from £20.934 million is set out in the footnote to the comprehensive income and expenditure statement.

** The 2019/2020 'net (surplus) or deficit on the provision of services' and 'Adjustments to net surplus or deficit on the provision of services for non-cash movements' been adjusted by £0.348 million to reflect the reduction in interest charged on the Monkton Park former PFI loan and the write-down of loan premium, respectively as a result of Monkton Park former PFI loan being reclassified and measured as a financial instrument (as opposed to a service concession).

*** 2018/2019 amounts have been restated to reflect the write out of the school non-current asset transactions relating to Malmesbury School and Wootton Bassett School that converted to Academies during 2011. The restatements are as follows:

- Net (surplus) or deficit on the provision of services reduced by £0.960 million.
- Adjustments to net surplus or deficit on the provision of services for non-cash movements reduced by £0.960 million.

****2018/2019 amounts have been restated to reflect the Council's waste vehicles (being made available to the contractor to provide the waste services) being reclassified and remeasured as a finance lease - receivable (previously treated as REFCUS). The restatements are as follows:

- Net (surplus) or deficit on the provision of services reduced by £1.277 million.
- Adjustments to net surplus or deficit on the provision of services for non-cash movements reduced by 1.277 million.

Expenditure & Funding Analysis Statement

This analysis shows how annual expenditure is used and funded from annual resources (government grants, rents, council tax and business rates) by the Council in comparison with the economic resources consumed or earned by the Council in accordance with generally accepted accounting practice. It shows how the expenditure is allocated for decision making purposes between the Council's services. Income and expenditure is shown more fully in the Comprehensive Income & Expenditure statement.

	2019/2020			2018/2019 Restated*		
	Net Expenditure Chargeable to the General Fund & HRA Balances	Adjustments between Funding and Accounting Basis (see note 13)	Net Expenditure in the Comprehensive Income & Expenditure Statement	Net Expenditure Chargeable to the General Fund & HRA Balances	Adjustments between Funding and Accounting Basis (see note 13)	Net Expenditure in the Comprehensive Income & Expenditure Statement
General Fund Services	£000	£000	£000	£000	£000	£000
ASC Operations - Access & Reablement	52,559	2,068	54,627	51,935	2,169	54,104
Learning Disability & Mental Health	67,680	1,231	68,911	66,375	918	67,293
Commissioning	28,907	2,486	31,393	28,428	322	28,750
Public Health	1,418	340	1,758	1,023	283	1,306
Digital & Information	10,230	2,396	12,626	9,180	1,472	10,652
Legal, Electoral & Registration	4,167	730	4,897	3,797	479	4,276
Family & Children Services	74,467	5,248	79,715	65,810	2,528	68,338
Education & Skills***	3,209	28,052	31,261	(92)	25,186	25,094
Corporate Services	6,327	874	7,201	6,885	640	7,525
Human Resources & Org Development	3,019	569	3,588	3,061	399	3,460
Economic Development & Planning	2,495	1,685	4,180	2,252	3,562	5,814
Highways & Environment****	54,369	16,246	70,615	51,070	15,709	66,779
Housing & Commercial Development**	15,542	4,283	19,825	17,105	10,263	27,368
Communities & Neighbourhood	25,445	7,141	32,586	24,025	11,907	35,932
Finance**	4,630	879	5,509	6,401	837	7,238
Corporate Directors & Members	3,538	140	3,678	3,192	77	3,269
Corporate	19,339	(8,839)	10,500	17,507	(12,495)	5,012
Net Cost of Services General Fund	377,341	65,529	442,870	357,954	64,255	422,209
Housing Revenue Account (HRA)	(12)	(3,808)	(3,820)	877	(4,753)	(3,876)
Net Cost of Service	377,329	61,721	439,050	358,831	59,502	418,333
Other Operating Expenditure	21,702	11,127	32,829	19,804	26,208	46,012
Financing and Investment Income and Expenditure******	13,728	15,084	28,812	9,107	13,531	22,638
Taxation and non-specific grant income	(396,365)	(55,080)	(451,445)	(382,270)	(86,016)	(468,286)
(Surplus)/ Deficit on the Provision of Services	16,394	32,852	49,246	5,472	13,225	18,697
Balance Summary						
Opening General Fund & HRA Balance at 1 April	(65,910)			(71,382)		
Add (Surplus)/ Deficit on General Fund & HRA Balances in Year	16,394			5,472		
Closing General Fund and HRA Balance at 31 March	(49,516)			(65,910)		

Although the Expenditure and Funding Statement is not a Core Statement as prescribed in the accounting code of practice by CIPFA, it has been included under the Financial Statements heading rather than as a note to the accounts. This is in order to highlight the linkages between this information above and the Comprehensive Income and Expenditure Statement when trying to understand the Council's revenue outturn position.

- * 2018/2019 amounts have been restated to reflect the departmental restructure in 2019/20.
- ** In line with the adjustments to the Comprehensive Income and Expenditure Statement, the 2019/20 Finance segment (in columns 'Net Expenditure Chargeable to General Fund and HRA Balances' and 'Net Expenditure in the Comprehensive Income & Expenditure Statement') has been adjusted by £0.348 million to reflect the reduction in interest charged on the Monkton Park former PFI loan which has been reclassified and measured as a financial instrument (as opposed to a service concession). In addition this segment (in columns 'Net Expenditure Chargeable to General Fund and HRA Balances' and 'Net Expenditure in the Comprehensive Income & Expenditure Statement') has been adjusted by £2.305 million together with the Housing and Commercial Development segment (in columns 'Net Expenditure Chargeable to General Fund and HRA Balances' and 'Net Expenditure in the Comprehensive Income & Expenditure Statement') by £1.932 million to reflect the reclassification of interest of £4.237 million now shown in the line Financial and Investment Income and Expenditure. The 2018/19 comparatives have not been restated because these adjustments are not material.
- *** 2018/2019 amounts have been restated to reflect the write out of the school non-current asset transactions relating to Malmesbury School and Wootton Bassett School that converted to Academies during 2011. The restatements are as follows:
- Education and skills, 'Adjustments between funding and accounting basis (note 13)' and 'Net Expenditure in the Comprehensive Income & Expenditure Statement' reduced by £0.960 million.
- **** 2018/2019 amounts have been restated to reflect the Council's waste vehicles (being made available to the contractor to provide the waste services) being reclassified and remeasured as a finance lease - receivable (previously treated as REFCUS). The restatements are as follows:
- Highways & Environment, 'Adjustments between funding and accounting basis (note 13)' reduced by £1.277 million.
 - Highways & Environment, 'Net Expenditure Chargeable to the General Fund and HRA balances' increased by £0.220 million.
 - Financing and Investment Income and Expenditure reduced by £0.220 million.

Analysed between type of balance	General Fund	Earmarked Reserves	HRA	Total Balances
	£000	£000	£000	£000
Opening Balance at 1 April 2018	(12,943)	(40,488)	(17,951)	(71,382)
Add (Surplus)/Deficit in year 2018/2019	(2,157)	3,245	4,384	5,472
Closing Balance at 31 March 2019	(15,100)	(37,243)	(13,567)	(65,910)
Add (Surplus)/Deficit in year 2019/2020	(356)	13,327	3,423	16,394
Closing balances at 31 March 2020	(15,456)	(23,916)	(10,144)	(49,516)

The General Fund and earmarked reserves above add together to equal the General Fund balance in the Movement in Reserves Statement.

Notes to the Core Financial Statements

Introduction to the Explanatory Notes

The Statement of Accounts summarises the Council's transactions for the 2019/2020 financial year and its position at the year-end of 31 March 2020. The Statement of Accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2019/2020 and the accounting policies are set out in the notes to the Accounts Annex 1. For ease of reference, the notes to the core financial statement are grouped in functional areas.

NOTES TO THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

Note 1a Revenue outturn

In respect of net revenue outturn, the Council's 2019/2020 General Fund revised budget and actual spending figures were as below:

	Original Budget £m	Revised Budget £m	Actual £m	Difference £m
Total General Fund (a)	332.378	332.378	332.022	(0.356)
Funded by:				
Draw from General Fund reserves	0.000	0.000	(4.674)	(4.674)
Business Rates Retained	(58.500)	(58.500)	(58.193)	0.307
Council Tax	(252.580)	(252.580)	(252.580)	0.000
Social Care Levy	(18.417)	(18.417)	(18.417)	0.000
Collection Fund (Surplus)/Deficit Council Tax	(2.881)	(2.881)	(2.881)	0.000
Collection Fund (Surplus)/Deficit NNDR	0.000	0.000	4.367	4.367
Total Funding (b)	(332.378)	(332.378)	(332.378)	0.000
Movement on General Fund (a) + (b)	0.000	0.000	(0.356)	(0.356)

The overall underspend against the revised 2019/2020 budget was £0.356 million which was returned to General Fund reserves. More details about the Council's revenue spending on services are given in the narrative report, Financial and Performance Review, Comprehensive Income & Expenditure Statement and subsequent notes.

Note 1b Expenditure and Income Analysed by Nature

Expenditure and income reflected in the Comprehensive Income & Expenditure Statement is analysed by nature below.

	2019/2020 £000	2018/2019 Restated* £000
Expenditure		
Employee expenses	281,890	270,112
Other services expenses**/**/*****	635,341	612,384
Depreciation, amortisation and impairment****/*****	46,020	61,573
Interest payments***	16,855	12,328
Precept and levies	21,702	19,804
Loss on disposal of assets	9,894	25,291
Total Expenditure	1,011,702	1,001,492
Income		
Fees, charges and other service income	(509,956)	(512,373)
Interest and investment income*****	(1,141)	(1,180)
Movements in the market value of Investment Properties	86	(955)
Income from Council Tax and Business Rates	(356,395)	(337,425)
Government Grants and contributions	(42,286)	(42,766)
Other grants and contributions	(52,764)	(88,096)
Total Income	(962,456)	(982,795)
(Surplus) / Deficit on the Provision of Services	49,246	18,697

- * 2018/2019 amounts have been restated so the Surplus / Deficit on the Provision of Services total equals the total in the Comprehensive Income and Expenditure Statement.
- ** The 2019/2020 'Other Services Expenses' has been adjusted by £0.348 million to reflect the reduction in interest charged on the Monkton Park former PFI loan, as a result of the loan being reclassified and measured as a financial instrument (as opposed to a service concession). The 2018/19 comparatives have not been restated because these adjustments are not material.
- *** 'Other Services Expenses' and 'Interest Payments' have been adjusted by £4.237 million to reflect the reclassification of interest in respect of Monkton Park former PFI and Schools/Housing PFIs. The 2018/2019 comparatives have not been restated because these adjustments are not material.
- **** 2018/2019 amounts have been restated to reflect the write out of the school non-current asset transactions relating to Malmesbury School and Wootton Bassett School that converted to Academies during 2011. The restatements are as follows:
- Depreciation, amortisation and impairment reduced by £0.960 million.
- ***** 2018/2019 amounts have been restated to reflect the Council's waste vehicles (being made available to the contractor to provide the waste services) being reclassified and remeasured as a finance lease - receivable (previously treated as REFCUS). The restatements are as follows:
- Other Services Expenses reduced by £0.220 million.
 - Depreciation, amortisation and impairment reduced by £1.277 million
 - Interest and Investment Income increased by £0.220 million.

Note 1c Income from Revenue Contracts

IFRS 15 (Revenue from Contracts with Customers) requires disclosure of income arising from contracts with service recipients. Most of the Council's income streams are outside of the scope of IFRS 15 as the majority of income that the Council receives/collects is government grants, council tax, retained business rates and pay as you go charges (e.g. car parking charges). The Council has reviewed the value of income covered by IFRS 15 and considers this to be an immaterial amount therefore no further disclosures are required.

Note 2 Exceptional Items

There are no exceptional items in the financial statements for either 2019/2020 [or 2018/2019].

Note 3 Other Operating Expenditure

	2019/2020 £000	2018/2019 £000
Parish Council Precepts	21,702	19,804
Payments to the Government Housing Capital Receipts Pool	1,233	917
(Gains)/losses on the Disposal of Non-Current Assets *	9,894	25,291
Total	32,829	46,012

* 2019/2020 amount includes the net book value (£7.3m) of schools that have converted to academies and the net book value (£7.0m) of assets that were included in the Council's fixed asset register that following a review were identified as having been disposed of in previous years.

Note 4 Financing and Investment Income and Expenditure

	2019/2020 £000	2018/2019 Restated* £000
Interest Payable and Similar Charges**	16,855	12,328
Interest and Investment Income***	(1,141)	(1,180)
Pension Interest Costs and Expected Return on Pension Assets	15,001	14,489
Income and Expenditure in Relation to Investment Properties	(1,986)	(2,041)
Financial Instruments Adjustments	(3)	(2)
Movements in the Market Value of Investment Properties	86	(955)
Total	28,812	22,639

- * 2018/2019 amounts have been restated to include income and expenditure in relation to investment properties, and financial instrument adjustments, which were previously shown within net cost of services in the Comprehensive Income and Expenditure Statement.
- ** £4.237 million interest payable previously reflected in net cost of services in relation to Monkton Park former PFI and Schools/Housing PFIs is now shown in Financial and Investment Income and Expenditure. The 2018/2019 comparatives have not been restated because these adjustments are not material.
- *** 2018/2019 amounts have been restated to reflect the Council's waste vehicles (being made available to the contractor to provide the waste services) being reclassified and remeasured as a finance lease - receivable (previously treated as REFCUS). The restatements are as follows:
- Interest and Investment Income increased by £0.220 million.

Note 5 Taxation and Non-specific Grant Income

The Council raises the following income in respect of Council Tax, Non-Domestic Rates ("NDR") and General Government Grants which are not attributable to specific services.

	2019/2020 £000	2018/2019 Restated* £000
Council Tax Income	(268,627)	(255,420)
Collection Fund Surplus	(2,881)	(5,506)
Parish Council Precepts	(21,702)	(19,804)
Total Council Tax Income	(293,210)	(280,730)
General Government Grants	(42,286)	(34,720)
Formula Grant	0	(8,046)
Business Rates Retention Scheme	(63,185)	(56,695)
Capital Grants and Contributions	(52,764)	(88,096)
Total	(451,445)	(468,287)

- * 2018/2019 has been restated to eliminate the entry 'additional reserves contribution' £1.8m and correctly classify this as a reserve movement in the Comprehensive Income and Expenditure Statement.

Note 6 Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2019/2020:

	2019/2020 £000	2018/2019 Restated* £000
Credited to Taxation and Non Specific Grant Income		
General Government Grants	(30,708)	(34,720)
Covid Grant	(11,578)	0
Formula Grant	0	(8,046)
Business Rates Retention Scheme	(58,500)	(55,744)
Community Infrastructure Levy	(9,183)	(11,801)
Developer Contributions	(5,764)	(4,322)
Department For Education Grant	(4,496)	(14,807)
Department For Transport Grant	(19,544)	(28,012)
Ministry of Housing, Communities & Local Government Grant	(6,687)	(17,491)
Ministry of Defence Contribution	(7,488)	(9,425)
Other Grants & Contributions	397	(2,238)
Total	(153,550)	(186,606)

- * 2018/2019 amounts have been restated to include a number of grants credited to Taxation and Non Specific Grant Income that were previously omitted from this note.

	2019/2020	2018/2019
	£000	Restated*
		£000
Credited to Services		
Dedicated Schools Grant	(178,567)	(180,474)
Public Health Grant	(16,903)	(17,361)
Pupil Premium Grant	(14,052)	(14,205)
Learning & Skills Council	(1,186)	(1,482)
Universal Infant Free School Meals	(3,743)	(3,980)
PFI	(7,541)	(7,541)
Housing Benefit & Council Tax Admin Grant	(1,356)	(1,469)
Housing Benefit Subsidy	(75,239)	(85,953)
Salisbury Recovery	(150)	(3,149)
Other Schools Grants	(16,023)	(17,735)
Teacher Pension Grant Funding	(3,818)	0
Care Packages	(3,823)	(2,623)
Preventing Homelessness	(922)	(1,127)
Looked After Children (&PE & Sport Premium)	(2,376)	(3,725)
MOD Support Funding For Schools	(1,476)	0
Winter Pressures	(1,823)	(1,823)
Improved Better Care Fund & Better Care Fund	(13,182)	(12,218)
Integrated Community Equipment Service	(4,691)	0
Troubled Families Programme	(1,045)	(805)
Social Care Grant (Independent Living Grant)	0	(3,668)
Elections	(1,810)	(228)
Arts Council	(620)	(618)
Transport (Public Transport & Road Safety)	(1,237)	(1,171)
Other Grants	(11,993)	(9,724)
Other Contributions	(3,625)	(1,836)
Donations	(861)	(895)
Total	(368,062)	(373,810)
Total Grants, Contributions & Donations	(521,612)	(560,416)

* 2018/2019 amounts have been restated to include a number of grants credited to Taxation and Non Specific Grant Income that were previously omitted from this note.

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 repaid in the next financial year. The balances at the year end are as follows:

	2019/2020 £000	2018/2019 £000
Revenue Grants to be returned (Creditor)		
Other Grants	10	7
Total	10	7

The Council received the following grants in relation to future years:

	2019/2020 £000	2018/2019 £000
Grants Receipts in Advance		
MOD Education Support Fund	(55)	(363)
Business Rates Support Grants	(10,751)	0
Other Grants	(214)	0
Total	(11,020)	(363)

Note 7 Dedicated Schools Grant

The Council's expenditure on schools is funded primarily by grant monies provided by the Education and Skills Funding Agency, the Dedicated Schools Grant ("DSG"). DSG is ringfenced and can only be applied to meet expenditure properly included in the schools budget, as defined in the School Finance and Early Years (England) (No 2) Regulations 2018. The schools budget includes elements for a range of educational services provided on an authority-wide basis and for the individual schools budget ("ISB"), which is divided into a budget share for each maintained school.

Details of the deployment of DSG receivable for 2019/2020 (and 2018/2019) are as follows:

	Central Expenditure £000	Individual Schools Budget (ISB) £000	2019/2020 Total £000	2018/2019 Total £000
A Final DSG for year before academy and high needs recoupment			(351,062)	(343,264)
B Academy and high needs recoupment			172,495	162,790
C Total DSG after academy and high needs recoupment			(178,567)	(180,474)
D Brought forward from previous year			2,073	(846)
E Agreed initial budget distribution	(69,747)	(106,747)	(176,494)	(181,320)
F In Year Adjustments	206		206	36
G Final budgeted distribution	(69,541)	(106,747)	(176,288)	(181,284)
H Less: actual central expenditure	80,891		80,891	72,709
I Less: actual ISB deployed to schools		106,747	106,747	111,948
J Plus: Local Authority Contribution			0	(1,300)
K Carry forward as at 31 March	11,350	0	11,350	2,073

- A: Final DSG figure before any amount has been recouped from the authority excluding the January 2020 early years block adjustment.
- B: Figure recouped from the authority in 2019/2020 by the DfE for the conversion of maintained schools into academies and for high needs payments made by ESFA.
- C: Total DSG figure after academy and high needs recoupment for 2019/2020.
- D: Figure brought forward from 2018/2019, positive or negative.
- E: Budgeted distribution of DSG, adjusted for carry-forward, as agreed with the schools forum.
- F: Changes to the initial distribution, for example, adjustments for exclusions, or final early years block adjustment.
- G: Budgeted distribution of DSG as at the end of the financial year.
- H: Actual amount of central expenditure items in 2019/2020 amounts not actually spent.
- I: Amount of ISB actually distributed to schools (ISB is regarded for DSG purposes as spent by the authority once it is deployed to school's budget shares). Note that budget shares include early years funding, sixth form funding and high needs place funding: they do not include high needs top-up funding which is treated as central expenditure.
- J: Any contribution from the authority in 2019/2020 which will have the effect of substituting for DSG in funding the schools budget.
- K: Total carry-forward to following financial year.

Note 8 Pooled Budgets

Partnerships Schemes under S31 Health Act: Better Care Fund

The Better Care Fund ("BCF") is a programme spanning both the NHS and local government. It was created to improve the lives of some of the most vulnerable people in our society, placing them at the centre of their care and support, and providing them with 'wraparound' fully integrated health and social care, resulting in an improved experience and better quality of life.

Wiltshire Council and Wiltshire CCG have entered into a formal arrangement from 1 April 2015 to deliver services via the Better Care Fund. The expenditure via the Better Care Fund was as follows:

	2019/2020	2018/2019
	£000	£000
Self Care, Self Support	1,449	1,645
Intermediate Care	14,240	14,267
Access, rapid response 7 day working	3,738	3,534
Care Bill	2,500	2,500
Protecting Social Care	18,913	18,810
Scheme Management	483	433
Social Care Capital	1,917	3,828
Integrated Community Equipment	5,354	5,328
Total Expenditure before return to partners	48,594	50,345
Return to Partners Wiltshire Council	2,984	0
Total Schemes	51,578	50,345

This was funded from income and grants as follows:

	2019/2020	2018/2019
	£000	£000
Wiltshire CCG BCF Contribution	(33,016)	(31,776)
Wiltshire Council BCF Contribution	(5,348)	(5,115)
Disabled Facilities Grant	(3,273)	(3,828)
Improved Better Care Fund	(8,118)	(9,626)
Winter Pressures Grant*	(1,823)	0
Total Income and Grants	(51,578)	(50,345)

* The Winter Pressures funding was only incorporated under the 'BCF umbrella' from winter 2019/2020.

Note 9 Members' Allowances

The Council paid the following amounts to Members of the Council:

	2019/2020	2018/2019
	£000	£000
Allowances	1,914	1,908
Expenses	74	76
Total	1,988	1,984

Note 10 Officers' Remuneration

The Council is required to disclose the number of employees who received taxable remuneration from Wiltshire Council in excess of £50,000 for the year. These figures include Wiltshire Council employees as well as teaching and non-teaching employees employed directly by Wiltshire Council Schools. The table below is based on full remuneration and not just salary.

Remuneration Band £	2019/2020	2018/2019
	No. Employees	No. Employees
50,000 - 54,999	94	99
55,000 - 59,999	74	63
60,000 - 64,999	51	64
65,000 - 69,999	37	28
70,000 - 74,999	14	10
75,000 - 79,999	13	13
80,000 - 84,999	4	4
85,000 - 89,999	3	4
90,000 - 94,999	2	2
95,000 - 99,999	2	6
100,000 - 104,999	7	7
105,000 - 109,999	2	2
110,000 - 114,999	6	0
115,000 - 119,999	1	2
120,000 - 124,999	0	0
125,000 - 129,999	1	2
130,000 - 134,999	0	1
135,000 - 139,999	0	0
140,000 - 144,999	0	2
145,000 - 149,999	0	0
150,000 - 154,999	0	1
155,000 - 159,999	2	0
160,000 - 164,999	0	0
275,000 - 280,000	1	0
TOTAL	314	310

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

2019/2020 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 £	Compensation		Benefits in Kind £	Total Remuneration excluding pension contributions 2019/2020 £	Employers Pension Contributions £	Total Remuneration including pension contributions 2019/2020 £
			Expense Allowances £	for loss of Office £				
Executive Director Adult Care, Public Health, Digital - Carlton Brand (Subnote A)	159,084	0	0	120,727	0	279,811	25,675	305,486
Chief Executive Officer - Place Alistair Cunningham (Subnote B)	156,297	0	2,881	0	0	159,178	32,822	192,000
Chief Executive Officer - People Terence Herbert (Subnote C)	156,297	0	1,275	0	0	157,572	32,822	190,394
Total	471,678	0	4,156	120,727	0	596,561	91,319	687,880

2018/2019 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 £	Compensation		Benefits in Kind £	Total Remuneration excluding pension contributions 2018/2019 £	Employers Pension Contributions £	Total Remuneration including pension contributions 2018/2019 £
			Expense Allowances £	for loss of Office £				
Executive Director, Adult Care, Public Health & Digital - Carlton Brand (see Subnote A)	154,290	0	0	0	0	154,290	30,858	185,148
Total	154,290	0	0	0	0	154,290	30,858	185,148

2019/2020 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 £	Compensation		Benefits in Kind £	Total Remuneration excluding pension contributions 2019/2020 £	Employers Pension Contributions £	Total Remuneration including pension contributions 2019/2020 £
			Expense Allowances £	for loss of Office £				
Director Education & Skills - Chief Education Officer (Subnote D)	101,560	0	2,313	0	0	103,873	21,327	125,200
Director for Children's Services (Subnote E)	108,099	0	742	0	0	108,841	22,701	131,542
Director, Finance & Procurement - s151 Officer (Subnote F)	10,211	0	0	0	0	10,211	2,144	12,355
Director, Legal Electoral & Registration - Monitoring Officer (Subnote G)	110,084	0	163	0	0	110,247	23,118	133,365
Director Human Resources & Organisational Development - Head of Paid Services	103,263	0	0	0	0	103,263	21,685	124,948
Total	433,217	0	3,218	0	0	436,435	90,975	527,410

In addition, the post of Interim Director, Finance & Procurement was held during the year by 2 interim agency staff. The amounts paid to the agency for these staff is as follows:

- Interim Director, Finance & Procurement 1 (April 2019 – October 2019) £153,709; and
- Interim Director, Finance & Procurement 2 (November 2019 – March 2020) £106,479.

The statutory role of Director of Adults Services was undertaken by the Executive Director, Adult Care, Public Health & Digital until his departure. The role was then held from January to March by an agency staff. The amount paid to the agency for this staff member is as follows

- Interim Director of Adults (January 2020 to March 2020) £44,525.

2018/2019 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 £	Compensation		Benefits in Kind £	Total Remuneration excluding pension contributions 2018/2019 £	Employers Pension Contributions £	Total Remuneration including pension contributions 2018/2019 £
			Expense Allowances £	for loss of Office £				
Executive Director, Growth, Investment & Place	144,730	0	976	0	0	145,706	28,946	174,652
Executive Director, Children & Education	144,730	0	336	0	0	145,066	28,946	174,012
Director, Human Resources & Organisational Development - Head of Paid Service	97,898	0	0	0	0	97,898	19,579	117,477
Director, Finance & Procurement - s151 Officer (Subnote H)	6,595	0	41	0	0	6,636	1,319	7,955
Director, Legal and Governance - Monitoring Officer	107,925	0	0	0	0	107,925	21,584	129,509
Total	501,878	0	1,353	0	0	503,231	100,374	603,605

Subnote A:

Executive Director Adult Care, Public Health & Digital was appointed on 1 October 2019. The annualised salary for that post was £157,376. Prior to 1 October 2019, the post holder was Corporate Director, Growth, Investment & Place from 1 April 2019. The annualised Salary was £157,376. The executive Director Adult Care, Public Health & Digital left the employment of the Council on 1 January 2020 following a senior management restructure. The postholder received £120,727 as a severance payment.

Subnote B:

Chief Executive Officer - Place was appointed on 13 January 2020. The annualised salary for that post was £169,952. Prior to this the postholder was Executive Director Growth, Investment and Place from 1st October 2019 and Corporate Director Growth, Investment & Place from 1 April 2019, both with an annualised salary of £152,496.

Subnote C:

Chief Executive Officer - People was appointed on 13 January 2020. The annualised salary for that post was £169,952. Prior to this the postholder was Executive Director Children & Education from 1st October 2019 and Corporate Director Children & Education from 1st April 2019, both with an annualised salary of £152,496 (this role was a statutory role).

Subnote D:

Director Education & Skills (which is a required statutory role) had annualised salary at 31 March 2020 of £103,263, an increase from 1 October 2019 when the annualised salary was £99,856.

Subnote E:

Director of Children's Services (which is a require statutory role) was appointed on 2 March 2020 with an annualised salary of £124,386. Prior to this the postholder was Director Families & Children with an annualised salary of £106,761. The statutory role prior to 2 March 2020 was carried out by the Executive Director Children & Education from 1 October 2019 and Corporate Director Children & Education from 1 April 2019 both with an annualised salary of £152,496 (see Subnote C).

Subnote F:

Director Finance & Procurement started 1 March 2020 with an annualised salary of £122,532. Prior to this the role was filled on an interim basis pending recruitment of a new permanent postholder.

Subnote G:

Director Legal, Electoral & Registration started his role on 1 October 2019 and prior to this from 1 April 2019 was Director Legal & Democratic Services, both with an annualised salary of £110,084.

Subnote H:

Director, Finance & Procurement left the employment of the Council on 23 April 2018 and has since been filled on an interim basis pending recruitment of a new permanent postholder until appointment on 1 March 2020. (see Subnote F).

Exit Packages

Exit packages include all benefits provided in relation to the termination of employment. These include redundancy payments, pay in lieu of notice and pension strain. The numbers of exit packages with total cost per band and total cost of the compulsory and other redundancies are set out in the table below:

Exit Package Cost Band (including special payments) £	Number of Compulsory Redundancies		Number of Other Departures Agreed		Total Number of Exit Packages by Cost Band		Total Cost of Exit Packages in Each Band	
	2018/2019	2019/2020	2018/2019	2019/2020	2018/2019	2019/2020	2018/2019	2019/2020
							£	£
0-20,000	2	9	56	66	58	75	480,768	468,061
20,001-40,000	0	1	19	19	19	20	553,735	535,831
40,001-60,000	0	0	14	5	14	5	671,465	238,675
60,001-80,000	0	0	1	0	1	0	63,030	0
80,001-100,000	0	0	0	1	0	1	0	80,648
100,001-150,000	0	0	0	1	0	1	0	120,727
Total	2	10	90	92	92	102	1,768,998	1,443,942

In 2019/2020 there were 42 exit packages relating to schools, with a value of £263,639.

Note 11 External Audit Fees

Wiltshire Council incurred the following fees in respect of external audit and statutory inspection in accordance with the Local Audit & Accountability Act 2014.

	2019/2020 £000	2018/2019 £000
Fees payable for external audit services carried out by the appointed auditor	129	129
Fees payable for the certification of grant claims and returns	24	24
Total	153	153

Overrun discussions are ongoing between the Council and its external auditors. The conclusion of these discussions may result in higher audit fees for 2018/2019 and 2019/2020 than the amounts disclosed in the table above.

Note 12 Related Parties

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

UK Central Government has significant influence over the general operations of the Council. It is responsible for providing the statutory framework, within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills, housing benefits). Details of grant income are shown in note 6.

Members of the Council have direct control over the Council's financial and operating policies. The total of Members' Allowances paid in 2019/2020 is shown in note 9. 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. The register has been reviewed and Members have not disclosed any material transactions with related parties.

Officers – under the requirements of the Local Government Act 2000, the Council has developed a Code of Conduct for officers and established a Register of Officers interests. This Register of interests has been reviewed and no material transactions have been discovered.

Wiltshire Pension fund – In 2019/2020 the Council charged the fund £1.818 million (£1.478 million in 2018/2019) for expenses incurred in administering the fund.

Note 13 Note to the Funding Analysis

Adjustments to General Fund to add Expenditure or Income not Chargeable to taxations or rents and remove items which are only chargeable under statute as in the table below.

	2019/2020			Total Adjustments
	Adjustments for Capital Purposes (Note 13a) £000	Net change for the Pension Adjustments (Note 13b) £000	Other Differences (Note 13c) £000	
General Fund Services				£000
ASC Operations - Access & Reablement	349	1,706	13	2,068
Learning Disability & Mental Health	278	958	(5)	1,231
Commissioning	2,055	433	(2)	2,486
Public Health	0	360	(20)	340
Digital & Information	1,511	864	21	2,396
Legal, Electoral & Registration	66	657	7	730
Family & Children Services	1,467	3,754	27	5,248
Education & Skills	25,188	2,555	309	28,052
Corporate Services	0	877	(3)	874
Human Resources & Org Development	24	541	4	569
Economic Development & Planning	616	1,061	8	1,685
Highways & Environment	15,052	1,184	10	16,246
Housing & Commercial Development	3,484	792	7	4,283
Communities & Neighbourhood	4,978	2,137	26	7,141
Finance*	133	1,089	(343)	879
Corporate Directors & Members	0	138	2	140
Corporate	(10,992)	2,368	(215)	(8,839)
Housing Revenue Account (HRA)	(4,257)	438	11	(3,808)
Net Cost of Service	39,952	21,912	(143)	61,721
Other operating Expenditure	11,127	0	0	11,127
Financing and Investment Income and Expenditure	86	15,001	(3)	15,084
Taxation and non-specific grant income	(52,764)	0	(2,316)	(55,080)
(Surplus)/ Deficit	(1,599)	36,913	(2,462)	32,852

* The 2019/2020 Finance segment in column 'Other Differences' has been adjusted by £0.348 million for the write down of the loan premium, as a result of Monkton Park former PFI loan being reclassified and measured as a financial instrument (as opposed to a service concession). The 2018/2019 comparatives have not been restated because these adjustments are not material.

	2018/2019 Restated*			Total Adjustments
	Adjustments for Capital Purposes (Note 13a) £000	Net change for the Pension Adjustments (Note 13b) £000	Other Differences (Note 13c) £000	
General Fund Services				£000
ASC Operations - Access & Reablement	1,144	1,004	21	2,169
Learning Disability & Mental Health	213	667	38	918
Commissioning	1	300	21	322
Public Health	0	271	12	283
Digital & Information	995	453	24	1,472
Legal, Electoral & Registration	65	408	6	479
Family & Children Services	29	2,471	28	2,528
Education & Skills**	23,899	1,840	(553)	25,186
Corporate Services	0	653	(13)	640
Human Resources & Org Development	35	359	5	399
Economic Development & Planning	2,844	714	4	3,562
Highways & Environment***	14,848	922	(61)	15,709
Housing & Commercial Development	9,742	505	16	10,263
Communities & Neighbourhood	10,477	1,424	6	11,907
Finance	106	735	(4)	837
Corporate Directors & Members	0	70	7	77
Corporate	(13,216)	882	(161)	(12,495)
Housing Revenue Account (HRA)	(5,022)	263	6	(4,753)
Net Cost of Service	46,159	13,940	(598)	59,502
Other operating Expenditure	26,208	0	0	26,208
Financing and Investment Income and Expenditure	(956)	14,489	(2)	13,531
Taxation and non-specific grant income	(88,096)	0	2,080	(86,016)
(Surplus)/ Deficit	(16,685)	28,429	1,480	13,225

* 2018/2019 amounts have been restated to reflect the departmental restructure that took place in 2019/2020.

** 2018/2019 amounts have been restated to reflect the write out of the school non-current asset transactions relating to Malmesbury School and Wootton Bassett School that converted to Academies during 2011. The restatements are as follows:

- Education and skills, 'Adjustments for Capital Purposes (note 13a)' reduced by £0.960 million.

*** 2018/2019 amounts have been restated to reflect the Council's waste vehicles (being made available to the contractor to provide the waste services) being reclassified and remeasured as a finance lease - receivable (previously treated as REFCUS). The restatements are as follows:

- Highways & Environment, 'Adjustments for capital purposes (note 13)' reduced by £1.277 million.

Note 13a Adjustments for Capital Funding and Expenditure Purposes

These adjustments are made to the General Fund Balances to meet the requirements of generally accepted accounting practices. For services, this column includes adjustments for depreciation, impairment and revenue funded by capital. In other operating expenditure this adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.

Note 13b Net changes for the removal of Pension Contributions and the addition of Pension (IAS19) related Expenditure and Income

Net changes for the removal of pension contribution and the addition of IAS 19 Employee Benefits pension related expenditure and income. For services this represents the removal of the employer pension contributions made by the authority as permitted by statute and the replacement with current service costs and past service costs.

Note 13c Other Differences

Other differences between the amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute. These include adjustments for accumulated absences, PFI service charges and items reported to members but not included in statutory net cost of service (e.g. general government grants, movement on reserves and interest).

Note 14 Adjustments between accounting basis and funding basis under regulations

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

2019/2020 Adjustments	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Total Unusable Reserves £000
Adjustments primarily involving the Capital Adjustment Account						
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement						
Charges for depreciation of non-current assets	(22,323)	(12,232)				34,555
Charges for impairment/ revaluations of plant, property and equipment	(11,036)					11,036
Movements in the market value of Investment Properties	(86)					86
Amortisation of intangible assets	(429)					429
Revenue expenditure funded from capital under statute	(21,393)					21,393
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	(24,056)	(1,719)				25,775
Flexible use of capital receipts to fund transformation expenditure - transfer of expenditure	(1,581)					1,581
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:						
Statutory provision for the financing of capital investment	12,552					(12,552)
Capital expenditure charged against the General Fund and HRA balances		4,257				(4,257)
Adjustments primarily involving the Capital Grants Unapplied Account:						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement and Expenditure Statement	52,764				(52,764)	0
Application of grants to capital financing transferred to the Capital Adjustment Account					60,924	(60,924)
Adjustments primarily involving the Capital Receipts Reserve:						
Capital receipts received for the sale of non-current assets reflected as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	9,442	6,440	(15,882)			0
Use of the Capital Receipts Reserve to finance new capital expenditure				7,695		(7,695)
Use of the Capital Receipts Reserve to finance repayment of HRA debt				8,000		(8,000)
Payments to the Government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	(1,233)		1,233			0
Adjustments primarily involving the Deferred Capital Receipts Reserve						
Transfer of deferred sale proceeds credited as part of the gain/ loss on disposal to the Comprehensive Income and Expenditure Statement	215		(204)			(11)
Adjustment primarily involving the Major Repairs Reserve						
Posting of HRA resources from revenue to the Major Repairs Reserve		12,232		(12,232)		0
Use of the Major Repairs Reserve to finance new capital expenditure and depreciation				4,802		(4,802)
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*	351					(351)
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 49)	(36,475)	(438)				36,913
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	(2,370)					2,370
Amount by which non-domestic rate income credited to the Comprehensive Income and Expenditure Statement is different from non-domestic rates income calculated for the year in accordance with statutory requirements	4,686					(4,686)
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	(409)	(11)				420
Total Adjustments	(41,381)	8,529	842	(7,430)	8,160	31,280

* The 2019/2020 General Fund and Unusable Reserves columns for the line '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' have been adjusted by £0.348 million to reflect the write down of the loan premium as a result of Monkton Park former PFI loan being reclassified and measured as a financial instrument (as opposed to a service concession). The 2018/2019 comparatives have not been restated because these adjustments are not material.

2018/2019 Adjustments Restated	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Total Unusable Reserves £000
Adjustments primarily involving the Capital Adjustment Account						
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement						
Charges for depreciation of non-current assets*/***	(23,656)	(12,153)				35,809
Charges for impairment/ revaluations of plant, property and equipment	(24,977)	(464)				25,441
Movements in the market value of Investment Properties	956					(956)
Amortisation of intangible assets	(323)					323
Revenue expenditure funded from capital under statute****	(15,221)					15,221
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**	(39,335)	(1,989)				41,324
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:						
Statutory provision for the financing of capital investment****	12,995					(12,995)
Capital expenditure charged against the General Fund and HRA balances		5,486				(5,486)
Adjustments primarily involving the Capital Grants Unapplied Account:						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement and Expenditure Statement	88,096				(88,096)	0
Application of grants to capital financing transferred to the Capital Adjustment Account					78,347	(78,347)
Adjustments primarily involving the Capital Receipts Reserve:						
Capital receipts received for the sale of non-current assets reflected as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement**	11,274	4,759	(16,033)			0
Use of the Capital Receipts Reserve to finance new capital expenditure			11,602			(11,602)
Use of the Capital Receipts Reserve to finance repayment of HRA debt			4,810			(4,810)
Payments to the Government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	(917)		917			0
Adjustments primarily involving the Deferred Capital Receipts Reserve						
Transfer of deferred sale proceeds credited as part of the gain/ loss on disposal to the Comprehensive Income and Expenditure Statement	165		(269)			104
Adjustment primarily involving the Major Repairs Reserve						
Posting of HRA resources from revenue to the Major Repairs Reserve*		12,153		(12,153)		0
Use of the Major Repairs Reserve to finance new capital expenditure and depreciation				9,013		(9,013)
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					(2)
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 49)	(28,166)	(263)				28,429
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	(3,030)					3,030
Amount by which non-domestic rate income credited to the Comprehensive Income and Expenditure Statement is different from non-domestic rates income calculated for the year in accordance with statutory requirements	950					(950)
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	439	(6)				(433)
Total Adjustments	(20,748)	7,523	1,027	(3,140)	(9,749)	25,087

* 2018/2019 amounts have been restated to reflect the correct presentation of the transactions relating to the major repairs reserve.

** 2018/2019 amounts have been restated to reflect the correct presentation of the transactions relating to the sale of non-current assets.

*** 2018/2019 amounts have been restated to reflect the write out of the school non-current asset transactions relating to Malmesbury School and Wootton Bassett School that converted to Academies during 2011. The restatements are as follows:

- Charges for Depreciation on non-current assets, reduced by £0.960 million.

**** 2018/2019 amounts have been restated to reflect the Council's waste vehicles (being made available to the contractor to provide the waste services) being reclassified and remeasured as a finance lease - receivable (previously treated as REFCUS). The restatements are as follows:

- Revenue expenditure funded from capital under statute reduced by £2.621 million.
- Statutory provision for the financing of capital investment reduced by £1.344 million.

BALANCE SHEET NOTES RELATING TO CAPITAL

Note 15 Property, Plant and Equipment (“PPE”)

In accordance with the temporary relief offered by the update to the code on infrastructure assets [November 2022], this note does not include disclosure of gross cost and accumulated depreciation for infrastructure assets because historical reporting practices and resultant information deficits mean that this would not faithfully represent the asset position to the users of the financial statements.

The table below and over the page provides a reconciliation from the carrying amount of other PPE at the beginning of the period to the carrying amount at the end of the period with details of all movements.

Other Property, Plant and Equipment 2019/2020	Council Dwellings & Garages inc land £000	Other Land & Buildings £000	Vehicles, Plant and Equipment £000	Community Assets £000	Assets under Construction £000	Surplus Assets £000	Total Other Property, and Plant & Equipment £000
Cost or Valuation							
Opening Balance 1 April 2019	305,858	366,262	26,149	6,061	50,673	8,935	763,938
Additions	9,854	11,920	3,544		52,903		78,221
Derecognition - Disposals	(1,538)	(21,207)	(3,254)	(698)		(125)	(26,822)
Revaluation increases/ (decreases) recognised in Revaluation reserve	(14,343)	14,181	(119)	(840)	10		(1,111)
Revaluation increases/ (decreases) recognised in Surplus/ Deficit on provision of services	(192)	(27,339)	28	(192)			(27,695)
Category Adjustments & other movements	(178)	7,245	204	36	(40,288)	(4,259)	(37,240)
At 31 March 2020	299,461	351,062	26,552	4,367	63,298	4,551	749,291
Depreciation and Impairments							
Opening Balance 1 April 2019	(118)	(19,441)	(19,984)	0	0	(301)	(39,844)
Depreciation	(12,229)	(12,233)	(2,268)				(26,730)
Accumulated depreciation written back on derecognition of assets		5,200	3,072	10			8,282
Revaluation losses/Impairment recognised in the surplus/deficit on provision of services, and Depreciation written out to the surplus/deficit on provision of services on revaluation	83	16,843	(28)	0	62		16,960
Revaluation losses/Impairment recognised in the revaluation reserve, and Depreciation written out to the revaluation reserve on revaluation	12,061	(7,859)	43	0			4,245
Category Adjustments & other movements						300	300
At 31 March 2020	(203)	(17,490)	(19,165)	10	62	(1)	(36,787)
Net Book Value at 31 March 2020	299,258	333,572	7,387	4,377	63,360	4,550	712,504
Net Book Value at 31 March 2019	305,740	346,821	6,165	6,061	50,673	8,634	724,094

Other Property, Plant and Equipment 2018/2019 Restated	Council Dwellings & Garages inc land*** £000	Other Land & Buildings*** £000	Vehicles, Plant and Equipment*** £000	Community Assets £000	Assets under Construction £000	Surplus Assets £000	Total Other Property, and Plant & Equipment £000
Cost or Valuation							
Opening Balance 1 April 2018	399,733	506,133	92,099	6,856	62,806	9,890	1,077,517
Assets not in Council ownership/control*		(9,712)	(53,601)	(86)			(63,399)
Restatement of revaluation losses****	(186)	(84,925)		(610)			(85,721)
PFI schools converted to Academies**		(31,874)					(31,874)
Restated Opening Balance 1 April 2018	399,547	379,622	38,498	6,160	62,806	9,890	896,523
Additions	14,784	22,116	976		36,140	1	74,017
Derecognition - Disposals*	(1,989)	(25,045)	(12,728)	(99)		(1,100)	(40,961)
Revaluation increases/ (decreases) recognised in revaluation reserve**/****	(99,510)	4,417	(21,216)			123	(116,186)
Revaluation increases/ (decreases) recognised in Surplus/ Deficit on provision of services****	(18,421)	(21,316)	19,696				(20,041)
Category Adjustments & other movements	11,447	6,468	923		(48,273)	21	(29,414)
At 31 March 2019	305,858	366,262	26,149	6,061	50,673	8,935	763,938
Depreciation and Impairments							
Opening Balance 1 April 2018	(96,660)	(127,564)	(73,290)	(696)	0	0	(298,210)
Assets not in Council ownership/control*		9,712	53,601	86			63,399
Restatement of revaluation losses****	186	84,925		610			85,721
Restated Opening Balance 1 April 2018	(96,474)	(32,927)	(19,689)	0	0	0	(149,090)
Depreciation**	(13,720)	(12,614)	(1,714)				(28,048)
Accumulated depreciation written back on derecognition of assets*		4,311	1,401				5,712
Revaluation losses/Impairment recognised in the surplus/deficit on provision of services, and Depreciation written out to the surplus/deficit on provision of services on revaluation****	14,700	1,207	(21,307)				(5,400)
Revaluation losses/Impairment recognised in the revaluation reserve, and Depreciation written out to the revaluation reserve on revaluation **/****	95,376	20,229	21,307			28	136,940
Category Adjustments & other movements		353	18			(329)	42
At 31 March 2019	(118)	(19,441)	(19,984)	0	0	(301)	(39,844)
Net Book Value at 31 March 2019	305,740	346,821	6,165	6,061	50,673	8,634	724,094
Net Book Value at 31 March 2018	303,073	346,695	18,809	6,160	62,806	9,890	747,433

* 2018/2019 amounts have been restated to reflect assets that are no longer owned/controlled by the Council. These assets have a net book value of nil, but the cost or valuation and depreciation and impairments amounts associated with these assets have been reduced. The restatements are as follows:

Cost or Valuation

- Opening Balance at 1 April 2018, reduced by £63.399 million (allocation of this amount to the various asset categories is shown in the table above)
- Derecognition - Disposals, increased by £0.200 million (Other land and buildings £0.038 million and vehicles, plant and equipment £0.162 million).

Depreciation and Impairments

- Opening Balance at 1 April 2018, reduced by £63.399 million (allocation of this amount to the various asset categories is shown in the table above).
- Accumulated depreciation written back on derecognition of assets, increased by £0.200 million (Other land and buildings £0.038 million and vehicles, plant and equipment £0.162 million).

** 2018/2019 amounts have been restated to reflect the write out of the school balances relating to Malmesbury School and Wootton Bassett School that converted to Academies during 2011. Other Land and Buildings have been restated as follows:

Cost or Valuation

- Opening Balance at 1 April 2018, reduced by £31.874 million.
- Revaluation increases/ (decreases) recognised in Revaluation reserve, reduced by £4.080 million.

Depreciation and Impairments

- Depreciation, reduced by £0.960 million.
- Depreciation written out to the revaluation reserve on revaluation, reduced by £0.960 million.

Net Book Value at 31 March 2019, reduced by £35.954 million as a result of the above adjustments.

*** 2018/2019 amounts have been restated to reflect the movement of services assets from the asset class vehicles, plant and equipment ("PVE") to other land and buildings ("OLB") and Council dwellings & garages inc land ("CD"). Asset values have not changed, the move in class is presentational only.

Cost or Valuation

- Opening Balance at 1 April 2018, PVE reduced by £133.038 million, OLB increased by £41.805 million, CD increased by £91.233 million.
- Additions, PVE reduced by £6.235 million, OLB increased by £0.261 million, CD increased by £5.974 million.
- Revaluation increases/ (decreases) recognised in the revaluation reserve, PVE increased by £67.667 million, OLB reduced by £3.032 million, CD reduced by £64.635 million.
- Category adjustments & other movements, PVE reduced by £0.046 million, OLB increased by £0.046 million.

Depreciation and Impairments

- Opening Balance at 1 April 2018, PVE increased by £78.854 million, OLB reduced by £17.871 million, CD reduced by £58.983 million.
- Depreciation, PVE increased by £9.302 million, OLB reduced by £1.241 million, CD reduced by £8.061 million.
- Revaluation losses/Impairment recognised in the surplus/deficit on provision of services, and Depreciation written out to the surplus/deficit on provision of services on revaluation, PVE increased by £0.005 million, OLB reduced by £0.005 million.
- Revaluation losses/Impairment recognised in the revaluation reserve, and Depreciation written out to the revaluation reserve on revaluation, PVE reduced by £74.846 million, OLB increased by £7.802 million, CD increased by £67.044 million.
- Category adjustments & other movements, PVE increased by £0.018 million, OLB decreased by £0.018 million.

**** 2018/2019 amounts have been restated to reflect revaluation losses that were incorrectly classified as impairment losses b/f at 1 April 2018, and subsequently written out in the year following a revaluation. Asset values have not changed, the restatement is presentational only.

Cost or Valuation

- Opening Balance at 1 April 2018, reduced by £85.721 million (allocation of this amount to the various asset categories is shown in the table on the previous page).
- Revaluation increases/ (decreases) recognised in Revaluation Reserve, OLB increased by £29.136 million.
- Revaluation increases/ (decreases) recognised in Surplus/ Deficit on provision of services, CD decreased by £0.464 million and OLB decreased by £21.064 million.

Depreciation and Impairments

- Opening Balance at 1 April 2018, increased by £85.721 million (allocation of this amount to the various asset categories is shown in the table on the previous page).
- Revaluation increases/ (decreases) recognised in Revaluation Reserve, OLB decreased by £29.136 million.
- Revaluation increases/ (decreases) recognised in Surplus/ Deficit on provision of services, CD increased by £0.464 million and OLB increased by £21.064 million.

The table below provides a reconciliation from the carrying amount of Infrastructure at the beginning of the period to the carrying amount at the end of the period with details of all movements.

Infrastructure Assets	2018/2019 £000	2019/2020 £000
Net Book Value [Modified Historical Cost] at 1 April	357,494	388,208
Additions	9,095	922
Depreciation	(7,738)	(7,825)
Impairment		
Revaluation		
Derecognition [Disposals & Decommissioning]		
Category Adjustments & Other Movements	29,357	29,088
Net Book Value [Modified Historical Cost] at 31 March	388,208	410,393

The table below provides a summary of carrying amounts of other PPE assets and infrastructure assets, and a total for property, plant and equipment assets.

Net Book Value	31 March 2019	31 March 2020
	£000	£000
Infrastructure Assets	388,208	410,393
Other Property, Plant and Equipment Assets	724,094	712,504
Total Property, Plant and Equipment Assets	1,112,302	1,122,897

Capital Commitments

At 31 March 2020, the Council had entered into contracts for the construction and enhancement of property, plant and equipment in 2020/2021 and future years. The significant commitments are as follows:

Capital Commitments	As at 31 March 2020	As at 31 March 2019
	£000	£000
Campuses	4,252	1,444
Economic Development	5,626	823
Education	8,967	11,293
Highways	8,036	9,429
Housing	27,816	9,328
ICT	1,205	357
Other	432	86
Property	1,718	1,027
Ultrafast Broadband	2,638	3,000
Total	60,690	36,787

Note 16 Information about Depreciation Methodologies

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

- Council Dwellings. These are depreciated over a useful life of 30 years;
- Other Land and Buildings, Garages and Buildings are depreciated over a useful life of 50 years with the remaining useful life given by the valuers. Land is not depreciated;
- Vehicles, Plant etc. These are depreciated over a standard period of 5 years. The only exception being services of buildings which are depreciated on the remaining useful life given by the valuers;
- Community Assets, Assets under Construction and Non-operational Assets. These are not depreciated; and
- Infrastructure. These are depreciated over a useful life of 60 years.

The total depreciation charged to tangible Property Plant and Equipment fixed assets for 2019/2020 is £34.555 million (£35.786 million in 2018/2019).

Note 17 Capital Expenditure and Capital Financing

Over the page is the financing of the year's capital expenditure on fixed assets and revenue expenditure funded from capital under statute. This shows the Council's overall capital financing requirement for General Fund and HRA – the underlying amount of borrowing the Council has incurred on its capital investment.

	31 March 2020		31 March 2019
	£000	£000	Restated*
			£000
Opening Capital Financing Requirement		533,628	564,154
Finance Lease adjustment**			(11,946)
Capital Investment			
Plant Property & equipment Assets	79,143		83,112
Investment Properties	101		27
Intangible assets	8,560		5,312
Revenue Expenditure Funded from Capital under Statute**	21,393		15,221
Write-down of Lease Receivable**	1,817		1,344
Flexible use of capital receipts to fund transformation expenditure - transfer of expenditure	1,580		0
		112,594	105,016
Sources of Finance			
Government Grants		(60,924)	(78,345)
Major Repairs Reserve		(4,802)	(9,013)
Capital Receipts**		(9,511)	(12,946)
Assets purchased through Revenue (inc HRA)		(4,257)	(5,487)
Minimum Revenue Provision**		(8,959)	(9,383)
Voluntary Revenue Provision		(12)	(261)
Minimum Revenue Provision - PFI Schemes		(3,581)	(3,351)
Use of capital receipts reserve to finance HRA debt repayment		(8,000)	(4,810)
		(100,046)	(123,596)
Closing Capital Financing Requirement		546,176	533,628
Explanation of Movements in the Year			
Increase / (decrease) in underlying need to borrow		12,548	(30,526)
Increase / (decrease) in Capital Financing Requirement		12,548	(30,526)

* Restated by £39,000 to eliminate an incorrect entry in relation to 'repayment of long term capital assets' and corrected the movement in the year to a decrease of £17.303 million.

** 2018/2019 amounts have been restated to reflect the Council's waste vehicles (being made available to the contractor to provide the waste services) being reclassified and remeasured as a finance lease - receivable (previously treated as REFCUS). The restatements are as follows:

- Finance Lease Adjustment increase by £11.946 million.
- Write-down of Lease Receivable increased £1.344 million.
- Revenue Expenditure funded from Capital under Statute reduced by £2.621 million.
- Capital Receipts increased by £1.344 million.
- Minimum Revenue Provision reduced by £1.344 million.

[The above mirror the adjustments to the Capital Adjustment Account – see note 37].

Note 18 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, Avison Young (UK) Limited.

County Farms were most recently revalued in 2018/2019 by a qualified external valuer.

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

The assets revalued during 2019/2020 include:

- Playing Fields & allotments;
- OAP and Children's homes;
- Car Parks as well as the Investment Estate;
- Surplus Assets Not Held for Sale;
- Assets held for Sale; and
- HRA Stock and any new assets acquired during 2019/20 or significantly altered.

All other assets will be revalued over the coming years as part of the rolling programme but have been revalued within the maximum 5 year rolling programme as dictated in the code of practice. The Council is not aware of any material change in the value of the remaining assets that were not revalued in 2019/2020.

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

	Council Dwellings & Garages inc land £000	Other Land & Buildings £000	Vehicles, Plant and Equipment £000	Infra-structure £000	Community Assets £000	Assets under Construction £000	Surplus Assets £000	Total Property, and Plant & Equipment £000
Valued at historical cost		2,634	7,388	410,393		63,350		483,765
Valued at current value in:								
2019/2020	296,793	121,542			4,356	10	4,550	427,251
2018/2019		128,167						128,167
2017/2018	2,465	80,689						83,154
2016/2017		73			21			94
2015/2016		466						466
Book Value at 31 March 2020	299,258	333,571	7,388	410,393	4,377	63,360	4,550	1,122,897

Schools Assets

During the 2019/2020 financial year any schools that became Academy schools have had their assets removed from the Balance Sheet. This is shown as a derecognition in the note for Property plant and equipment above. The Council does not recognise Academy, Voluntary Controlled and Voluntary Aided schools in its financial statements.

Components and effect on depreciation

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

All assets with a value over £2 million de-minimis value have been split into the following components and disclosed in the Balance Sheet and fixed assets notes:

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

In addition, all the remaining useful lives are reassessed by the external valuers. This means that services are shown separately from the structure within the plant and equipment, and services typically have a considerably shorter remaining useful life than the structure of the building.

Note 19 Revaluation and Impairment Losses

As part of the valuation process, reductions in the value of our property, plant and equipment assets (where there have previously not been upward valuations) are charged as downwards revaluation losses to the surplus/deficit on the provision of services. These are detailed by asset class in note 15.

As it is good practice to revalue properties when they are complete to ensure the carrying values are appropriate, the external valuers provided valuations for the new/refurbished buildings as at 31 March 2020.

The total revaluation gains, losses and impairment costs charged to the surplus/deficit on the provision of services but do not reflect any loss to the Council as these downward valuation charges are reversed out in the Movement in Reserves Statement (as statutorily required) so that they have no impact on the General Fund and HRA balances.

Note 20 Heritage Assets

Heritage assets are assets that are held by the Council principally for their contribution to knowledge and/ culture. Typical examples of Heritage assets would include works of art, statues, archaeological sites, military or scientific equipment. Wiltshire Council does not have extensive museum collections as most of the museums in the county are owned by other bodies. Therefore the Council does not have a significant collection of art or other antiquities that need to be disclosed on the Balance Sheet with a value. These assets can be disclosed in a note to the financial statements if the cost of obtaining a valuation exceeds the benefit to the users of the Statement of Accounts.

These principal items that have been identified as heritage assets by Wiltshire Council are:

- **East Grafton Wilton Windmill**
This windmill, built in 1821, is held for historic purposes being managed by the Wilton Windmill Society. As a specialised grade II listed building with a major need for ongoing repairs it is felt that it would have minimal value and the cost of obtaining the valuation would far exceed the benefit to the users. Therefore this asset has been disclosed in this note only.
- **Village lock-ups**
Village lock-ups are historic buildings that were used for the temporary detention of people in England and Wales. A typical village lock-up is a small structure with a single door and a narrow slit window or opening. A number of these lock ups remain in various towns across Wiltshire. Many of these are owned and maintained by Wiltshire Council and so remain part of the Heritage Assets of the County. No formal valuation has been obtained for these sites as the costs of obtaining one would outweigh the benefits of doing so, and it is felt that they would not have any material value due to their size, condition and specialisation.
- **County Hall Members' Rooms Art**
There is a small collection of items formally held in the Members' rooms at County Hall. These include various portraits and landscapes, as well as a stuffed Bustard in a stand. These are not on public display but are kept for artistic reasons. These have not been valued for insurance purposes in the past because of their low value. The total value of these items is not material, nor is there a benefit to the user of the Statement of Accounts in obtaining updated valuations. Therefore these items have been disclosed in this note only.
- **Other items of Historical Interest**
There are a small number of other art works in the Council including; a modern art piece (the Leaf) in Bourne Hill, Salisbury, a newly commissioned giant painted Bustard held outside the Library in Trowbridge; various statues in parks and open spaces across the county. In addition there are various collections such as the Local Collections at Salisbury, the Savernake Collection, Arundell of Wardour collection amongst others. These items have not been valued for insurance purposes in the past because of their low value. The total value of these items is not material, nor is there a benefit to the user of the Statement of Accounts in obtaining updated valuations. Therefore these items have been disclosed in this note only.

Note 21 Leases

Authority as Lessor

Operating Leases

The Council leases out property under operating leases for the following purposes:

- Provide suitable affordable accommodation for local businesses; and
- Provide accommodation to other local service providers.

The future minimum lease payments* under non-cancellable leases in future years are:

	As at 31 March 2020 £000	As at 31 March 2019 £000
Operating Leases - Lessor		
Not later than one year	1,670	1,299
Later than one year and not later than five years	5,087	4,515
Later than five years	4,070	4,878
Total	10,828	10,692

* Due to the number of leases the Council has it has not been practical to separately disclose amounts from minimum lease payments that are contingent on events taking place after the lease was entered into, such as adjustments following rent review, Therefore contingent rents are included in the amounts in the table above.

Finance Leases

It has been determined (based on accounting standards IFRIC 4 and IAS 17), that the Council's contractual arrangement to make its waste vehicles available to the contractor to provide waste services to the Council, is a finance lease. This has required the restatement of a number of the core financial statements and notes. The impact of this restatement is shown as footnotes to the core financial statements and notes that have been impacted.

The lease has a remaining term of 6 years 3 months. The Council has a gross investment in the lease, made up of the minimum lease payments expected to be received over the remaining term. The minimum lease payments comprise settlement of the long-term debt for the interest in the vehicles acquired by the waste contractor and finance income that will be earned by the Council in future years while the debtor remains outstanding. The gross investment is made up of the following amounts:

	As at 31 March 2020 £000	As at 31 March 2019 £000
Finance Lease - Lessor		
Finance lease debtor (net present value of minimum lease payments)		
Current	1,852	1,817
Non-current	10,319	11,406
Unearned Finance Income	860	1,127
Gross Investment in the Lease	13,031	14,350

The gross investment in the lease and the minimum lease payments will be received over the following periods:

	Minimum Lease Payments		Gross Investment in the Lease	
	As at 31 March 2020 £000	As at 31 March 2019 £000	As at 31 March 2020 £000	As at 31 March 2019 £000
Finance Lease - Lessor				
Not later than one year	1,852	1,817	2,085	2,085
Later than one year and not later than five years	7,770	6,860	8,339	7,574
Later than five years	2,548	4,546	2,607	4,691
Total	12,171	13,223	13,031	14,350

It is expected that the finance lease payments will be made therefore no allowance has been made for uncollectable amounts.

The lease payments do not include payments that are contingent on events taking place after the lease was entered into, and as such there are no contingent payments to be disclosed.

Authority as Lessee

Operating Leases

The Council has acquired its fleet of vehicles for providing various services with typical lives of 5 years, office equipment and property, by entering into operating leases.

The future minimum lease payments* due under non-cancellable leases in future years are:

	As at 31 March 2020 £000	As at 31 March 2019 £000
Operating Leases - Lessee		
Not later than one year	3,173	738
Later than one year and not later than five years	5,288	1,105
Later than five years	1,145	1,202
Total	9,607	3,046

* Due to the number of leases the Council has it has not been practical to separately disclose amounts from minimum lease payments that are contingent on events taking place after the lease was entered into, such as adjustments following rent review, therefore contingent rents are included in the amounts in the table above.

The expenditure charged to the Comprehensive Income and Expenditure Statement* during the year in relation to these leases was:

	2019/2020 £000	2018/2019 £000
Operating Leases - Lessee		
Minimum lease payments & contingent rents		
Vehicles, Plant & Equipment	818	106
Property	297	262
Software	1,776	931
Total	2,891	1,298

* Expenditure is charged to the following segments: Highways and Environment, Education and Skills, Human Resources and Organisation Development, Housing and Commercial Development, and Digital and Information.

Finance Leases

The Council has two leases for properties that are held on the balance sheet as investment properties and measured at fair value being £0.400 million as at 31 March 2020 (£0.355 million, 31 March 2019). The liabilities associated with these leases have not been recognised on the Council's balance sheet because they are immaterial in value with payments being reflected in the Comprehensive Income and Expenditure Statement.

In addition, the Council has a small number of vehicles which it leases (with the leases ending in 2021/2022). These leases are finance leases however, because of the immaterial amounts involved the associated assets and liabilities have not been reflected on the Council's Balance Sheet, with payments being reflected in the Comprehensive Income and Expenditure Statement.

Note 22 Private Financing Initiatives (PFI) and Similar Contracts

The total amount held in Private Financing Initiative and Similar contracts is as follows:

	North Wilts Schools PFI £000	Housing PFI £000	Monkton Park Modified PFI £000	Total Long term contracts £000
Balance outstanding at 1 April 2019	(24,476)	(42,922)	(4,997)	(72,395)
Reclassified and measured as a financial instrument			4,997	4,997
Payments during the year to reduce capital liability	1,133	1,949		3,082
Liability outstanding 31 March 2020	(23,343)	(40,973)	0	(64,316)
Split:				
Due within 1 year	(1,225)	(2,040)		(3,265)
Due in over 1 year	(22,118)	(38,933)		(61,051)
Liability outstanding 31 March 2020	(23,343)	(40,973)	0	(64,316)

The PFI contract in relation to Monkton Park Offices was modified in January 2011 and only the loan associated with the capital and interest cost of building Monkton Park still has to be repaid. This is repaid directly to the Bank rather than to the former PFI joint vehicle. Therefore the liability as at 1 April 2019 on the balance sheet has been reclassified and measured as a financial instrument (as opposed to a service concession), and is now reported under the heading of borrowing on the Balance Sheet.

North Wiltshire Schools PFI & Additional 6th Form Units.

Wiltshire Council has a Private Finance Initiative ("PFI") for three secondary schools with White Horse Education Partnership ("WHEP"). WHEP is responsible for maintaining and operating the facilities for 30 years from when the first school became operational (March 2002). Abbeyfield School is included in the non-current assets in the Balance Sheet with an associated liability. Malmesbury School and Wootton Bassett School converted to Academies during 2011. Therefore the non-current asset balances and transactions relating to these schools should not be reflected in the Council's financial statements. This has required 2018/19 balances and transactions to be restated for these two schools as detailed in this document. However, these restatements have not impacted in the PFI liability.

The funding for the annual PFI payment comes from the Council's own resources and a special government grant called a PFI credit which is credited to the revenue account in the year it is received.

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

Period	Liability £000	Interest £000	Service charges £000	2019/2020	2018/2019
				Total £000	Total £000
Within 1 years	(1,225)	(1,518)	(3,564)	(6,307)	(6,217)
Within 2-5 years	(5,959)	(5,048)	(15,172)	(26,179)	(25,794)
Within 6-10 years	(10,554)	(3,292)	(21,199)	(35,045)	(34,507)
Within 11-15 years	(5,605)	(480)	(8,285)	(14,370)	(21,599)
Total	(23,343)	(10,338)	(48,220)	(81,901)	(88,117)

Housing PFI Scheme

A total of 242 units have been built since 2012/2013 under a housing PFI scheme at sites across the county. These are included in the non-current assets in the Balance Sheet with an associated liability.

Payments are made to the PFI contractors as monthly unitary payments. These payments are commitments and can vary subject to indexation, reductions for performance and availability failures. The funding of the unitary payment will come from a government grant (the PFI credits referred to above), as well as a Council contribution.

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

Period	Liability £000	Interest £000	2019/2020	2018/2019
			Total £000	£000
Within 1 years	(2,040)	(1,847)	(3,887)	(3,881)
Within 2-5 years	(8,680)	(6,931)	(15,611)	(15,584)
Within 6-10 years	(14,830)	(4,842)	(19,672)	(19,635)
Within 11-15 years	(15,423)	(1,121)	(16,544)	(19,829)
Within 16-20 years	0	0	0	(665)
Total	(40,973)	(14,741)	(55,714)	(59,594)

Note 23 Investment Property

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

	2019/2020 £000	2018/2019 £000
Rental income from investment property	(2,519)	(2,459)
Direct operating expenses arising from investment properties	533	418
Net (Gain)/ Loss	(1,986)	(2,041)

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

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

	2019/2020 £000	2018/2019 £000
Balance at start of the year	23,452	23,244
Additions: Subsequent expenditure	101	27
Disposals		(10)
Gains from fair value adjustments		956
Losses from fair value adjustments	(86)	
Transfers (to)/from Property, Plant and Equipment	(368)	(765)
Balance at end of the year	23,099	23,452

The fair value of the Council's investment property is measured annually at each reporting date. The valuations are carried out by an independent valuer. For 2018/2019 and 2019/2020 this was Avison Young (UK) Limited. The valuations are carried out in accordance with the methodologies and bases of estimation set out in the professional standards of the Royal Institute of Chartered Surveyors. There is regular liaison between the valuer and the Council's finance and property officers regarding all valuation matters.

Fair Value Hierarchy and Valuation Techniques

All of the Council's investment properties shown above are measured at fair value on a recurring basis using other significant observable inputs, Level 3 on the fair value hierarchy.

The fair value measurement of the investment properties is based on the market approach using current market conditions consisting of analysed and weighted market evidence such as sales, rentals and yields in respect of comparable properties in the same or similar locations at or around the valuation date. There has been no change in valuation technique and no transfers between levels of the fair value hierarchy in the year.

Highest and Best Use of Investment Properties

In estimating the fair value of the Council's investment properties, the highest and best use of the properties is their current use.

Note 24 Intangible Assets

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

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

	Carrying amount		Remaining Amortisation Period
	31 March 2020 £000	31 March 2019 £000	
Adults & Children's Case Management System	2,953	1,514	4 - 5 Years
Other items of software	3,027	471	1 - 5 years
Microsoft Navigator	8,264	0	5 Years
Total	14,244	1,985	

The carrying amount of intangible assets is amortised on a straight-line basis. All amortisation applied to Intangible assets is on a straight-line basis over 5 years.

The table below provides a reconciliation from the carrying amount of intangible assets at the beginning of the period to the carrying amount at the end of the period with details of all movements.

	2019/2020 Purchased Software Licences £000	2018/2019 Purchased Software Licences £000
Gross carrying amounts	23,519	21,775
Accumulated amortisation	(21,534)	(21,211)
Net Carrying amount at the start of the year	1,985	564
Purchases	8,560	5,312
Amortisation for the period	(429)	(323)
Disposals		(13)
Category Adjustments	4,128	(3,555)
Net carrying amount at end of year	14,244	1,985
Comprising:		
Gross carrying amounts	36,207	23,519
Accumulated amortisation	(21,963)	(21,534)
Net carrying amount at end of year	14,244	1,985

Note 25 Assets Held for Sale

The Council held the following amounts as assets held for sale as at 31 March 2020. 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.

	2019/2020	2018/2019
	£000	£000
Balance at start of the year	8,427	10,165
Assets newly classified as held for sale	4,101	4,335
Depreciation	0	(23)
Assets Sold	(7,236)	(6,050)
Revaluations	3,185	0
Balance at end of the year	8,477	8,427

OTHER NOTES TO THE BALANCE SHEET

Note 26 Debtors

Note 26a Short Term Debtors

These represent sums owed to the Council for supplies and services provided before 31 March 2020 but not received at that date.

	2019/2020 £000	2018/2019 £000
Other Local Authorities	2,766	1,436
Government Departments	8,251	10,029
NHS Bodies	4,225	3,346
Other entities & individuals:		
Share of Business Rates and Council Tax	17,185	14,099
Housing Tenants	2,296	1,698
Housing Benefit Overpayments	6,934	8,564
Other Sundry Debtors	33,000	27,051
Payments in Advance	7,378	6,720
Gross Debtors	82,035	72,943
Less: Allowance for expected credit losses		
General Fund debtors	(8,689)	(9,303)
Housing Benefit Overpayments	(6,934)	(8,564)
Housing Rent arrears	(1,999)	(1,556)
Council Tax arrears	(3,214)	(2,744)
Business Rates Arrears	(220)	(245)
Total Allowance for expected credit losses	(21,056)	(22,412)
Total Short Term Debtors	60,979	50,531

Note 26b Long Term Debtors

These represent sums owed to the Council, in the areas shown in the table below, before 31 March 2020 but not received at that date, with payment due after 31 March 2021.

	2019/2020 £000	2018/2019 £000
Council House Mortgages	1,539	1,534
Adult Home Loan Awaiting House sale	2,934	2,322
Other Loans and Advances	5,014	2,547
Total Long Term Debtors	9,487	6,403

Note 27 Cash and Cash Equivalents

The balance of cash and cash equivalents consists of the bank accounts of locally managed schools and the rest of the Council's cash and bank accounts.

	2019/2020 £000	2018/2019 £000
Cash & Bank	(5,858)	(8,567)
Schools' bank accounts	14,481	15,270
Total Cash and Cash Equivalents	8,623	6,703

Note 28 Short Term Creditors

These represent sums owed by the Council for supplies and services received before 31 March 2020 but not paid for at that date.

	2019/2020 £000	2018/2019 £000
Other Local Authorities	(10,447)	(4,390)
Government Departments	(4,817)	(10,892)
NHS Bodies	(1,770)	(2,532)
Sundry Creditors	(80,442)	(57,874)
Receipts in Advance	(13,432)	(14,085)
Accumulated Absences	(6,336)	(5,916)
Total Short Term Creditors	(117,244)	(95,689)
Grants Receipts in Advance	(11,020)	0

The grants receipts in advance relates to grant income received in 2019/2020 in advance of being utilised in 2020/2021. The breakdown of the £11.020 million is provided in note 6. The 2018/2019 grants receipts in advance shown in note 6 have not been separately in the above note as the amount is not material.

Note 29 Provisions

Provisions are required for any liabilities of uncertain timing or amount that have been incurred. These are 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) that 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 is recognised. Amounts set aside for purposes falling outside the definition of provisions are accounted for as earmarked reserves, or contingent liabilities.

	Legal Claims £000	Insurance Claims £000	Business Rate Retention Scheme Appeals £000	Termination Benefits £000	Total £000
Balance at 1 April 2019	(499)	(1,142)	(1,884)	(71)	(3,596)
Additional provisions made in year		(34)		(978)	(1,012)
Amounts used in year			31	71	102
Balance at 31 March 2020	(499)	(1,176)	(1,853)	(978)	(4,506)

Legal Claims

The Council has made provisions in respect of legal claims which may become payable by the Council depending on the outcome of a small number of individual cases totalling £0.499 million. In order not to prejudice seriously the Council's position in these cases any further information has been withheld from this publication. It is currently expected that all of these claims will be settled during the 2020/2021 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 2019/2020 is made up of 23 claims totalling £1.176 million. These claims consisted of a mixture of Public and Employers' Liability claims and own Property claims.

The Council self-insures, with the Council meeting the first £0.100 million of each employers and public liability claim (£0.400 million from 1 April 2020) and up to £0.400 million for own property claims (£0.250 million from 1 April 2020). It is currently expected that all of these claims will be settled during 2020/2021.

Insurance claims where liability has yet to be established are detailed in the Contingent Liability note 47.

Termination Benefits

As at 31 March 2020 the Council made a total provision of £0.978 million in respect of termination benefits, relating to redundancy costs for 6 employees. It is expected that all cases will be resolved during the first half of the 2020/2021 financial year.

Business Rate Retention Scheme Appeals

The Council is required to make provision for the costs associated with refunding business ratepayers with regard to current and prior year appeals against the rateable values of their properties on the rating list. The Council has estimated the total value of this provision to be £3.781 million as at 31 March 2020. This liability however, is shared between Wiltshire Council (49%), Central Government (50%) and Dorset and Wiltshire Fire & Rescue Authority (1%). The Council's share of this provision is therefore £1.853 million.

Note 30 Financial Instruments

Financial instruments are recognised on the balance sheet when the Council becomes party to the contractual provisions of a financial instrument. They are classified based on the business model for holding the instruments and their expected cashflow characteristics.

Financial Liabilities

Financial liabilities are initially measured at fair value and then at amortised cost. For the Council's borrowing this means that the amount presented in the balance sheet is the outstanding principal repayable (plus accrued interest). Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement ("CIES") are based on the carrying amount of the liability, multiplied by the rate of interest for the instrument.

Financial Assets

To meet the financial instruments accounting standard requirements (IFRS 9), financial assets are now classified into one of three categories:

1. *Financial assets held at amortised cost* - represented by loans or loan type arrangements where repayments or interest and principal take place on set dates and at specified amounts. The amount presented in the Balance Sheet represents the outstanding principal due plus accrued interest. Interest credited to the CIES is the amount receivable as per the loan agreement.
2. *Fair Value through Other Comprehensive Income* - These assets are measured and carried at fair value. All gains and losses due to changes in fair value are accounted for through a reserve account with the balance debited or credited to the CIES when the asset is disposed of.
3. *Fair Value Through Profit or Loss* - These assets are measured and carried at fair value. All gains and losses due to changes in fair value (both realised and unrealised) are recognised in the CIES as they occur.

Allowances for impairment losses have been calculated for amortised cost assets applying the expected credit losses model. Changes in loss allowances (including balances outstanding at the date of derecognition of an asset) are taken to the Financing and Investment Income and Expenditure line in the CIES.

Categories of Financial Instruments

The following categories of financial instrument are carried in the Balance Sheet.

Categories of Financial Assets	Long Term		Short Term	
	2019/2020 £000	2018/2019 £000	2019/2020 £000	2018/2019 £000
Investments				
At amortised cost:				
Principal			79,548	101,941
Accrued interest			272	336
Total Investments	0	0	79,820	102,277
Cash and Cash Equivalents				
At amortised cost:				
Principal			8,623	6,703
Accrued interest				
Total Cash and Cash Equivalents			8,623	6,703
Debtors				
At amortised cost:				
Trade receivables			26,837	25,094
Loss allowance			(8,689)	(9,303)
Loans and Advances	9,487	6,403		
Included in Debtors ¹	9,487	6,403	18,148	15,791
Total Financial Assets	9,487	6,403	106,591	124,771
¹ Debtors Reconciliation to Balance Sheet				
Included in Financial Assets	9,487	6,403	18,148	15,791
<i>Debtors that do not meet the definition of a financial asset:</i>				
Statutory Debtors			35,453	28,020
Prepayments			7,378	6,720
Total Debtors	9,487	6,403	60,979	50,531

Categories of Financial Liabilities	Long Term		Short Term	
	2019/2020 £000	2018/2019 £000	2019/2020 £000	2018/2019 £000
Financial Liabilities				
Borrowings				
Loans at Amortised Cost:				
Principal sum borrowed*	(340,575)	(335,029)	(5,508)	(8,310)
Accrued interest			(2,171)	(1,862)
Total Borrowings	(340,575)	(335,029)	(7,679)	(10,172)
Finance Lease Liabilities				
PFI Liabilities at amortised cost*	(61,051)	(68,814)	(3,265)	(3,581)
Total Finance Lease Liabilities	(61,051)	(68,814)	(3,265)	(3,581)
Creditors**				
Liabilities at amortised cost			(39,617)	(54,083)
Included in Creditors²	0	0	(39,617)	(54,083)
Total Financial Liabilities	(401,626)	(403,843)	(50,561)	(67,836)

* 2019/20 Borrowings and PFI Liabilities has been adjusted in respect of the reclassification and remeasurement of Monkton Park former PFI scheme, as a financial instrument (as opposed to a service concession) and is now reported under the heading of borrowing – see the footnote in the Balance Sheet for further information regarding this adjustment.

² Creditors Reconciliation to Balance Sheet**	Long Term		Short Term	
	2019/2020 £000	2018/2019 £000	2019/2020 £000	2018/2019 £000
Included in Financial Liabilities	0	0	(39,617)	(54,083)
Creditors that do not meet the definition of a financial liability:				
Statutory Creditors	(51,309)	(54,867)	(64,195)	(27,521)
Income in Advance			(24,452)	(14,085)
Total Creditors	(51,309)	(54,867)	(128,264)	(95,689)

** Includes Grants Receipts in Advance shown separately on the face of the Balance Sheet.

Items of Income, Expense, Gains and Losses Recognised in the Comprehensive Income and Expenditure Statement

The follow table provides a breakdown of the financial instrument items of income, expenditure and gains/ losses recognised in the Comprehensive Income and Expenditure Statement.

Financial instrument items of income, expenditure and gains/ losses recognised in the CIES	2019/20		Total £000
	Financial Liabilities: Amortised Cost £000	Financial Assets: Amortised Cost £000	
Interest Expense	16,855		16,855
Interest Payable and Similar Charges	16,855	0	16,855
Interest Income		(1,141)	(1,141)
Interest and Investment Income	0	(1,141)	(1,141)
Net Adjustment of reflecting Amortisation of Unamortised Premiums and Adjustment on Market Loans to match EIR	(3)		(3)
Recognised in the surplus on provision of services	16,852	(1,141)	15,711
Recognised in Other Comprehensive Income	0	0	0
Net (Gain) / Loss for the Year	16,852	(1,141)	15,711

* Interest expenses has been adjusted by £4.237 million – see the footnote in the CIES for further information regarding this adjustment.

Financial instrument items of income, expenditure and gains/ losses recognised in the CIES	2018/19		Total £000
	Financial Liabilities: Amortised Cost £000	Financial Assets: Amortised Cost £000	
Interest Expense	12,328		12,328
Interest Payable and Similar Charges	12,328	0	12,328
Interest Income		(1,180)	(1,180)
Interest and Investment Income	0	(1,180)	(1,180)
Net Adjustment of reflecting Amortisation of Unamortised Premiums and Adjustment on Market Loans to match EIR	(2)		(2)
Recognised in the surplus on provision of services	12,326	(1,180)	11,146
Recognised in Other Comprehensive Income	0	0	0
Net (Gain) / Loss for the Year	12,326	(1,180)	11,146

NOTES RELATING TO RESERVES

Note 31 Usable Reserves

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement, with the year-end balances summarised in the table below.

Reserve	Note	2019/2020 £000	2018/2019 £000
General Fund		(15,456)	(15,100)
Earmarked Reserves	32	(23,916)	(37,243)
General Fund Balance per Movement in Reserves Statement		(39,372)	(52,343)
Housing Revenue Account Balance		(10,144)	(13,567)
Closing General fund and HRA balance per Expenditure & Funding Statement		(49,516)	(65,910)
Other Usable Reserves:			
Major Repairs Reserve	33	(12,169)	(4,739)
Usable Capital Receipts Reserve	34	(11,128)	(11,970)
Capital Grants and Contributions Unapplied Account		(55,586)	(63,746)
Total Usable Reserves		(128,399)	(146,365)

Note 32 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.

Earmarked Reserves	2018/19			2019/20	
	Opening Balance £000	Movement £000	Closing Balance £000	Movement £000	Closing Balance £000
PFI Reserve	(3,873)	390	(3,483)	301	(3,182)
Insurance Reserve	(3,239)	(175)	(3,414)	(71)	(3,485)
Locally Managed Schools' Balances	(5,930)	(1,848)	(7,778)	(313)	(8,091)
Elections Reserve	(200)	(200)	(400)	400	0
Area Board Reserve	(34)	(134)	(168)	168	0
Revenue Grants Earmarked Reserve	(6,714)	3,282	(3,432)	(110)	(3,542)
PFI Housing Scheme Earmarked Reserve	(2,851)	90	(2,761)	98	(2,663)
Economic Development & Planning Reserve	(21)	(31)	(52)	0	(52)
Single View of the Customer Reserve	(829)	88	(741)	0	(741)
Play Area Asset Transfers	(80)	(19)	(99)	40	(59)
Enabling Fund	(5,227)	1,816	(3,411)	3,271	(140)
Business Rates Equalisation Fund	(4,828)	(1,030)	(5,858)	5,549	(309)
Adoption West	(200)	127	(73)	73	0
Area Board Pavements	(150)	(150)	(300)	300	0
Leisure	(67)	10	(57)	20	(37)
Capital Financing	(3,300)	972	(2,328)	2,328	0
Development of Local Plan	(500)	200	(300)	300	0
Reducing Parental Conflict	0	(40)	(40)	40	0
CAMHS Funding	0	(76)	(76)	76	0
Pewsey Campus	0	(32)	(32)	32	0
National Armed Forces Day	0	(35)	(35)	35	0
Culver Street Car Park	0	(25)	(25)	25	0
Microsoft Contract	0	(800)	(800)	800	0
Young Parents Support	0	(250)	(250)	250	0
Oxenwood	0	(80)	(80)	80	0
Ofsted	0	(450)	(450)	450	0
School Readiness	0	(300)	(300)	300	0
Salisbury Recovery	0	(500)	(500)	0	(500)
Public Health Grant	0	0	0	(839)	(839)
Rough Sleepers	0	0	0	(166)	(166)
Flexible Housing Support	0	0	0	(287)	(287)
Homelessness Reduction	0	0	0	(121)	(121)
Covid	0	0	0	(11,079)	(11,079)
DSG Reserve	0	0	0	11,377	11,377
Housing Benefit Subsidy Clawback	(500)	500	0	0	0
Children's Management System	(325)	325	0	0	0
Disabled Facilities Grant	(274)	274	0	0	0
Waste Transformation	(1,250)	1,250	0	0	0
Building control	(30)	30	0	0	0
Development control cyclical fund	(66)	66	0	0	0
Total	(40,488)	3,245	(37,243)	13,327	(23,916)

Note 33 Major Repairs Reserve

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

Major Repairs Reserve	2019/2020 £000	2018/2019 £000
Financing of capital expenditure in the year	4,802	9,013
Amount transferred to the reserve during the year	(12,232)	(12,153)
Movement in Year	(7,430)	(3,140)
Balance at 1 April	(4,739)	(1,599)
Balance at 31 March	(12,169)	(4,739)

Note 34 Usable Capital Receipts Reserve

This reserve records the receipts to be received by the Council from the sale of non-current assets i.e. PPE, and mortgages advances to former tenants to purchase their Council owned home. Payments out of reserve relate to amounts used to finance capital expenditure.

Usable Capital Receipts Reserve	2019/2020 £000	2018/2019 Restated £000
Amounts Receivable in year		
Disposal of land and buildings	(14,649)	(14,737)
Other capital receipts - mortgages	(204)	(269)
Other capital receipts*	(1,817)	(1,765)
Housing Pooled Capital Receipt	(1,233)	(875)
	(17,903)	(17,646)
Amounts applied to finance new capital investment in year		
Capital receipts utilised - capital expenditure	7,695	11,602
Capital receipts utilised - lease receivable*	1,817	1,344
Capital receipts utilised for HRA repayment	8,000	4,810
Transfer to CIES for administration costs of Housing Pooling		42
Transfer to CIES equal to contribution to Housing Pooled Capital receipt	1,233	875
	18,745	18,673
Movement in Year	842	1,027
Balance at 1 April	(11,970)	(12,997)
Balance at 31 March	(11,128)	(11,970)

* 2018/2019 amounts have been restated to reflect the Council's waste vehicles (being made available to the contractor to provide the waste services) being reclassified and remeasured as a finance lease - receivable (previously treated as REFCUS). The restatements are as follows:

- Other Capital Receipts increase by £1.344 million.
- Capital Receipts Utilised – Lease Receivable increased by £1.344 million.

Note 35 Unusable Reserves

Reserve	Note	2019/2020 £000	2018/2019 Restated £000
Revaluation Reserve**	36	(254,532)	(272,733)
Capital Adjustment Account***	37	(368,296)	(340,101)
Financial Instruments Adjustment Account*		5,308	951
Deferred capital receipts		(1,713)	(1,701)
Pensions Reserve	38	491,733	613,750
Collection Fund Adjustment Account		(2,627)	(311)
Accumulated Absences Account		6,336	5,916
Total Unusable Reserves		(123,791)	5,771

* The 2019/2020 comparative for the Financial Instruments Adjustment Account has been adjusted by £4.359 million to reflect the loan premium on the Monkton Park former PFI loan which has been reclassified and measured as a financial instrument (as opposed to a service concession). The loan premium will be written back to revenue over the remaining term of the loan. The 2018/19 comparatives have not been restated because these adjustments are not material.

** 2018/2019 amounts have been restated to reflect the write out of the school non-current asset balances relating to Malmesbury School and Wootton Bassett School that converted to Academies during 2011. The restatements are as follows:

- Revaluation Reserve reduced by £35.954 million (see note 36 below for more detail).

*** 2018/2019 amounts have been restated to reflect the Council's waste vehicles (being made available to the contractor to provide the waste services) being reclassified and remeasured as a finance lease - receivable (previously treated as REFCUS). The restatements are as follows:

- Capital Adjustment Account increase by £13.223 million (see note 37 below for more detail).

Note 36 Revaluation Reserve

The balance of this reserve represents the revaluation gains (as certified by the Council's external valuer – Avison Young, and the Council's internal valuer for farms) made by the Council arising from increases in the value of its Property, Plant and Equipment assets. The balance is reduced when assets with accumulated gains are:

- Revalued downwards or impaired and the gains lost.
- Used in the provision of services and gains are consumed through depreciation.
- Disposed of and the gains are realised.

The reserve only contains revaluation gains accumulated since 1 April 2007, the date the reserve was created. Accumulated gains prior to this have been consolidated into the balance on the Capital Adjustment account.

Revaluation Reserve	2019/2020 £000	2018/2019 Restated £000
Balance at 1 April	(272,733)	(306,098)
PFI schools converted to Academies*		31,874
Restated Balance at 1 April	(272,733)	(274,224)
Upward revaluation of assets*	(26,432)	(42,087)
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on Provision of Services	19,812	21,333
(Surplus) or deficit on revaluation of non-current assets not posted to surplus/ deficit on the provision of services	(6,620)	(20,754)
Difference between fair value depreciation and historic cost depreciation*	10,907	11,202
Accumulated gains on assets sold or scrapped	13,914	11,043
Net amount transferred to the Capital Adjustment Account	24,821	22,245
Balance at 31 March	(254,532)	(272,733)

* 2018/2019 amounts have been restated to reflect the write out of the school non-current asset balances and transactions relating to Malmesbury School and Wootton Bassett School that converted to Academies during 2011. The restatements are as follows:

- Balance at 1 April 2018 reduced by £31.874 million.
- Upward revaluation of assets reduced by £5.040 million.
- Difference between fair value depreciation and historic cost depreciation reduced by £0.960 million.

The Council has been working with the external auditor to agree an approach to evidence historic balances in the Revaluation Reserve [and any consequential impact on the Capital Adjustment Account], however the work to remove the qualification of the audit opinion will be completed as part of the 2020/2021 accounts and audit process, and as a result the qualification will remain for this set of accounts.

Note 37 Capital Adjustment Account

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

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

Capital Adjustment Account	2019/2020 £000	2018/2019 Restated £000
Balance 1 April	(340,101)	(300,818)
PFI schools converted to Academies*		(31,874)
PFI schools converted to Academies*		31,874
Restated Balance 1 April	(340,101)	(300,818)
Finance Lease adjustment**		(11,946)
Reversal of items relating to capital expenditure debited or credited to the comprehensive		
Charges for depreciation of non-current assets*	34,555	35,809
Charges for impairment/revaluations of plant, property and equipment	11,036	25,441
Amortisation of intangible assets	429	323
Revenue expenditure funded from capital under statute**	21,393	15,221
Amounts of non-current assets written off as part of gain / loss on disposal posed to CIES	25,776	41,322
Flexible use of capital receipts to fund transformation expenditure - transfer of expenditure	1,580	
	94,769	118,116
Adjusting amounts written out of Revaluation Reserve*	(24,821)	(22,245)
Net written out amount of the cost of non-current assets consumed in the year	69,948	95,871
Capital financing applied in the year		
Use of capital receipts reserve to finance new capital expenditure	(7,694)	(11,602)
Use of capital receipts reserve to finance lease receivable**	(1,817)	(1,344)
Use of major repairs reserve to finance new capital expenditure	(4,802)	(9,013)
Application of grants to capital financing from the capital grants unapplied account	(60,924)	(78,346)
Statutory provision for the financing of capital investment charged against the general fund balances**	(12,552)	(12,995)
Capital expenditure charged against the general fund and HRA balances	(4,257)	(5,486)
Use of capital receipts reserve to finance HRA debt repayment	(8,000)	(4,810)
	(100,046)	(123,596)
Movement in the market value of Investment properties (credited) / debited to the CIES	86	(956)
Write-down of Lease Receivable**	1,817	1,344
Balance at 31 March	(368,296)	(340,101)

* 2018/2019 amounts have been restated to reflect the write out of the school non-current asset balances and transactions relating to Malmesbury School and Wootton Bassett School that converted to Academies during 2011. The restatements are as follows:

- Balance at 1 April 2018 increased by £31.874 million and reduced by £31.874 million.
- Charges for depreciation of non-current assets reduced by £0.960 million.
- Adjusting amounts written out of Revaluation Reserve reduced by £0.960 million

Note the above restatements do not alter the Balance at 31 March [2019].

** 2018/2019 amounts have been restated to reflect the Council's waste vehicles (being made available to the contractor to provide the waste services) being reclassified and remeasured as a finance lease - receivable (previously treated as REFCUS). The restatements are as follows:

- Finance Lease Adjustment increase by £11.946 million.
- Revenue expenditure funded from capital under statute reduced by £2.621 million.
- Use of capital receipts reserve to finance lease receivable increased by £1.344 million.
- Statutory provision for the financing of capital investment charged against general fund balance reduced by £1.344 million.
- Write-down of lease receivable increased £1.344 million.

The Council has been working with the external auditor to agree an approach to evidence historic balances in the Revaluation Reserve [and any consequential impact on the Capital Adjustment Account], however the work to remove the qualification of the audit opinion will be completed as part of the 2020/2021 accounts and audit process, and as a result the qualification will remain for this set of accounts.

Note 38 Pension Fund Liability

The movements in the Pension Fund are shown in the table below, with the closing position (liability) being reflected on the face of the Council's Balance Sheet. Additional pension fund disclosures are included in note 49.

	Period ended 31 March 2020			Period ended 31 March 2019		
	Assets	Liabilities	Net (liability)/	Assets	Liabilities	Net (liability)/
	Obligations		asset	Obligations		asset
	£000	£000	£000	£000	£000	£000
Fair value of plan assets	1,124,418	0	1,124,418	1,044,986	0	1,044,986
Present value of funded liabilities	0	(1,682,916)	(1,682,916)	0	(1,539,538)	(1,539,538)
Present value of unfunded liabilities	0	(55,252)	(55,252)	0	(56,284)	(56,284)
Opening Position	1,124,418	(1,738,168)	(613,750)	1,044,986	(1,595,822)	(550,836)
Service cost						
Current service cost*	0	(59,347)	(59,347)	0	(49,915)	(49,915)
Past service cost** (including curtailments)	0	(2,345)	(2,345)	0	(872)	(872)
Effect of settlements	(1,010)	1,589	579	(985)	1,583	598
Total service cost	(1,010)	(60,103)	(61,113)	(985)	(49,204)	(50,189)
Net interest						
Interest income on plan assets	26,996	0	26,996	27,035	0	27,035
Interest cost on defined benefit obligation	0	(41,997)	(41,997)	0	(41,524)	(41,524)
Total net interest	26,996	(41,997)	(15,001)	27,035	(41,524)	(14,489)
Total defined benefit cost recognised in Profit or (Loss)	25,986	(102,100)	(76,114)	26,050	(90,728)	(64,678)
Cash flows						
Participants' contributions	8,393	(8,393)	0	7,781	(7,781)	0
Employer contributions	35,667	0	35,667	32,702	0	32,702
Estimated contributions in respect of unfunded benefits paid	3,534	0	3,534	3,547	0	3,547
Estimates benefits paid	(46,996)	46,996	0	(48,200)	48,200	0
Estimated unfunded benefits paid	(3,534)	3,534	0	(3,547)	3,547	0
Expected closing position	1,147,468	(1,798,131)	(650,663)	1,063,319	(1,642,584)	(579,265)
Remeasurements						
Change in demographic assumptions	0	42,875	42,875	0	0	0
Change in financial assumptions	0	137,875	137,875	0	(95,154)	(95,154)
Other experience	0	69,143	69,143	0	(430)	(430)
Return on assets excluding amounts included in net interest	(90,963)	0	(90,963)	61,099	0	61,099
Total remeasurements recognised in Other Comprehensive Income ("OCI")	(90,963)	249,893	158,930	61,099	(95,584)	(34,485)
Fair value of employer assets	1,056,505	0	1,056,505	1,124,418	0	1,124,418
Present value of funded liabilities	0	(1,499,566)	(1,499,566)	0	(1,682,916)	(1,682,916)
Present value of unfunded liabilities***	0	(48,672)	(48,672)	0	(55,252)	(55,252)
Closing position	1,056,505	(1,548,238)	(491,733)	1,124,418	(1,738,168)	(613,750)

* The current service cost includes an allowance for administration expenses of 0.5% of payroll.

** In June 2019 The Government failed to obtain the right to appeal to the Supreme Court on the McCloud judgement, which reflected age discrimination in designing transitional arrangements in the move of public sector pension schemes from final salary to career average. This has given rise to a liability estimated by the Council's actuaries at £1.866 million as at 31 March 2020 which is reflected in the Past Service Cost. As at 31 March 2019 no adjustment was made to the pension liability in respect of McCloud, but instead this was recorded as a contingent liability because at that time it was a possible obligation depending on whether some uncertain future event occurs (i.e. the outcome of the Government's process to obtain the right to appeal on the McCloud judgement).

*** As at 31 March 2020, the unfunded liabilities comprise of £14.888 million in respect of LGPS unfunded pensions and £33.784 million in respect of Teachers' unfunded pensions.

NOTES TO THE CASH FLOW STATEMENT

Note 39 Cash Flow Operating Activities

Non-Cash Movements

The Surplus on Provision of Services has been adjusted for the following non-cash movements:

	2019/2020	2018/2019
	£000	Restated* £000
Depreciation***	(34,555)	(35,809)
Charges for impairment/ revaluations of plant, property and equipment	(11,036)	(25,441)
Movements in the market value of Investment Properties	(86)	956
Amortisation of intangible assets	(429)	(323)
(Increase) / decrease in impairment for bad debts	1,356	(6,170)
(Increase) / decrease in creditors	(36,494)	(3,831)
(Increase) / decrease in provisions	(910)	421
Increase / (decrease) in debtors	9,090	5,263
Movement in pension liability	(36,913)	(28,429)
Carrying amount of non-current assets sold or de-recognised	(25,775)	(41,324)
Write-down of loan premium**	348	0
Other non-cash items charged to the SODPOS****	(1,056)	1,331
Adjustments for Non-Cash Movements	(136,460)	(133,356)

* 2018/2019 amounts have been restated to accurately reflect the breakdown of cash flows between operating, investing and financing activities.

** A new line 'Write-down of loan premium' £0.348 million has been included to adjust the total for 'Adjustments for Non-Cash Movements' as a result of Monkton Park former PFI loan being reclassified and measured as a financial instrument (as opposed to a service concession).

*** 2018/2019 amounts have been restated to reflect the write out of the school non-current asset transactions relating to Malmesbury School and Wootton Bassett School that converted to Academies during 2011. The restatements are as follows:

- Depreciation reduced by £0.960 million.

**** 2018/2019 amounts have been restated to reflect the Council's waste vehicles (being made available to the contractor to provide the waste services) being reclassified and remeasured as a finance lease - receivable (previously treated as REFCUS). The restatements are as follows:

- Other non-cash items charged to the SODPOS reduced by £1.277 million.

Adjustment for items that are investing and financing activities

The Surplus on Provision of Services has been adjusted for the following items that are investing and financing activities:

	2019/2020	2018/2019
	£000	Restated* £000
Proceeds from the sale of PPE and investment property	15,882	16,033
Cash receipts of capital grants	52,764	88,096
Total adjustment for items that are investing and financing activities	68,646	104,129

* 2018/2019 amounts have been restated to accurately reflect the breakdown of cash flows between operating, investing and financing activities.

Operating activities

The cash flows for operating activities include the following items:

	2019/2020 £000	2018/2019 Restated £000
Interest Received**	(1,141)	(1,180)
Interest Payable*	16,855	12,328

* £4.237 million 2019/2020 interest payable in relation to Monkton Park former PFI and Schools/Housing PFIs is now shown in the above table. The 2018/2019 comparatives have not been restated because these adjustments are not material.

** 2018/2019 amounts have been restated to reflect the Council's waste vehicles (being made available to the contractor to provide the waste services) being reclassified and remeasured as a finance lease - receivable (previously treated as REFCUS). The restatements are as follows:

- Interest Payable increased by £0.220 million.

Note 40 Cash Flow Investing Activities

The investing activities include the following items:

	2019/2020 £000	2018/2019 Restated* £000
Purchase of Property, plant and equipment, investment property and intangible assets	87,804	88,451
(Proceeds)/Purchase of short-term investments	(22,457)	38,472
Proceeds from the sale of PPE and investment property	(15,882)	(16,033)
Cash receipts of capital grants	(45,288)	(88,096)
Net cash flows from investing activities	4,177	22,794

* 2018/2019 amounts have been restated to accurately reflect the breakdown of cash flows between operating, investing and financing activities.

Note 41 Cash Flow Financing Activities

The financing activities include the following items:

	2019/2020 £000	2018/2019 Restated* £000
Increase in debtors in respect of Preceptors' and Government's shares of net cash for Council Tax and/or Non Domestic Rates	3,086	1,589
Net repayments of short term borrowing**	3,446	6,779
Net repayments of long term borrowing	2,360	(21,992)
Movement on PFI Contracts**	3,579	3,351
Net cash flows from financing activities	12,471	(10,273)

* 2018/2019 amounts have been restated to accurately reflect the breakdown of cash flows between operating, investing and financing activities.

** The 2019/2020 £0.497 million repayment in relation to Monkton Park former PFI is now shown in the line net repayments of short term borrowing. See footnote to the Balance Sheet for more information on this restatement.

NOTES RELATING TO ACCOUNTING DECISION-MAKING

Note 42 Accounting Standards that have been issued but have not yet been adopted

For 2019/2020, there are a number of accounting policy changes that have been issued but not yet adopted. The standards introduced in the 2020/2021 Code of Practice that have not yet been adopted are:

Amendments to IAS 28 Investments in Associates and Joint Ventures: Long-term Interests in Associates and Joint Ventures

These amendments clarify that an entity applies IFRS 9 Financial Instruments including its impairment requirements, to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied. It is not expected that these amendments will have a material impact on the financial statements when they are applied from 1st April 2020.

Annual Improvements to IFRS Standards

The primary objective of these improvements is to enhance the quality of standards, by amending existing International Financial Reporting Standards and International Accounting Standards to clarify guidance and wording. It is not expected that these improvements will have a material impact on the financial statements when they are applied from 1st April 2020.

Amendments to IAS 19 Employee Benefits: Plan Amendment, Curtailment or Settlement

These amendments clarify that if a plan amendment, curtailment or settlement occurs, it is now mandatory that the current service cost and the net interest for the period after the remeasurement are determined using the assumptions used for the remeasurement.

This amendment does not need to be applied where its application is immaterial, and if material will only affect the amounts reported in the Comprehensive Income & Expenditure account, the Balance Sheet entries are unaffected by the amendment.

The updating of these assumptions only applies to changes from 1st April 2020. Based on the Council's actuary forecasts for the 2020/21 net pension liability, the impact of these changes based on the early retirements and bulk transfers that occurred in 2020/21 are not significant and hence the profit and loss account has not been remeasured at the date of the event (in the absence of any instruction or statutory guidance, we have measured significance based on 5% of active membership being affected by any event).

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

IFRS 16 Leases is not included in the above list of accounting changes because CIPFA/LASAAC have deferred implementation of IFRS 16 for local government to 1 April 2024, and the Council is not adopting the Standard earlier [as permitted]. The changes to be introduced by IFRS 16 will mean that current operating leases where the Council is lessee, will be reflected in the balance sheet based on the concept of 'right-of-use' assets with corresponding lease liabilities rather than expense the rental charge through the Comprehensive Income and Expenditure Statement.

Note 43 Critical Judgements in applying accounting policies

In applying the Accounting Policies set out in Annex 1, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events.

The main critical judgement made in the Statement of Accounts relates to the impact of the Covid 19 pandemic. There is a general uncertainty about the longer term impact on the Council, the effect on services provided and there remains a degree of uncertainty about future levels of funding for local government for both Revenue and Capital funding.

However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision. These assumptions are included in the Council's Business Plan and this is being regularly reviewed in these constantly changing times.

Note 44 Assumptions made about the future and other major sources of estimation uncertainty

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

The items in the Council's Balance Sheet at 31 March 2020 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

- **Property, Plant and Equipment and Investment Property**

The outbreak of Covid-19 has impacted global financial markets and as at the valuation date, less weight can be attached to previous market evidence to inform opinions of value. There is an unprecedented set of circumstances on which to base a judgement.

Valuations are therefore reported on the basis of 'material valuation uncertainty' as per the RICS Red Book Global. Consequently, less certainty and a higher degree of caution should be attached to the property, plant and equipment and investment property valuations. At the current time, it is not possible to accurately predict the longevity and severity of the impact of Covid-19 on the economy.

A reduction in the estimated property, plant and equipment valuations would result in reductions to the Revaluation Reserve and/or a loss recorded as appropriate in the Comprehensive Income and Expenditure Statement. A reduction in the estimated investment property valuations would result in a loss recorded as appropriate in the Comprehensive Income and Expenditure Statement.

If the value of the Council's operational properties were to reduce by 10%, this would result in a charge to the Revaluation Reserve and/or Comprehensive Income and Expenditure Statement of approximately £40.8 million. A reduction in the Council's investment property valuation by 10%, would result in a charge to the Comprehensive Income and Expenditure Statement of approximately £2.3 million. Any such charges to the Comprehensive Income and Expenditure Statement would be subsequently reversed through the Movement in Reserves Statement so there would be no impact on General Fund Balances.

All operational buildings that were closed at the end of the year, due to the effects of the Covid 19 pandemic, have been reviewed for the effect on useful life. It is felt that although these assets were temporally effected, the current best estimate is that the assets are still held ready to be used again, therefore there is no requirement for a general impairment in valuation.

A reduction in the estimate value of HRA dwellings would be a reduction in the Revaluation Reserve and/or a loss in the Comprehensive Income and Expenditure Statement. If the value of dwellings were to reduce by 10% this would lead to a reduction in value of about £26.8 million. Any such charges to the Comprehensive Income and Expenditure Statement would be subsequently reversed through the Movement in Reserves Statement so there would be no impact on HRA Balances.

Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.

If the useful life of assets is reduced or increased, depreciation increases or reduces respectively, and consequently the carrying amount of the assets' fall or increase, respectively. It is estimated that the annual depreciation charge for General Fund assets would increase or decrease by approximately £0.95 million for every year that useful lives had to be reduced or increased, respectively. This impact would be mitigated by the fact that depreciation is reversed out so has no impact on the level of Council Tax. For HRA assets the annual depreciation charge to HRA would increase or decrease by approximately £1.5 million for every year. Since the contribution to the Major Repairs Reserve equals the amount of HRA depreciation, any impact of a reduction or increase in HRA depreciation will impact of the bottom line of the HRA.

- **Fair measurements value**

When the fair values of financial assets and financial liabilities cannot be measured based on quoted prices in active markets (i.e. Level 1 inputs), their fair value is measured using valuation techniques (e.g. quoted prices for similar assets or liabilities in active markets or the discounted cash flow (“DCF”) model), however per note 52, the Council does not hold any of this type of asset at present. Where possible, the inputs to these valuation techniques are based on observable data, but where this is not possible judgement is required in establishing fair values. These judgements typically include considerations such as uncertainty and risk. However, changes in the assumptions used could affect the fair value of the Council’s assets and liabilities.

Information about the valuation techniques and inputs used in determining the fair value of the Council’s assets and liabilities is disclosed in notes 51 and 52.

The Council uses the DCF model to measure the fair value of some of its investment properties and financial assets.

The significant unobservable inputs used in the fair value measurement include management assumptions regarding rent growth, vacancy levels (for investment properties) and discount rates – adjusted for regional factors (for both investment properties and some financial assets).

Significant changes in any of the unobservable inputs would result in a significantly lower or higher fair value measurement for the investment properties and financial assets.

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

A reduction in the estimated valuations of investment properties would result in reductions to the Comprehensive Income and Expenditure Statement. If the value of the Council’s investment properties were to reduce by 10%, this would result in a charge to the Comprehensive Income and Expenditure Statement of approximately £2.3 million. Any such charges to the Comprehensive Income and Expenditure Statement would be subsequently reversed through the Movement in Reserves Statement so there would be no impact on General Fund Balances.

- **Pensions Liability**

Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.

The effects on the net pension liability of changes in individual assumptions can be measured and further details of the assumptions are in note 49.

- **Arrears**

At 31 March 2020, the Council had a balance of short term debtors of £82 million. An allowance for expected credit losses of £21.1 million or around 26% of the debt has been made. See note 26 for further details.

An understatement of allowance for expected credit losses would lead to a future adjustment and impairment to be reflected. The impairment allowances held are based on policies adapted to historic experience and success rates experienced in collection. The nature of the debt and service area have been considered, however it is too early to reflect the uncertainty of the collection rates as a result of Covid-19. If collection rates were to deteriorate by 5% then the Council would need to review its policies on the calculation of its impairment allowance for doubtful debts. With the effects of the Covid 19 pandemic, and the consequential current economic climate it is difficult to assess the accuracy of this provision, but this will be continually kept under review.

- **Provisions**

At 31 March 2020, the Council had a balance of provisions totalling £4.5 million, made up of Legal Claims, Insurance Claims, Business Rate Retention Scheme Appeals and Termination Benefits. See note 29 for further details. The amount of the provisions are uncertain as they dependent on numerous factors including the likelihood of insurance claims being successful and amount to paid, businesses lodging an appeal, the outcome of appeal cases, whether appeals will result in any change to the rateable value and the amount by which the rateable value is changed if successful. If the total provision required is 10% greater than estimated, an increase of £0.35 million would be required to be charged to the Comprehensive Income and Expenditure Statement, which includes the Council's attributable share of Business Rate Retention Scheme Appeals.

Note 45 Authorisation of Accounts for Issue

These Statement of Accounts were considered and authorised by the Chief Financial Officer of Wiltshire Council on 7 February 2024. The final audited version of these Statement of Accounts was considered for approval by the Audit and Governance Committee at its meeting on 7 February 2024.

Note 46 Events after the Balance Sheet Date

The Statement of Accounts were authorised by the Chief Financial Officer on 7 February 2024. Events taking place after this date are not reflected in the financial statements or notes.

Where events take place or further information is obtained before this date, the figures in the financial statements and notes will be adjusted in all material respects to reflect the impact of this information.

There are no adjusting events after the Balance Sheet date for 2019/2020.

On the 23 March 2020 the UK was placed in lockdown to try and reduce the impact of the Covid-19 pandemic. The impact of the virus presents uncertainty for the UK and it's economy and Local Government as a sector. This event is non-adjusting for which no estimates of its financial effect on the reporting entry has been made. It should be noted that going into lockdown wasn't a post balance sheet event (because were in lockdown at the balance sheet date).

Note 47 Contingent Liabilities

A contingent liability is a potential liability which depends on the occurrence or non-occurrence of one or more uncertain future events. The Council is required to disclose an estimate in respect of future costs that may occur that are not currently reflected in the financial statements. The Council has identified two contingent liabilities as at 31 March 2020.

- **Insurance Claims**

As at 31 March 2020 there are 19 insurance claims where liability has yet to be established. The estimated value of these claims should the Council be found liable in every instance is £0.884 million.

- **Legal Claim**

As at 31 March 2020 there was 1 legal claim pending a tribunal. The estimated value of this claim should the Council be found liable is £0.080 million.

Note 48 Pension Schemes Accounted for as defined contribution Schemes

Teachers pension scheme

In 2019/2020 the Council paid £12.04 million (£9.58 million in 2018/2019) to the Teachers' Pension Scheme, administered by Teachers' Pensions on behalf of the Department for Education (DfE) in respect of teachers' pension costs which represents 16.48% of teachers' pensionable pay for the period from April 2019 to August 2019 and 23.68% of teachers' pensionable pay for the period from September 2019 to March 2020. In addition, the Council is responsible for all pension payments relating to added years it has awarded, together with the related increases. In 2019/2020 these amounted to £2.35 million (£2.38 million in 2018/2019).

Note 49 Defined benefit Pension Schemes

Participation in Pensions Schemes

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

The Council participates in two pension schemes:

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

The following text in this note relates to the LGPS.

Liabilities for the LGPS 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 at 31 March 2020.

The principal risks to the Council of the LGPS are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme (i.e. large scale withdrawals from the scheme), changes to inflation, bond yields, and the performance of the equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge to the General Fund and Housing Revenue Account the amounts required by statute as described below.

The cost of retirement benefits are in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions (on the basis required by the accounting standard IAS 19). However, the charge we are required to make against Council Tax is based on the cash payable in the year, so the real cost of post-employment/retirement benefits is reversed out of the General Fund and Housing Revenue Account via the Movement in Reserves Statement.

Formal actuarial valuations are carried out every three years, where each employer’s assets and liabilities are calculated on a detailed basis, using individual member data, for cash contribution setting purposes. The 31 March 2019 formal valuations for English and Welsh LGPS Funds were concluded by 31 March 2020.

Discretionary post-retirement benefits on early retirement are an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. There are no plan assets built up to meet these pension liabilities.

Assets and liabilities in relation to Retirement Benefits

The underlying assets and liabilities for the retirement benefits attributable to the Council as at 31 March 2020 and 2019 are as follows:

Local Government Pension Scheme	31 March 2020 £000	31 March 2019 £000
Fair Value of Employer Assets	1,056,505	1,124,418
Present Value of Funded Liabilities	(1,499,566)	(1,682,916)
Net (Under)/Overfunding in Funded Plans	(443,061)	(558,498)
Present value of Unfunded Liabilities	(48,672)	(55,252)
Net Asset/(Liability)	(491,733)	(613,750)
Amount on balance sheet:		
Asset	1,056,505	1,124,418
Liability	(1,548,238)	(1,738,168)
Net Liability Amount in Balance Sheet	(491,733)	(613,750)

A more detailed breakdown is included in note 38.

Information about the defined benefit obligation

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible using a stability overlay mechanism which dampens down short term market volatility subject to certain limits. The Pension Fund has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 19 years. Funding levels are monitored on an annual basis. The 31 March 2019 formal valuations for English and Welsh LGPS were concluded by 31 March 2020.

The scheme takes account of the national changes that were introduced to the scheme under the Public Services Pensions Act 2013. The Act provided for scheme regulations to be made within a common framework, to establish new career average revalued earnings schemes to pay pensions and other benefits to certain public servants. Members started earning benefits under the new scheme from April 2014.

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

The weighted average duration of the defined benefit obligation for scheme members is shown below. The durations shown are for the funded obligations only and are as they stood at the most recent formal valuation as at 31 March 2019.

	Liability split £000	Liability split %	Average Age
Active members	468,395	31.2	51.0
Deferred members	386,243	25.8	52.0
Pensioner members	644,928	43.0	69.0
Total	1,499,566	100.0	

Pension Assumptions

Financial Assumptions

The estimates of pensions payable in future years are dependent on certain assumptions. The main assumptions used in the calculations are:

Assumptions as at Year Ended:

	31 March 2020 % per annum	31 March 2019 % per annum
Pension Increase Rate	1.9%	2.5%
Salary Increase Rate	2.3%	2.8%
Discount Rate	2.3%	2.4%

Assumptions on Mortality Rates

Life expectancies are based on the Fund's Vita Curves with improvements. Based on this, the average future life expectancies at age 65 are summarised below:

	Males	Females
Current Pensioners	21.7 years	24.0 years
Future Pensioners	22.5 years	25.5 years

Life expectancies for the prior period-end are based on the Fund's analysis. The allowance for future life expectancies is shown below:

Year Ended	Prospective Pensioners	Pensioners
31 March 2020	CMI 2013 model assuming the current rate of improvements has peaked and will converge to a long term rate of 1.25% p.a.	CMI 2013 model assuming the current rate of improvements has peaked and will converge to a long term rate of 1.25%

Pension Assets

Fair value of employer assets

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:

Asset Category	31 March 2020				31 March 2019			
	Quoted Prices in Active Markets £000	Prices not quoted in Active Markets £000	Total £000	%	Quoted Prices in Active Markets £000	Prices not quoted in Active Markets £000	Total £000	%
Equity Securities:								
Consumer	0	0	0	0%	23,342	0	23,342	2%
Manufacturing	0	0	0	0%	17,380	0	17,380	2%
Financial Institutions	0	0	0	0%	3,178	0	3,178	0%
Health & Care	0	0	0	0%	5,028	0	5,028	0%
Information Technology	0	0	0	0%	115,462	0	115,462	10%
Other	0	0	0	0%	9,399	0	9,399	1%
Real Estate:								
UK Property	0	88,371	88,371	8%	0	117,928	117,928	11%
Overseas Property	0	39,925	39,925	4%	0	25,691	25,691	2%
Investment Funds & Unit Trusts:								
Equities	0	569,670	569,670	54%	0	591,598	591,598	53%
Bonds	0	271,772	271,772	26%	0	184,071	184,071	16%
Infrastructure	0	81,803	81,803	8%	0	19,855	19,855	2%
Other	0	221	221	0%	0	3,132	3,132	0%
Cash & Cash Equivalents:								
All	4,743	0	4,743	0%	8,354	0	8,354	1%
Total	4,743	1,051,762	1,056,505	100%	182,143	942,275	1,124,418	100%

Projected defined benefit costs for the period to 31 March 2021

The projected amounts determined by the actuary to be charged to the Councils Comprehensive Income and Expenditure under IAS 19 in 2020/2021 are as follows:

Period Ending 31 March 2021	Assets £000	Obligations £000	Net (Liability)/Asset	
			£000	% of Payroll
Projected Current Service Cost*	0	(46,247)	(46,247)	(35.3%)
Total Service Costs	0	(46,247)	(46,247)	(35.3%)
Interest Income on Plan Assets	24,238	0	24,238	18.5%
Interest Cost on Defined Benefit Obligation	0	(35,656)	(35,656)	(27.2%)
Total Net Interest Cost	24,238	(35,656)	(11,418)	(8.7%)
Total included in Surplus/Deficit on Provision of Services	24,238	(81,903)	(57,665)	(44.0%)

* The current service cost includes an allowance for administration expenses of 0.8% of payroll. The monetary value is based on a projected payroll of £131.009 million.

The estimated employer contributions for the year to 31 March 2021 will be approximately £33.212 million.

Sensitivity Analysis

The estimation of the defined benefit obligation is sensitive to the actuarial assumptions that are set out earlier in this note. The sensitivities regarding the principal assumptions used to measure the scheme liabilities are shown below. These have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated.

The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The approach taken in preparing the sensitivity analysis shown is consistent with that adopted in the previous year.

Change in Assumptions as at 31 March 2020	Approximate % increase to Employer	Approximate monetary amount
0.5% decrease in Real Discount Rate	9%	139,860
0.5% increase in the Salary Increase Rate	1%	10,191
0.5% increase in the Pension Increase Rate	8%	128,776

Further information can be found in the Wiltshire Pension Fund annual report 2019/2020 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 Director, Finance & Procurement, Wiltshire Council, County Hall, Bythesea Road, Trowbridge, BA14 8JN.

Note 50 Nature and Extent of risks arising from Financial Instruments

Risk management is carried out by a central treasury team, under policies approved by the Council in the annual treasury management strategy. The Council provides written principles for overall risk management, as well as written policies (covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash.)

The Council's activities expose it to a variety of financial risks. The key risks are:

- **Credit risk** - the possibility that other parties might fail to pay amounts due to the Council;
- **Liquidity risk** - the possibility that the Council might not have funds available to meet its commitments to make payments;
- **Refinancing risk** - the possibility that the Council might be requiring to renew a financial instrument on maturity at disadvantageous interest rates or terms; and
- **Market risk** - the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates or stock market movements.

The Council's overall risk management programme focuses on the unpredictability of financial markets, and seeks to minimise potential adverse effects on the resources available to fund services.

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 is available on the Council's website.

The Annual Investment Strategy 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 & Poor's Credit Ratings Services. The Annual Investment Strategy also considers maximum amounts and time limits with a financial institution located in each category.

The credit criteria in respect of financial assets held by the Council are detailed below.

The Council uses the creditworthiness service provided by Link Asset Services. This service uses a sophisticated modelling approach with credit ratings from all three rating agencies - Fitch, Moody's and Standard & Poor's, 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 2019/2020 was approved by Full Council on 26 February 2019 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 using internal ratings in accordance with parameters set by the Council.

The Council's maximum exposure to credit risk in relation to its investments in financial institutions of £102.249 million cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Council's deposits, but there was no evidence at 31 March 2020 that this was likely to crystallise.

No credit limits were exceeded during the reporting period and the Council does not expect any losses from non-performance by any of its counterparties in relation to deposits.

Amounts Arising from Expected Credit Losses

Impairments arising from expected credit losses have been calculated using an historical default table provided by Link Asset Services.

The Expected Credit Loss for Individual Financial Assets (Fixed Term Deposits) recognised at amortised cost during 2019/2020 is £2,876.

For deposits with Local Authorities no impairment is required since the Code does not recognise a loss allowance where the counterparty for a financial asset is central government or a local authority for which relevant statutory provisions prevent default.

Impairments for all other assets have been calculated using an historical default table provided by Link Asset Services. As the impairment is immaterial there no need to recognise this in the financial statements.

During the year, no financial assets were written off by the Council.

Credit Risk Exposure

The Council has the following exposure to credit risk at 31 March 2020.

	Credit Risk Rating	Gross Carrying Amount £000s
12 month expected credit losses	AAA	30,534
	AA	0
	AA-	21,078
	A+	10,110
	A	18,070
	BBB	0
	Sub BBB	0
Maximum Credit Risk Exposure		79,792
Landsbanki Winding Up Board		28
Total Carrying Amount of all Investments		79,820

The 12 month expected credit losses do not include the carrying amount for Landsbanki Winding Up Board as this investment has already been impaired.

During 2019/2020 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.

Outstanding investments (£79.820 million) are all due to be repaid in less than one year.

Refinancing and Maturity Risk

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

The approved treasury indicator limits for the maturity structure of debt and the limits on investments placed for greater than one year in duration are the key parameters used to address this risk. The Council 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; and
- 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 (as approved in the Treasury Management Strategy 2019/2020):

	Approved Minimum Limits	Approved Maximum Limits	Actual 31 March 2020		Actual 31 March 2019	
			£000s	%	£000s	%
Less than 1 Year	0%	25%	6,726	2.0%	10,172	2.9%
Between 1 and 2 Years	0%	25%	10,926	3.2%	4,000	1.2%
Between 2 and 5 Years	0%	45%	28,620	8.4%	28,000	8.1%
Between 5 and 10 Years	0%	75%	49,226	14.5%	50,123	14.5%
More than 10 Years	0%	100%	243,897	71.9%	252,906	73.3%
Total			339,395	100.0%	345,201	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; and
- 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. 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 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.

According to this assessment strategy, at 31 March 2020, if all interest rates had been 1% higher (with all other variables held constant) the financial effect would be:

Effects of a 1% Increase in Interest Rates	2019/2020 £000
Increase in interest payable on variable rate borrowings	0
Increase in interest receivable on variable rate investments	0
Increase in Government grant receivable for financing costs	0
Impact on Surplus or Deficit on the Provision of Services	0
Share of overall impact debited to the HRA	0
Decrease in fair value of fixed rate investment assets	(246)
Impact on Other Comprehensive Income and Expenditure	0
Decrease in fair value of fixed rate borrowings liabilities (no impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure)	54,487

The approximate impact of a 1% fall in interest rates would be as above but with the movements being reversed. These assumptions are based on the same methodology as used in note 51 – Fair Value.

Market Risk - Price Risk

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

Market Risk - Foreign Exchange Risk

The Council has no material financial assets or liabilities denominated in foreign currencies. It therefore has no exposure to loss arising from movements in exchange rates.

Note 51 Fair Value

All financial liabilities and financial assets represented by amortised cost, and long term debtors and creditors are carried on the balance sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that take place over the remaining life of the instruments, using the following assumptions:

- For loans from the PWLB payable, borrowing rates from the PWLB have been applied to provide the fair value under PWLB debt redemption procedures. An additional note to the tables sets out the alternative fair value measurement applying the premature repayment, highlighting the impact of the alternative valuation;
- For non-PWLB loans payable, prevailing market rates have been applied to provide the fair value;
- For loans receivable prevailing benchmark market rates have been used to provide the fair value;
- No early repayment or impairment is recognised;
- Where an instrument has a maturity of less than 12 months or is a trade or other receivable the fair value is taken to be the carrying amount or the billed amount; and
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

The following table shows the fair values, based on new borrowing rates:

Financial Liabilities	31 March 2020		31 March 2019	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
Long Term Borrowing:				
Non-PWLB (Market)	(70,866)	(88,057)	(61,325)	(92,311)
PWLB	(269,709)	(318,629)	(273,704)	(334,191)
Total Long Term Borrowing	(340,575)	(406,686)	(335,029)	(426,502)
Short Term Borrowing:				
Non-PWLB (Market)	(2,165)	(2,690)	(656)	(987)
PWLB	(5,514)	(6,514)	(9,516)	(11,619)
Total Short Term Borrowing	(7,679)	(9,204)	(10,172)	(12,606)
Total Borrowing Value	(348,254)	(415,890)	(345,201)	(439,108)
Short Term Creditors*	(128,264)	(128,264)	(95,689)	(95,689)
Long Term Creditors	(2,067)	(2,067)	(2,241)	(2,241)
Total Financial Liabilities	(478,585)	(546,221)	(443,131)	(537,038)

* Includes Grants Receipts in Advance shown separately on the face of the Balance Sheet.

The following table shows the fair values, based on the alternative premature repayment borrowing rates:

Financial Liabilities	31 March 2020		31 March 2019	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
Long Term Borrowing:				
Non-PWLB (Market)	(70,866)	(136,584)	(61,325)	(114,363)
PWLB	(269,709)	(419,712)	(273,704)	(381,550)
Total Long Term Borrowing	(340,575)	(556,297)	(335,029)	(495,913)
Short Term Borrowing:				
Non-PWLB (Market)	(2,165)	(4,173)	(656)	(1,223)
PWLB	(5,514)	(8,581)	(9,516)	(13,266)
Total Short Term Borrowing	(7,679)	(12,753)	(10,172)	(14,489)
Total Borrowing Value	(348,254)	(569,050)	(345,201)	(510,402)
Short Term Creditors*	(128,264)	(128,264)	(95,689)	(95,689)
Long Term Creditors	(2,067)	(2,067)	(2,241)	(2,241)
Total Financial Liabilities	(478,585)	(699,381)	(443,131)	(608,332)

* Includes Grants Receipts in Advance shown separately on the face of the Balance Sheet.

The fair value of the liabilities is greater than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans in the market at the Balance Sheet date. This shows a notional future loss (based on economic conditions at 31 March 2020) arising from a commitment to pay interest to lenders above current market rates.

The Council has a continuing ability to borrow at concessionary rates from the PWLB rather than from the markets. A supplementary measure of the additional interest that the Council will pay as a result of its PWLB commitments for fixed rate loans is to compare the terms of these loans with the new borrowing rates available from the PWLB. If a value is calculated on this basis, the carrying amount of £275.223 million would be valued at £325.143 million. But, if the Council were to seek to avoid the projected loss by repaying the loans to the PWLB, the PWLB would raise a penalty charge for early redemption in addition to charging a premium for the additional interest that will not now be paid. The exit price for the PWLB loans including the penalty charge would be £428.293 million.

Financial Assets	31 March 2020		31 March 2019	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
Loans and Receivables:				
Cash and Cash Equivalents	8,623	8,623	6,703	6,703
Short Term investment	79,820	79,820	102,277	102,277
Total Loans and Receivables	88,443	88,443	108,980	108,980
Short Term Debtors	60,979	47,228	50,531	39,421
Long Term Debtors	9,487	9,487	6,403	6,403
Total Financial Assets	158,909	145,158	165,914	154,804

The fair value of the treasury assets is equal to the carrying amount - because the Council's portfolio of investments and receivables are only short term (less than one year to maturity), even with a fluctuation in shorter term rates, the difference between the carrying amount and the fair value will be immaterial.

Short-term debtors and creditors are carried at cost as this is a fair approximation of their value.

Note 52 Fair Value Measurement of Investment Properties

Fair Value Hierarchy

Details of the Council's investment properties and information about the fair value hierarchy as at 31 March 2020 and 2019 are as follows:

Recurring fair value measurements using:	Quoted prices in active market for identical assets (Level 1) £000	Other significant observable inputs (Level 2) £000	Significant unobservable inputs (Level 3) £000	Fair value as at 31 March 2020 £000
Main Portfolio	0	0	23,099	23,099
Other	0	0	0	0
Total	0	0	23,099	23,099
Recurring fair value measurements using:	Quoted prices in active market for identical assets (Level 1) £000	Other significant observable inputs (Level 2) £000	Significant unobservable inputs (Level 3) £000	Fair value as at 31 March 2019 £000
Main Portfolio	0	0	23,452	23,452
Other	0	0	0	0
Total	0	0	23,452	23,452

Valuation Techniques used to Determine Level 2 and 3 Fair Values for Investment Properties

- **Significant Unobservable Inputs Level 3**

The Council's Main Portfolio are measured using the income approach, by means of the discounted cash flow method, where the expected cash flows from the properties are discounted (using a market-derived discount rate) to establish the present value of the net income stream. The approach has been developed using the Council's own data requiring it to factor in assumptions such as the duration and timing of cash inflows and outflows, rent growth, occupancy levels, bad debt levels, maintenance costs, etc.

The whole of the Council's Investment Estate is therefore categorised as Level 3 in the fair value hierarchy as the measurement technique uses significant unobservable inputs to determine the fair value measurements (and there is no reasonably available information that indicates that market participants would use different assumptions).

- **Highest and Best Use of Investment Properties**

In estimating the fair value of the Council's investment properties, the highest and best use of the properties is their current use.

Valuation Techniques

There has been no change in the valuation techniques used during the year for investment properties.

Quantitative Information about Fair Value Measurement of Investment Properties using Significant Unobservable Inputs – Level 3

	As at 31 March 2020	Valuation technique used to measure fair value	Unobservable inputs	Sensitivity
	£000			
Main Portfolio	23,099	Income Market Rentals Yields	Comparables Databases (Public & GVA Internal) Rents, yields, capital costs	Medium

Valuation Process for Investment Properties

The fair value of the Council's investment property is measured annually at each reporting date. All valuations are carried out externally, in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. The Council's Finance Officers work closely with the external valuer's and the Council's internal Strategic Property service reporting directly to the Chief Financial Officer on a regular basis regarding all valuation matters.

Annex 1 Accounting Policies

i. General Principles

The Statement of Accounts summarises the Council's transactions for the 2019/2020 financial year and its position at the year-end of 31 March 2020. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015 in accordance with proper accounting practices.

These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2019/2020 supported by International Financial Reporting Standards ("IFRS").

The Statement of Accounts has been prepared on a "going concern" basis. The accounting conventions adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

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 contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract;
- 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; and
- 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.

Landfill Allowance Schemes

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

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

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

Contingent Liabilities

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

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

Contingent Assets

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

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

iv. Reserves

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

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

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.

Community Infrastructure Levy

The Council has elected to charge a Community Infrastructure Levy ("CIL"). The levy will be charged on new builds (chargeable developments for the Council) with appropriate planning consent. The Council charges for and collects the levy, which is a planning charge. The income from the levy will be used to fund a number of infrastructure projects to support development in the area.

CIL is received without outstanding conditions, it is therefore recognised at the commencement date of the chargeable development in the Comprehensive Income & Expenditure Statement in accordance with the accounting policy for government grants and contributions set out above. CIL charges will be largely used to fund capital expenditure. However, a proportion of the charges may be used to fund revenue expenditure.

vi. Employee Benefits

Benefits Payable During Employment

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

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

Termination Benefits

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

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

Post-Employment Benefits

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

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

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

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

The Local Government Pension Scheme

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

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

Liabilities are discounted to their value at current prices, using a discount rate of 4.3% (based on the indicative rate of return on high quality corporate bonds (the Iboxx Sterling Corporates Index, AA over 15 years).

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; and
- property – market value.

The change in the net pension liability is analysed into the following 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; and
- 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 when benefits are earned by employees.

Discretionary Benefits

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

vii. VAT

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue & Customs. VAT receivable is excluded from income.

viii. Overheads and Support Services

The costs of overheads and support services are not recharged to services as part of normal management accounts reporting. Therefore, there are no recharges for overheads and support services within the Comprehensive Income & Expenditure Statement.

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.

Internally generated assets are capitalised where it is demonstrated that the project is technical, feasible and is intended to be completed (with adequate resources being available) and the authority will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributed to the asset and is restricted to that incurred during the development phase.

Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the Council's goods and services.

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

x. Property, Plant and Equipment

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

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred. The Council does not have a fixed de-minimis level for the recognition of capital expenditure but recognises expenditure as capital where appropriate.

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. However, the accounting rules that applied before 1 April 1994 mean that the carrying amount for infrastructure assets only reliably includes expenditure of acquisition and enhancement incurred after this date. Expenditure incurred before this date is only included to the extent that it had not been financed before the end of the 1993/94 financial year;
- Dwellings – fair value, determined using the basis of existing use value for social housing ("EUUV-SH");

- Surplus Assets – the current value measurement base is fair value, estimated at highest and best use from a market participant’s perspective; and
- 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); and
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

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

Impairment

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

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

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

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

Depreciation

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

Depreciation is calculated on the following bases:

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

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

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

Disposals and Non-current Assets Held for Sale

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

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

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

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

xi. Investment Property

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. As a non-financial asset, investment properties are measured at the highest and best use. Properties are not depreciated but revalued annually according to market conditions at the year end. Gains and losses on revaluation are posted to the financing and Investment Income and Expenditure line in 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 and are therefore reserved out in the Movement in Reserves Statement.

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; and
- 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 amortisation are therefore replaced by the contribution in the General Fund Balance of a Minimum Revenue Provision (MRP).

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

xiii. Revenue Expenditure Funded from Capital Under Statute

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

xiv. Leases

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

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

The Council as Lessee:

Finance Leases

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

Lease payments are apportioned between:

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

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

Operating Leases

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

The Council as Lessor:

Finance Leases

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

Lease rentals receivable are apportioned between:

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

Operating Leases

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

xv. Financial Instruments

Financial Liabilities

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

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

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.

Financial Assets

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cash flow characteristics. There are three main classes of financial assets measures at:

- Amortised cost;
- Fair value through profit or loss; and
- Fair value through other comprehensive income.

The Council's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost, except for those whose contractual payments, are not solely payment of principal and interest.

Financial Assets Measured at Amortised Cost

Financial assets measured at amortised cost 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 Income and Expenditure line in the Comprehensive Income & 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 financial assets held by the Council, this means that the amount presented in the Balance sheet is the outstanding principal receivable (plus accrued interest) and interest is credited to the Comprehensive Income & Expenditure Statement is the amount receivable for the year in the loan agreement.

Expected Credit Loss Model

The Council recognises expected credit losses on all of its financial assets held at amortised cost either on a 12 month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Only life time leases are recognised for trade receivables (debtors) held by the Council.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk platys a crucial part is assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime bases of 12 month expected losses.

Financial Assets measured at Fair Value through Profit or Loss

Financial assets that are measured by FVPL 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. Fair value gains and losses are recognised as they arrive in the Surplus or Deficit on the Provision of Services.

The fair value measurements of the financial assets are based on the following techniques:

- Instruments with quoted market prices - the market prices; and
- Other instruments with fixed and determinable payments – discounted cash flow analysis.

The inputs to the measurement techniques are categorised in accordance with the following 3 levels:

- *Level 1 inputs* – quoted prices (unadjusted) in active markets for identical assets that the Council can access at the measurement date;
- *Level 2 inputs* – inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly; and
- *Level 3 inputs* – unobservable inputs for the asset.

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) and similar contracts

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

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

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

- *Fair value of the services received during the year* – debited to the relevant service in the Comprehensive Income and Expenditure Statement;
- *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;
- *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;
- *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); and
- *Lifecycle replacement costs* – proportion of the amounts payable is posted to the Balance Sheet as a prepayment and then recognised as additions to Property, Plant and Equipment when the relevant works are eventually carried out.

xix. Exceptional Items

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

xx. Cash and Cash Equivalents

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

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

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

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

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

xxii. Events after the Balance Sheet Date

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

Two types of events can be identified:

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

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

xxiii. Non-Compliance with Code of Practice

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

xxiv. Foreign Currency

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

xxv. Heritage Assets

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

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

For Wiltshire Council, which does not hold museum or art collections, the costs of commissioning external valuations exceeds the benefit to the users of the accounts therefore the assets are disclosed in a note to the accounts only. The assets disclosed in note 20 include a property (the East Grafton Windmill), the White Horse in Westbury, and a small collection of art held across the county.

xxvi. Carbon Reduction Commitment scheme

The Council is required to participate in the Carbon Reduction Commitment ("CRC") Energy Efficiency Scheme. Phase 2 of this scheme began from 1 April 2014. The Council is required to purchase and surrender allowances, currently retrospectively, on the basis of emissions i.e. carbon dioxide produced as energy is used. As carbon dioxide is emitted (i.e. as energy is used), a liability and an expense are recognised. The liability will be discharged by surrendering allowances. The liability is measured at the best estimate of the expenditure required to meet the obligation, normally at the current market price of the number of allowances required to meet the liability at the reporting date. The cost to the Council is recognised and reported in the costs of the Council's services and is apportioned to services on the basis of energy consumption.

xxvii. Fair value measurement

The Council measures some of its non-financial assets such as surplus assets and investment properties and some of its financial instruments such as equity shareholdings at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability; or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The Council measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

When measuring the fair value of a non-financial asset, the Council takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Council uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the Council's financial statements are categorised within the fair value hierarchy, as follows:

- *Level 1* – quoted prices (unadjusted) in active markets for identical assets or liabilities that the authority can access at the measurement date;

- *Level 2* – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- *Level 3* – unobservable inputs for the asset or liability.

xxviii. Council Tax and Non-domestic Rates

Billing authorities act as agents. Collecting council tax and non-domestic rates (“NDR”) on behalf of the major preceptors (including government for NDR) and, as principals, collecting council tax and NDR for themselves. Billing authorities are required by statute to maintain a separate fund, (the Collection Fund) for the collection and distribution due in respect of council tax and NDR. Under legislation framework for the Collection fund, billing authorities, major preceptors and central government share proportionately the risks and rewards that the amount of council tax and NDR collected could be more or less than predicted.

Accounting for Council Tax and Non-Domestic

The council tax and NDR income included in the Comprehensive Income and Expenditure Statement is the Council’s share of the accrued income for the year. However, regulations determine the amount of the council tax and NDR that must be in the Council’s General Fund. Therefore, the difference between the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the movement in Reserves Statement.

The Balance Sheet includes the Council’s share of the end of year balances in respect of council tax and NDR relating to arrears impairment allowances for doubtful debts, overpayments and prepayments and appeals.

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	2019/2020		2018/2019 Restated*	
		£000	£000	£000	£000
Income					
Rents (gross):					
- dwellings		(24,757)		(24,371)	
- garages		(387)		(374)	
- other		(630)		(611)	
			(25,774)		(25,356)
Charges for services and facilities			(1,052)		(901)
Total Income			(26,826)		(26,257)
Expenditure					
Repairs and Maintenance			5,427		5,217
Supervision and Management:					
- general		3,260		2,895	
- special services		1,240		997	
			4,500		3,892
Increase in allowance for bad debts			526		334
Depreciation & Impairments of Fixed Assets					
- On dwellings	3	12,147		12,003	
- On garages	3	85		570	
- On other Assets	3	0		44	
			12,232		12,617
Total Expenditure			22,685		22,060
Net Cost of Services per Income & Expenditure Account			(4,141)		(4,197)
HRA Services share of Corporate and Democratic Core			321		321
Net Cost of HRA Services			(3,820)		(3,876)
HRA share of the operating income and expenditure in the whole Council Comprehensive Income and Expenditure Statement:					
(Gain)/Loss on sale of HRA fixed assets			(4,721)		(2,770)
Interest Payable			3,587		3,672
Interest Receivable			(152)		(165)
(Surplus)/Deficit for the Year on HRA services			(5,106)		(3,139)

* The gain/loss on sale of HRA fixed assets has been restated in 2018/2019 to correct a presentational error.

Statement of Movement on the HRA Balances

	2019/2020 £000	2018/2019 £000
Balance on the HRA at the end of the previous reporting period	(13,567)	(17,951)
(Surplus)/ Deficit for year on HRA Income and Expenditure Account	(5,106)	(3,139)
Adjustments between accounting basis and funding basis under statute:		
HRA share of contributions to the Pensions Reserve (see note 6)	(438)	(263)
Transfer to/from Capital Adjustment Account ¹	(13,951)	(14,606)
Transfer to the Usable Capital Receipts Reserve	6,440	4,759
Transfer to the Major Repairs Reserve	12,232	12,153
HRA share of Transfer to/from Accumulated Absences Reserve	(11)	(6)
Revenue Contributions to Capital Expenditure	4,257	5,486
Total	8,529	7,523
Net increase before transfers to/from earmarked reserves	3,423	4,384
Transfer to/ from reserves	0	0
(Increase)/decrease in the year on the HRA	3,423	4,384
Balance on the HRA at the end of the current reporting period	(10,144)	(13,567)
1Transfers to/from Capital Adjustment Account comprise:		
	2019/2020 £000	2018/2019 £000
Reversal of depreciation, impairment and amortisation	(12,232)	(12,617)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	(1,719)	(1,989)
Total	(13,951)	(14,606)

Note: the 2018/2019 amounts have been restated to align to the amended presentation in the tables above. It should be noted this restatement has not changed HRA balances at 31 March 2019.

Housing Revenue Account Notes

Note 1 Housing Stock

Houses and Bungalows	31 March 2020	31 March 2019
- 1 bedroom	278	278
- 2 bedrooms	1,435	1,439
- 3 bedrooms	1,705	1,714
- 4+ bedrooms	131	132
Flats		
- 1 bedroom	950	947
- 2 bedrooms	734	734
- 3+ bedrooms	64	65
Total dwellings as at 31 March	5,297	5,309

The Council sold 31 houses during 2019/2020 under the right to buy scheme ("RTB"). The Council received a total before pooling of £3.134 million as capital receipts. The Council has also obtained an additional 19 houses as part of the Council House Build Programme in 2019/2020. The overall net decrease in council houses since 2018/2019 is therefore 12.

The figures above do not include the PFI housing units recently brought on stream; these are classified as general fund funding, and so are not part of the HRA. Further information on these PFI dwellings is found in the PFI note.

Note 2 Arrears

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

	31 March 2020 £000	31 March 2019 £000
Rent arrears	2,295	1,698
Less:		
Rent payments in advance	(654)	(583)
Bad debt provision	(1,999)	(1,556)
Net arrears position	(358)	(441)

Note 3 Movement of Housing Revenue Account Assets

The table below provides a reconciliation from the carrying amount of HRA assets at the beginning of the period to the carrying amount at the end of the period with details of all movements.

Movement of HRA assets	Council Dwellings £000	Council Garages £000	Council Dwellings & Garages & Garages inc Land £000
Net Book Value 1 April 2019	303,281	2,550	305,831
Additions in Year	9,854	0	9,854
Disposals	(1,720)	0	(1,720)
Revaluations	(2,480)	0	(2,480)
Depreciation	(12,146)	(85)	(12,231)
Category Adjustments	4	0	4
Balance of Net Book Value at 31 March 2020	296,793	2,465	299,258

The Balance Sheet value of Council Dwellings (structures, services and land) as at 31 March 2020 was £296.793 million. 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 (open market) of the properties at 31 March 2020 was £847.980 million. This represents the value of the houses if the property were sold without a secured tenant continuing in the property. Therefore it could be rented out at market rent so has a higher value. This figure has been discounted by a factor of 35% to get the Existing use value - social housing.

The difference between the Vacant Possession value and the Balance Sheet value of dwellings within the HRA shows the Economic Cost of providing Council Housing at less than open market rents. The Economic Cost of the properties as at 31 March 2020 was £551.187 million.

Note 4 Financing of HRA capital expenditure

The total capital expenditure during the year and how it was financed is shown in the table below.

	2019/2020 £000	2018/2019 Restated* £000
Council Dwellings (Structures and Services)	8,398	8,993
Council House Build Programme	4,160	5,987
Total HRA capital expenditure	12,558	14,980
Revenue and Reserves	4,257	5,486
Other receipts (MRR)	4,802	9,013
Grants and Contributions	2,946	453
Capital Receipts	553	28
Total HRA capital financing	12,558	14,980

* The 2018/2019 amounts have been restated to include the total HRA capital expenditure and associated financing.

Note 5 Major Repairs Reserve

The major repairs reserve is an earmarked fund to which the Council transfers an amount annually to support capital expenditure on council dwellings. The analysis of the movement on the reserve for the year is shown in the table over the page.

Major Repairs Reserve	2019/2020 £000	2018/2019 £000
Balance on the reserve at 1 April	(4,739)	(1,599)
Financing of capital expenditure in the year	4,802	9,013
Amount transferred to the reserve during the year	(12,232)	(12,153)
Balance on the reserve at 31 March	(12,169)	(4,739)

Note 6 Contribution to Pension Reserve

The HRA bears a share of the pension contribution due to the IAS 19 adjustment in proportion to the payments made during the year. See note 49 to the Core Financial Statements for more information on accounting for retirement benefits.

Collection Fund

The Collection Fund is a statutory fund. It covers Council Tax and Non-Domestic Rate collection and the precepts of Wiltshire Council, the Office of the Police and Crime Commissioner for Wiltshire and Swindon (Police), Wiltshire Fire and Rescue Service (Fire) and Parish Councils.

	NOTE	Non-Domestic Rates 2019/2020	Council Tax 2019/2020	Total 2019/2020 £000	Non-Domestic Rates 2018/2019	Council Tax 2018/2019	Total 2018/2019 £000
Income							
Council Tax	1		(346,945)	(346,945)		(328,735)	(328,735)
Non-Domestic Rates		(151,223)		(151,223)	(153,797)		(153,797)
Transferred from General Fund							
Transitional Relief		589		589	2,118		2,118
		(150,634)	(346,945)	(497,579)	(151,679)	(328,735)	(480,414)
Disbursement							
Precepts and Demands							
- Wiltshire Council		72,336	270,997		73,240	258,450	
- Police			38,369			33,302	
- Fire		1,476	13,927		1,495	13,283	
- Town and Parish Councils			21,702			19,804	
- Central Government		73,812			74,735		
				492,619			474,309
Share of surplus/(deficit) on Collection Fund							
- Wiltshire Council		(4,367)	2,881		(1,249)	5,506	
- Police			371			702	
- Fire		(89)	148		(25)	291	
- Central Government		(4,456)			(1,275)		
				(5,512)			3,950
Cost of collection allowance							
Movement in allowance for Bad Debts		(52)	561		(215)	276	
Write-offs		1,265	747		627	724	
Appeals		(64)			164		
Other transfers to general fund		588			1,623		
				3,666			3,820
Fund surplus/(deficit) for the year							
		9,564	(2,758)	6,806	1,938	(3,603)	(1,665)
		150,634	346,945	497,579	151,679	328,735	480,414
		Non-Domestic Rates	Council Tax	Total	Non-Domestic Rates	Council Tax	Total
Fund balance b/f		6,282	(3,973)	2,309	8,220	(7,576)	644
(Surplus)/deficit for year		(9,564)	2,758	(6,806)	(1,938)	3,603	1,665
Fund balance c/f	3	(3,282)	(1,215)	(4,497)	6,282	(3,973)	2,309

Collection Fund Notes

Note 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; the average for Wiltshire Council was £1,854.68 for 2019/2020 multiplied by the ratio specified for that band. Ratios specified for the bands A to H are as follows:

Band	Ratio	Estimated No. of Taxable Properties after discounts	2019/2020 Band D Equivalent Dwellings	2018/2019 Band D Equivalent Dwellings
Band A Disabled	5/9	30	17	17
Band A	6/9	15,405	10,270	10,064
		15,435	10,287	10,081
Band B	7/9	29,993	23,328	23,069
Band C	8/9	43,444	38,617	38,199
Band D	9/9	33,207	33,207	32,770
Band E	11/9	26,107	31,909	31,466
Band F	13/9	15,996	23,106	22,832
Band G	15/9	10,166	16,944	16,797
Band H	18/9	1,150	2,300	2,305
			179,698	177,519
Adjustment for MOD contribution in lieu, new properties, & collection rate			6,315	5,186
Council Tax Base			186,013	182,705

Note 2 National Non-Domestic Rates

The total non-domestic rateable value at 31 March 2020 was £390,056,478 (£387,042,044 at 31 March 2019). The national non-domestic multiplier for the year was 50.4p (49.3p in 2018/2019) and the small business rates relief multiplier was 49.1p (48.0p in 2018/2019).

Note 3 Collection Fund Balance

The Council has to record transactions for council tax and non-domestic rates in the Collection Fund Account. The balance, as usable income, will be paid to the Council and its major preceptors in future years.

	Non-domestic Rates 31/03/2020 £000	Council Tax 31/03/2020 £000	Total 31/03/2020 £000	Non-domestic Rates 31/03/2019 £000	Council Tax 31/03/2019 £000	Total 31/03/2019 £000
Wiltshire Council	(1,608)	(1,019)	(2,627)	3,078	(3,389)	(311)
Police	0	(144)	(144)	0	(410)	(410)
Fire	(33)	(52)	(85)	63	(174)	(111)
Central Government	(1,641)	0	(1,641)	3,141	0	3,141
	(3,282)	(1,215)	(4,497)	6,282	(3,973)	2,309

Glossary of Terms

For the purposes of compiling the Statement of Accounts, the following definitions have been adopted and may be useful to the reader in understanding terminology used in the statement.

Accruals

The recognition of income and expenditure as it falls due, not when cash is received or paid.

Amortisation

The writing down of the value of intangible fixed assets in line with its programmed useful life.

Assets

These can be either:

- **Intangible assets** – assets which are non-physical in form, that is, which cannot be seen. Examples are patents, goodwill, trademarks and copyrights.
- **Property plant and Equipment (“PPE”) assets** – tangible assets that give benefits to the Council for more than one year.
- **Community assets** – assets without determinate life that the Council intends to hold in perpetuity. They may have restrictions on their disposal. Examples include parks and historic buildings.
- **Infrastructure assets** – inalienable fixed assets such as highways and footways.
- **Non-operational assets** – fixed assets not directly used for service provision. Examples include surplus land and buildings awaiting sale or further development.
- **Heritage assets** – Assets held solely for historical, artistic, scientific, technological, geophysical or environmental qualities.

Balance Sheet

A summary of all the assets, liabilities, funds, reserves etc.

Best Value

The Council duty to provide effective and efficient services based on community need and desire.

Budget

The Council’s financial plans for the year. Both capital and revenue budgets are prepared and, amongst other things, used as performance measures.

Billing Authority

An authority which bills and collects council tax and NDR for its area.

Capital Adjustment Account (“CAA”)

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

Capital Financing Requirement (“CFR”)

This shows the Council’s overall capital financing requirement for General Fund and HRA – the underlying amount of borrowing the Council has incurred on its capital investment.

Capital Expenditure

Substantial expenditure producing benefit to the Council for more than one year.

Capital Receipts

The proceeds of the disposal of assets, non-approved investments and the repayment of grants, share capital and capital loans made by the Council.

Cash Flow 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 ("CIPFA"). This is the institute of professional local government accountants and produces standards and codes of practice followed in the production of a Council's accounts.

Comprehensive Income and Expenditure Statement ("CIES")

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

Creditors

Money owed by the Council to others.

Collection Fund

This statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the Government of council tax and NDR.

Debtors

Money owed to the Council by others.

Dedicated Schools Grant ("DSG")

A central government grant paid to the Council for the use for expenditure on schools.

Depreciation

The writing down of the value of tangible fixed assets in line with its programmed useful life.

Expenditure and Funding Analysis ("EFA")

This show how annual expenditure is used and funded from resources by the Council in comparison with the resources consumed or earned by the Council in accordance with generally accepted accounting practices.

Employee Costs

Pay and associated costs such as national insurance, pension contributions etc.

Exceptional Items

Items that, although usual to the activities of the Council, by their nature need separate disclosure because of their unusual size or incidence.

Extraordinary Items

Material items needing separate disclosure because they are unusual to the activities of the Council by their nature.

General Fund

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

Government Grants

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

Government Grants Deferred

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

Gross Expenditure

Expenditure before deducting any related income.

Housing Revenue Account ("HRA")

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

Impairment

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

International Financial Reporting Standards (“IFRSs”)

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

Leases

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

Liabilities

Amounts the Council either owes or anticipates owing to others, whether they are due for immediate payment or not.

Long Term Contracts

A contract that, once entered into, will take longer than the current period of account to complete.

Local Government Accounting 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.

Movement in Reserves Statement (“MIRS”)

This statement shows the movement from the start to the end of the year on the different reserves held by the Council.

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 Reserve (“MRR”)

The MRR is an earmarked fund to which the Council transfers an amount annually to support capital spending on council dwellings.

Net Expenditure

Gross expenditure less directly related income.

Non-Domestic Rates (“NDR”)

Wiltshire Council collects Non-Domestic Rates from local businesses and organisations. The income is then distributed between Wiltshire Council, Central Government and Wiltshire & Swindon Fire Authority in line with the relevant statutory and accounting guidelines.

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 Council's Collection Fund are the Council itself, the Office of the Police and Crime Commissioner for Wiltshire and Swindon, Wiltshire Fire and Rescue Service and Parish and Town 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.

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 Valuation Office Agency (“VOA”) 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

The balance of this reserve represents the revaluation gains (as certified by the Council's external valuer, and the Council's internal valuer for farms) made by the Council arising from increases in the value of its Property, Plant and Equipment assets.

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.

Usable Capital Receipts Reserve

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

Useful Life

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

Value Added Tax ("VAT")

An indirect tax levied on vatiable goods and services.

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Date 7 February 2024

Deloitte LLP
5 Callaghan Square
Cardiff
United Kingdom
CF10 5BT

County Hall
Bythesea Road
Trowbridge
Wiltshire
BA14 8JN

Ref: ICH/LP 19/20

Dear Engagement Partner,

This representation letter is provided in connection with your audit of the financial statements of Wiltshire Council for the year ended 31 March 2020 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view of the financial position of Wiltshire Council as of 31 March 2020 and of the results of its operations, other recognised gains and losses and its cash flows for the year then ended in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom.

We confirm, to the best of our knowledge and belief, the following representations.

Financial statements

1. We understand and have fulfilled our responsibilities for the preparation of the financial statements in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom (the Code) which give a true and fair view.
2. Significant assumptions used by us in making accounting estimates, including those measured at fair value and assessing the impact of Covid-19 on the council, are reasonable.
3. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of IAS24 "Related party disclosures".
4. All events subsequent to the date of the financial statements and for which the applicable financial reporting framework requires adjustment of or disclosure have been adjusted or disclosed.
5. The effects of uncorrected misstatements and disclosure deficiencies are immaterial, both individually and in aggregate, to the financial statements as a

whole. A list of the uncorrected misstatements and disclosure deficiencies is detailed in the appendix to this letter. Our reasons for not making the adjustments set out in the attached summary are as they are not material.

6. We have considered control deficiencies highlighted in ISA 260 and don't think any could lead to a material misstatement or significant risk of fraud.
7. We are satisfied that the work undertaken to resolve issues identified with PPE balances [with the exception of the known revaluation reserve balances] and identify all lease arrangements are sufficient to prevent any further material misstatements.
8. We confirm that the financial statements have been prepared on the going concern basis and disclose in accordance with IAS 1 all matters of which we are aware that are relevant to the council's ability to continue as a going concern, including principal conditions or events and our plans. We do not intend to liquidate the council or cease trading as we consider we have realistic alternatives to doing so. We are not aware of any material uncertainties related to events or conditions that may cast significant doubt upon the council's ability to continue as a going concern. We confirm the completeness of the information provided regarding events and conditions relating to going concern at the date of approval of the financial statements, including our plans for future actions.
9. We confirm that we have taken reasonable measures to ascertain if there is any need for impairment of Infrastructure Assets, or any need to revise the current average useful economic life of 60 years for Infrastructure Assets.
10. We confirm that:
 - a) all retirement benefits and schemes, including UK, foreign, funded or unfunded, approved or unapproved, contractual or implicit have been identified and properly accounted for;
 - b) all settlements and curtailments have been identified and properly accounted for;
 - c) all events which relate to the determination of pension liabilities have been brought to the actuary's attention;
 - d) the actuarial assumptions underlying the valuation of the scheme liabilities (including the discount rate used and the salary increase assumption of 2.3%) accord with the Council's best estimates of the future events that will affect the cost of retirement benefits and are consistent with our knowledge of the business;
 - e) the actuary's calculations have been based on complete and up to date member data as far as appropriate regarding the adopted methodology;

and

- f) the amounts included in the financial statements derived from the work of the actuary are appropriate.
11. We acknowledge our responsibility for ensuring the council has put in place arrangements for securing economy, efficiency and effectiveness in its use of resources.
 12. We are not aware of any deficiencies in the council's arrangements to secure economy, efficiency and effectiveness in its use of resources.
 13. All grants or donations, the receipt of which is subject to specific restrictions, terms or conditions, have been notified to you. We have evaluated whether the restrictions, terms or conditions on grants or donations have been fulfilled with and deferred income to the extent that they have not.
 14. With respect to the revaluation of properties in accordance with the Code:
 - a) the measurement processes used are appropriate and have been applied consistently, including related assumptions and models;
 - b) the disclosures are complete and appropriate; and
 - c) there have been no subsequent events that require adjustment to the valuations and disclosures included in the financial statements.
 15. In relation to fixed assets not revalued in the year, we have considered the valuation of the council's Property, Plant and Equipment, and are not aware of any circumstances indicating volatility in asset values requiring a revaluation in the current year.
 16. We confirm that we consider that depreciated historic cost is an appropriate proxy for the fair value of non-property assets, and are not aware of any circumstances that would indicate that these assets require revaluation.

Information provided

17. We have provided you with:
 - a) Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
 - b) Additional information that you have requested from us for the purpose of the audit; and
 - c) Unrestricted access to persons within the entity from whom you

determined it necessary to obtain audit evidence.

18. All transactions have been recorded and are reflected in the financial statements and the underlying accounting records.
19. We acknowledge our responsibilities for the design, implementation and maintenance of internal control to prevent and detect fraud and error.
20. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
21. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the council and involves:
 - (i) management;
 - (ii) employees who have significant roles in internal control; or
 - (iii) others where the fraud could have a material effect on the financial statements.
22. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others.
23. We are not aware of any instances of non-compliance, or suspected non-compliance, with laws, regulations, and contractual agreements whose effects should be considered when preparing financial statements
24. We have disclosed to you the identity of the entity's council's related parties and all the related party relationships and transactions of which we are aware.
25. All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to you and accounted for and disclosed in accordance with the applicable financial reporting framework. On the basis of legal advice we have set them out in the attachment with our estimates of their potential effect. No other claims in connection with litigation have been or are expected to be received.
26. We have no plans or intentions that may materially affect the carrying value or classification of assets and liabilities reflected in the financial statements.
27. We are not aware of events or changes in circumstances occurring during the period which indicate that the carrying amount of fixed assets may not be recoverable.
28. We have reconsidered the remaining useful lives of the fixed assets and confirm that the present rates of depreciation are appropriate to amortise the

cost, or revalued amount, less residual value over the remaining useful lives

29. We confirm that:

- (i) we consider that the council has appropriate processes to prevent and identify any cyber breaches other than those that are clearly inconsequential; and
- (ii) we have disclosed to you all cyber breaches of which we are aware that have resulted in more than inconsequential unauthorised access of data, applications, services, networks and/or devices.

We confirm that the above representations are made on the basis of adequate enquiries of management and staff (and where appropriate, inspection of evidence) sufficient to satisfy ourselves that we can properly make each of the above representations to you.

Yours faithfully

Chair of Audit & Governance Committee
Signed on behalf of the Council

S151 Officer

Appendix 1

Schedule of Uncorrected Misstatements

Description	Debit/ (credit) income statement £m	Debit/ (credit) net assets £m	Debit/ (credit) OCI/ Equity £m
Pension liability – Goodwin [1]	-	(3.000)	3.000
Ridgeway House [2]	-	0.084	(0.084)
Crematorium Lodge [3]	-	(0.234)	0.234
Disposals made in error [4]	(0.293)	0.936	(0.643)
Duplicate Assets [5]	-	(2.089)	2.089
Cost of Asset Disposals Debtor GL Code [6]	0.128	(0.882)	0.754
Properties not on FAR [6]	-	-	-
Archetype Classification [8]	-	0.636	(0.636)
Understatement of accruals (actual and extrapolated) [9]	2.959	(2.959)	-
Overstatement of employers pension contributions [10]	-	(0.981)	0.981
Properties incorrectly on FAR [11]	-	(1.443)	1.443
Trust Assets [12]	-	(1.347)	1.347
DIY SO Properties [13]	(1.845)	1.038	0.807
Housing benefit accruals [14]	-	-	-
	0.949	(10.241)	9.292

[1] Although the Council is aware of the Goodwin case, we understand that it has not been reflected in the Defined Benefit Obligation; our view is that it should be. Based on general information that we have from Hymans Robertson, we understand that for a typical employer's section, the Goodwin impact cost could be of the order of 0.2% of the Defined Benefit Obligation, i.e. around £3m.

[2] We note that for the fixed asset, Ridgeway House Old Peoples' Home, The Lawns, Wootton Bassett, following a challenge by our valuation expert, the Council's valuer has acknowledged that the adopted land value rate was too low as a rate of

£200,000 per hectare was applied and the valuer has now revalued the asset adopting a revised land rate of £375,000 per hectare. On this basis the value of this asset has been adjusted from £1,498,112 (buildings £1,402,060, land £96,052) to £1,582,158 (buildings £1,402,060, land £180,098) but this adjustment has not been made by the Council due to it being immaterial. We have obtained confirmation from the Council's external valuers that no other assets were affected by the incorrect land value rate being used in the valuation.

[3] We note that the fixed asset, Crematorium Lodge, has not been revalued in the last 3 years and on further investigation it should have actually been disposed of as it has been transferred to a city council. We note the NBV is not material so has not been corrected and any related depreciation charges have not been added to the misstatement as this would be highly trivial. The Council have confirmed this will be corrected in 2020/21 accounts and recognised as a disposal.

[4] We noted during our disposals testing that 3 assets had been processed as disposals in the year in error and were actually still owned by the Council as at 31 March 2020. This meant that the loss on disposal in the year disclosed in Note 3 is overstated and the total value of disposals is also overstated in Note 15 due to the loss on disposal equalling the net book value of the disposed assets. The factual adjustment has not been corrected because it is not material at £935,170 and will be corrected for 2020/21.

[5] We identified two assets which have been recorded twice in the fixed assets register (Amesbury Salt Store Depot £1.959m and Highways Depot (South) – Salisbury £0.130m) resulting in an overstatement of the property, plant and equipment balance.

[6] We identified that GL code 919995 'Cost of Asset Disposals' which sits within short term debtors is incorrect and these do not represent valid debtors. Per discussions these are legal costs and demolition costs associated with the disposal of assets. From a sample of 3 we identified that none of the assets have yet been sold and 2 were not classified as surplus within the FAR. Therefore, 100% of the debtors balance is not recoverable. These are recognised as debtors incorrectly, with the intention to release them to offset against capital receipts once sold. However this is not in line with accounting standards. Therefore the whole GL code with value of £882k is incorrect and should be removed from debtors. This will be processed in future accounts. From review of the breakdown of the £882k we can see that there is £128k of spend in 19/20 and a reduction of £209k in the year of the debtors balance.

[7] As part of the Council's Asset Existence Exercise the Council identified two assets which are not included in the FAR but should be. These are: Melksham HRC and the Bradford on Avon Library. Neither of these have been valued so net book values are not available. However, based on our considerations we have no reason to believe that the value of these would be material. This misstatement is that PPE is understated by the value of these assets which is currently unknown.

[8] We identified two instances in our sample testing where two storey properties had been classified as medium rise flats and therefore were included in Archetype 11. However, medium rise flats are defined as 3-5 stories tall. As such these two properties should be classified in Archetype 10. We performed some calculations to determine the potential error based on the average value of a property in each archetype. The value of the possible error is therefore a £636k understatement which is immaterial.

[9] We identified a number of instances of the understatement of accruals through our testing of a sample of payments that left the bank post year end (errors: £323k) to determine which financial year these relate to. We have extrapolated these errors over the population tested to determine whether they may be indicative of a material misstatement and have not identified any issues with these extrapolations not being material.

[10] Per the IAS 19 letter from the Pension Fund Auditors, we were informed that the employers contributions figure per the IAS 19 report was £981k higher than per the pension system.

[11] As part of the Asset Existence Exercise the Council identified a number of assets which are included on the FAR in error as they are not supported by Council records. These assets are no longer owned by the Council and should have been removed from the FAR. It is assumed that the assets were disposed of by the Council in previous years.

[12] The Council held a review of the King George assets in March 2021 following up from the recommendation raised in 2018/19. This identified several assets which should be removed from the Council's accounts.

[13] The Council disposed of 26 DIY shared ownership properties in error due to not thinking these were owned by the Council and subsequently discovering that they were. Additionally, these properties had never been revalued.

[14] The Council doesn't accrue for housing benefit payments and these are instead recognised on a cash basis when they are paid. We have determined that the impact on expenditure would not be significant and have estimated the impact to the balance sheet to be a potential understatement of accruals and receivables of £7.5m.

Disclosure deficiencies:

#	Disclosure title	Description of the deficiency and explanation of why not adjusted	Amount (if applicable)
1	Write Off Policy	Accounting Policies of the draft Financial Statements do not include disclosures in respect of the Council's Write off policy as stated in the CIPFA Checklist. The Council consider this an immaterial disclosure.	-
2	Property, Plant and Equipment/Revaluation Reserve	We identified that the council had disposed of an asset in the year however had recorded this as a 'downwards revaluation' instead of a 'disposal'. This therefore has an impact on the property, plant and equipment disclosure and revaluation reserve disclosure showing disposals in the year as understated and downwards revaluations in the year as overstated. The value of this misstatement is £1,368,538 however we note that this does not impact the net book value of assets as at 31 March 2020.	£1,368,538
3	Property, Plant and Equipment/Revaluation Reserve	We identified that the council had processed some revaluation adjustments incorrectly by posting both upward and downward revaluation balances in the revaluation reserve (which net to the actual change in value of the asset in the year). This means both upwards and downwards revaluation balances are overstated by an equal amount in the revaluation reserve disclosure. We note that the total impact is an equal overstatement of upwards and downwards revaluation balances of £1,535k (£3,070k total overstatement). We note that this does not impact the total balance for the year for the revaluation reserve..	£1,535,000
4	CIES Reclassification	During our testing of the reclassification of service lines for the 2018/19 balances we identified three differences. The	£4,651,000

		differences are the result of an adjustment from the Corporate service line to the Education & Skills and Housing & Commercial service lines. Management were unable to explain this adjustment. We note that the value of the adjustment is £4,651k. We note that the impact on the total balance in the CIES is trivial, and this is mainly a reclassification issue.	
5	Pension Benefits Paid	Per the IAS 19 letter from the Pension Fund Auditors we noted that benefits paid were overstated by £3.9m. This would result in the equal understatement of both liabilities and assets relating to the pension so would have an overall nil impact on the pension liability.	£3,900,000
6	Intangible Assets Under Construction	We identified that there are intangible asset balances within Assets Under Construction in the PPE disclosure which are then transferred out of the disclosure to be presented within the Intangible asset disclosure. This impacts both Notes 15 and 24.	£4,128,000
7	Property, Plant and Equipment	The PPE disclosure (Note 15) is not showing the PFI asset balances within a separate column as per the CIPFA code.	-
8	Provisions	During the audit we received a copy of the draft 20/21 provisions note and identified that a number of short-term provisions per the 19/20 financial statements were still showing as balances at year end with none being utilised in the year per the draft 20/21 note. We challenged the Council on whether that was correct and whether these should be showing as long-term provisions in 19/20 rather than short term. The Council determined they would not investigate this for the purposes of the 19/20 accounts and would review for the 20/21 accounts. Whilst we have not yet audited the 20/21 provisions note to determine whether it's correct that none of these balances have been utilised, we've raised an uncorrected disclosure misstatement on	-

		the value of the potential classification error -£3,528k.	
9	Nil NBV Assets	We identified two assets that should have been part of the nil NBV exercise when testing adjustments related to the services reclassification correction, as they had nil value and had been disposed of with a value of £1,155,796.	£1,155,796
10	Cash Flow Classification	In testing the correction for the grants received in advance error in the Cash Flow Statement as noted under corrected misstatement number 1, we identified an error where the movement in creditors line in adjustments to SODPOS for non-cash movements in note 39 is understated by £7,476k while the capital grants credited to the CIES line in adjustments for items included in SODPOS that are investing and financing activities is overstated by £7,476k. This is an immaterial classification error within a note.	£7,476,000
11	Fixed asset valuation	From our services reclassification testing we identified that the Vale Community Campus Land asset with a NBV of £1,678k at 31 March 2020 was included in the 'valued at historic cost' category of note 18 but had been revalued by the valuer in 18/19 and therefore should have been in the 18/19 category.	£1,678,000
12	Segmental Structure	The CIPFA code notes that the service analysis on the face of the CIES must be based on the same segmental structure as the expenditure and funding analysis. Section 3.4.2.94 of the code notes: <i>"Reportable segments shall be based on an authority's internal management reporting, for example, departments, directorates or portfolios. Where more than one presentation is used for internal management reporting, the authority shall select the presentation most commonly used by the individual or group within the authority that has the most significant role in allocating resources and assessing the performance of services (for example, cabinet, board or senior directors) when</i>	-

		<p><i>considering the allocation of financial resources. Segments may include support services. A local authority shall disclose factors used to identify the authority's reportable segments, including the basis of organisation."</i></p> <p>We compared the presentation of the EFA & CIES to the revenue outturn report for 2019/20. We note that this does not reflect the same categories within the CIES/EFA. However, per discussion with the Council this is shown at a 'service' level, while the statement of accounts are presented at the 'directorate' level. As such, the presentation is at a more granular level in the outturn report than in the financial statements.</p>	
13	Financial Instruments	<p>We note that the short term creditors in the balance sheet in v15 of the financial statements is £117,244k as the grants received in advance balance has been split out. However, note 30 (Financial Instruments) was not updated to reflect this so the creditors reconciliation to the balance sheet in note 30 reconciles to the incorrect short term creditors balance of £128,264k.</p>	£11,020,000
14	IT hardware expenditure	<p>Expenditure related to IT hardware is all included within the Digital and Information service line in the CIES rather than being accounted for within the service line the assets relate to. The value of depreciation charged to Digital and Information is not material so whilst we've not quantified the potential error, we have assurance that this is not material.</p>	-

Date 7 February 2024

County Hall
Bythesea Road
Trowbridge
Wiltshire
BA14 8JN

Deloitte LLP
5 Callaghan Square
Cardiff
United Kingdom
CF10 5BT

Dear Engagement Partner,

This representation letter is provided in connection with your audit of to the financial statements of Wiltshire Pension Fund (the “Fund”) financial statements for the 31st March 2020ed 31st March 2020 for the purpose of expressing an opinion as to whether the financial statements show a true and fair view of the financial transactions of the Fund during the period from 1st April 2019 to 31st March 2020 and of the amount and disposition at the end of the Fund period of its assets and liabilities, other than the liabilities to pay pensions and benefits after the end of the period, in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and making a statement about contributions.

We confirm, to the best of our knowledge and belief, the following representations.

1. We understand and have fulfilled our responsibilities for the preparation of the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice which show a true and fair view, as set out in the terms of the audit engagement letter.
2. Significant assumptions used by us in making accounting estimates, including those measured at fair value and assessing the impact of Covid-19 on the Fund, are reasonable.
3. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of IAS24 “Related party disclosures”.
4. All events subsequent to the date of the financial statements and for which the applicable financial reporting framework requires adjustment of or disclosure have been adjusted or disclosed, including disclosure of the impact that Covid-19 has had over the Fund financial statements.

5. The effects of uncorrected misstatements and disclosure deficiencies are immaterial at this stage, both individually and in aggregate, to the financial statements as a whole. This could be amended and appendices included in the representation letter at the date the Fund accounts are signed, as part of the closing audit work.
6. We confirm that the financial statements have been prepared on the going concern basis and disclose in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom all matters of which we are aware that are relevant to the Fund's ability to continue as a going concern, including principal conditions or events and our plans. We do not intend to wind up the Fund. We are not aware of any material uncertainties related to events or conditions that may cast significant doubt upon the Fund's ability to continue as a going concern. We confirm the completeness of the information provided regarding events and conditions relating to going concern at the date of approval of the financial statements, including our plans for future actions.

Information provided

7. We have provided you with all relevant information and access as agreed in the terms of the audit engagement letter.
8. All transactions have been recorded and are reflected in the financial statements and the underlying accounting records.
9. We acknowledge our responsibilities for the design, implementation and maintenance of internal control to prevent and detect fraud and error.
10. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
11. We are not aware of any fraud or suspected fraud that affects the Fund and involves:
 - i. management;
 - ii. employees who have significant roles in internal control; or
 - iii. others where the fraud could have a material effect on the financial statements.
12. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the Fund's financial statements communicated by employees, former employees, analysts, regulators or others.
13. We are not aware of any instances of non-compliance, or suspected non-compliance, with laws, regulations, and contractual agreements whose effects should be considered when preparing financial statements except for the 2019

Fund accounts which are expected to be signed thirteen months after the regulatory deadline.

14. We have disclosed to you the identity of the Fund's related parties and all the related party relationships and transactions of which we are aware.
15. There are no claims in connection with litigation which have been or are expected to be received.
16. We have no plans or intentions that may materially affect the carrying value or classification of assets and liabilities reflected in the financial statements.
17. We confirm that the Fund is a registered pension scheme. We are not aware of any reason why the tax status of the Fund should change.
18. We confirm that:
 - (i) we consider that the Fund has appropriate processes to prevent and identify any cyber breaches other than those that are clearly inconsequential; and
 - (ii) we have disclosed to you all cyber breaches of which we are aware that have resulted in more than inconsequential unauthorised access of data, applications, services, networks and/or devices.
19. We have not made any reports to The Pensions Regulator nor are we aware of any such reports having been made by any of our advisors. We also confirm that we are not aware of any other matters which have arisen that would require a report to The Pensions Regulator.
20. There have been no other communications with The Pensions Regulator or other regulatory bodies during the Fund year or subsequently concerning matters of noncompliance with any legal duty.
21. We have not commissioned advisory reports which may affect the conduct of your work in relation to the Fund's financial statements.
22. We confirm that, under section 27 of the Pensions Act 1995, no Member of the Fund is connected with, or is an associate of Deloitte LLP, which would render Deloitte LLP ineligible to act as auditor to the Fund.
23. You have been informed of all changes to the Fund rules.
24. No transactions have been made which are not in the interests of the Fund members or the Fund during the Fund year or subsequently.

25. We confirm that the Fund does not hold investments in the Principal or Participating employers in excess of 5% of the net assets of the Fund.

We confirm that the above representations are made on the basis of adequate enquiries of management and staff (and where appropriate, inspection of evidence) sufficient to satisfy ourselves that we can properly make each of the above representations to you.

Yours faithfully

Chair of Audit & Governance Committee
Signed on behalf of the Council

S151 Officer

Wiltshire Council

**Draft report to the Audit & Governance Committee
on the 2020 audit – 2 February 2024**

Contents

01 Draft report

Partner introduction	4
Responsibilities of the Audit & Governance Committee	6
Your control environment	7
Quality indicators	8
Our audit explained	13
Significant risks	14
Other significant matters	30
Adverse Conclusion on VFM	31
Statutory Recommendation	32
Your control environment and findings	34
Statutory Recommendation	71
Our audit report	74
Your annual report	75
Audit quality and our system of quality management	76
Purpose of our report and responsibility statement	77

02 Appendices

Audit adjustments	79
Incomplete & Potential Errors	100
Our other responsibilities explained	102
Independence and fees	103
Our approach to quality	105



Partner introduction

The key messages in this report:

Audit quality is our number one priority. We plan our audit to focus on audit quality.

We have encountered challenges in this audit as follows:

- There are pervasive weaknesses in controls which mean that the control environment is not supportive of the production of reliable financial statements.
- The number of errors identified coupled with the control weaknesses have led me to conclude I am unable to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Dear members,

This report concludes our audit work on the 2019/20 Financial Statements of the Council. This audit has been ongoing since August 2020. I made my first written report on this audit to you in April 2021 highlighting the challenges we were having in completing the audit. I have reported to you on a number of occasions since then concerning the ongoing challenges.

I have now concluded that I am unable to form an opinion on the Financial Statements. The key messages of this paper are:

Disclaimer of Opinion

I intend to issue a disclaimer of opinion as I have been unable to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion due to the pervasive weaknesses in the controls that are necessary to support the production of accounts in compliance with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting 2019/20, and the significant volume of errors identified. I have reached this conclusion on the following basis:

- 49 areas where weaknesses in control have been identified, 24 of which I have assessed as having a high severity of impact (pages 35-70).
- 14 unadjusted misstatements that remain in the latest draft accounts, which indicate an overstatement of net assets of £10m. To meet your responsibilities, I ask you to consider asking management to make those corrections (page 79);
- 8 main corrections that have been made since you approved the first draft of the 2019/20 financial statements for publication. Those corrections have reduced net assets by £28m (page 83) and are a subset of more than 800 changes to numbers we have tracked through the 15 drafts of the statements;
- 14 disclosure deficiencies we have identified that have not been corrected in the latest draft. I also ask you to consider asking management to make corrections to address these deficiencies (page 86).
- 57 disclosure deficiencies which have been addressed between version 1 and version 15 of the draft financial statements. These include material changes to the numbers in disclosure notes (page 89).

Partner introduction

The key messages in this report continued:

Statutory Recommendation under Section 24 Schedule 7 (2)

I am minded to use my statutory powers under Section 24 schedule 7 (2) of the Local Audit and Accountability Act to make a Written Recommendation that the Council addresses the control weaknesses identified in this report. The Council is required under Section 4 (5) of the same Act to consider my recommendation at a meeting held before the end of the period of one month beginning on the day this report was sent to the Council. We have a statutory responsibility to send the Recommendation to the Secretary of State.

Adverse conclusion on arrangements for securing economy, efficiency and effectiveness

Throughout our audit we have identified pervasive control weaknesses which undermine the production of reliable financial statements. This has led me to conclude that there are weaknesses in the Council's arrangements for reliable and timely financial reporting and maintaining a sound system of internal control, which will be reflected in my audit report. I have concluded that these weaknesses are so significant in terms of their impact, that I am unable to satisfy myself that the Council has proper arrangements in place to secure VFM.

Signing of the opinion is subject to the completion of final procedures

Before we can issue the opinion, we need to complete final quality reviews, some concluding procedures and the finalisation of the opinion wording. We also need a conclusion to our request to Public Sector Audit and Appointments (PSAA) for a fee scale variation in respect of the extensive additional audit work we have undertaken, more detail on which can be found on page 104.

The audit of the 2020/21, 2021/22 and 2022/23 Financial Statements.

We have made a start on the audit of the 2020/21 Financial Statements; however, we will now need to take account of the disclaimer opinion on the 2019/20 financial statements and adjust our approach accordingly. Before we can recommence work on the 2020/21 audit, we need to be assured that the Council has addressed the Written Recommendation we have issued.

It is highly likely that the 2020/21 Financial Statements will also be disclaimed. The Council is yet to publish its financial statements for 2020/21, 2021/22 and 2022/23 accounts. We are aware of proposals from government for a "backstop" of 30 September 2024 at which point any audits up to and including 2022/23 will be concluded even if that results in a disclaimer opinion. Given the Financial Statements have not been published and the scale of the backlog, all of the audits up to 2022/23 will not be complete by 30 September. There is however an expectation that we will produce a commentary on VFM arrangements for all periods up to the end of March 2023. As you are aware there will be a change of auditor for 2023/24, as PSAA have appointed Grant Thornton.

Ian Howse
Lead audit partner

Responsibilities of the Audit & Governance Committee

Helping you fulfil your responsibilities

Why do we interact with the Audit & Governance Committee?

To communicate audit scope

To provide timely and relevant observations

Page 160

To provide additional information to help you fulfil your broader responsibilities

As a result of regulatory change in recent years, the role of the Audit & Governance Committee has significantly expanded. We set out here a summary of the core areas of Audit & Governance Committee responsibility to provide a reference in respect of these broader responsibilities and highlight throughout the document where there is key information which helps the Audit & Governance Committee in fulfilling its remit.

- At the start of each annual audit cycle, ensure that the scope of the external audit is appropriate.
- Make recommendations as to the auditor appointment and implement a policy on the engagement of the external auditor to supply non-audit services.

Oversight of external audit

- Impact assessment of key judgements and level of management challenge.
- Review of external audit findings, key judgements, level of misstatements.

Integrity of reporting

- Assess the quality of the internal team, their incentives and the need for supplementary skillsets.

Internal controls and risks

- Review the internal control and risk management systems (unless expressly addressed by separate board risk committee).

- Assess the completeness of disclosures, including consistency with disclosures on business model and strategy and, where requested by the Board, provide advice in respect of the fair, balanced and understandable statement.

Oversight of internal audit

- Explain what actions have been, or are being taken to remedy any significant failings or weaknesses.

- Monitor and review the effectiveness of the internal audit activities.

Whistle-blowing and fraud

- Ensure that appropriate arrangements are in place for the proportionate and independent investigation of any concerns raised by staff in connection with improprieties.

Your control environment

What we consider when we plan the audit

We expect management and those charged with governance to recognise the importance of a strong control environment and take proactive steps to deal with deficiencies identified on a timely basis.

This audit has identified pervasive control weaknesses. I am minded to make a Statutory Recommendation under Section 24 Schedule 7 (2) of the Local Audit and Accountability Act in respect of these controls.

Responsibilities of management

Auditing standards require us to only accept or continue with an audit engagement when the preconditions for an audit are present. These preconditions include obtaining the agreement of management and those charged with governance that they acknowledge and understand their responsibilities for, amongst other things, internal control as is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

If we make a Statutory Recommendation, we are not able to continue our work as auditors to the Council, until we are satisfied the Council has responded appropriately to that recommendation.

Responsibilities of the Audit & Governance Committee


As explained further in the Responsibilities of the Audit & Governance Committee slide above, the Audit & Governance Committee is responsible for:

- Reviewing the Council's internal financial controls and internal control and risk management systems (unless expressly addressed by a separate risk committee or by the Council itself).
- Monitoring and reviewing the effectiveness of the internal audit function; where there isn't one, explaining the absence, how internal assurance is achieved, and how this affects the work of external audit.
- Reporting in the annual report on the annual review of the effectiveness of the risk management and internal control systems. **At present the disclosures in the Annual Governance Statement are not consistent with the findings of this report.**
- Explaining what actions have been, or are being, taken to remedy any significant failings or weaknesses.

Quality indicators

Impact on the execution of our audit

Management and those charged with governance are in a position to influence the effectiveness of our audit, through timely formulation of judgements, provision of accurate information, and responsiveness to issues identified in the course of the audit. This slide summarises some key metrics related to your control environment which can significantly impact the execution of the audit. We consider these metrics important in assessing the reliability of your financial reporting and provide context for other messages in this report.

Area	Grading	Reason
Adherence to deliverables timetable		<p>Our audit was initially planned based on a 31 May 2020 deadline for receiving draft accounts. In April 2020, as a result of the Pandemic, we agreed a later deadline of 30 June 2020 to receive the draft accounts and rearranged our audit staffing accordingly.</p> <p>Management raised concerns at the beginning of June around the 30 June 2020 deadline as the Council's valuer had been delayed in the property valuation work as a result of Covid restrictions. It was agreed that the draft accounts would be received at the beginning of August 2020, but that we would start the audit in July 2020, focusing on auditing disclosure notes in the accounts which did not rely on information relating to property valuations. A list of areas to commence auditing in July was shared with the Chief Accountant (who has since left the Council) in early June. As at 22 July 2020, we had not received any information on approximately half of the areas we had planned to audit in that month.</p> <p>We were updated at the end of July 2020 that management were aiming to have the draft accounts produced for early-mid August 2020.</p> <p>On 18 August 2020 we were informed that the draft accounts would not be ready until 24 August 2020.</p> <p>The first set of draft accounts received were dated 28 August 2020.</p>

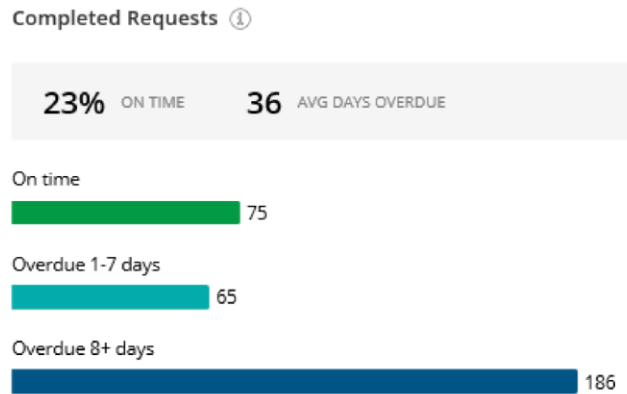
Page 162

 Lagging  Developing  Mature

Quality indicators

Impact on the execution of our audit (continued)

Area	Grading	Reason
Adherence to deliverables timetable (continued)	!	During the initial audit period, the timeframes to receive information to support the audit were not sufficient. We use a site called Deloitte Connect to upload and receive responses to audit requests. Connect provided us with the below high-level analysis (as at 14 April 2021):



For context, we usually expect all queries and requests to be responded to within 3-5 working days. Where requests are uploaded on to Connect and the due date assigned is not going to be achievable, we encourage management to communicate this to us to agree a new due date.

As the audit progressed, response times to requests generally improved and became less of an issue in comparison to other quality indicators.

Quality indicators


Impact on the execution of our audit (continued)

Area	Grading	Reason
Access to the Finance Team	!	<p>The Chief Accountant leaving the Council early in the audit, in August 2020, did, understandably, have a big impact on the Finance Team. Following on from this it was clear that the Finance Team did not have sufficient resource to manage the audit process and keep up with other workload (which was also being impacted by other factors such as Covid-19).</p> <p>The Council recruited a replacement Chief Accountant in January 2021 who left the role in July 2021. Following this a new Chief Accountant was appointed in November 2021 and continues in the role.</p> <p>The Council also brought in a Strategic Finance Accountant in January 2021 who has been supporting the completion of the 2019/20 audit as well as the preparation of future sets of financial statements.</p> <p>As some of the issues identified relate to years prior to 2019/20, not having access to the people who prepared those accounts has impacted the time taken to resolve some issues.</p> <p>Despite the turnover in key staff noted above, the staff present have consistently made themselves available to answer our queries and to provide the information requested.</p>
Control deficiencies identified	!	<p>We have not placed any reliance on controls as part of our audit, however the extremely high number of deficiencies in controls identified has had a significant impact on our audit. In many instances, errors occur in the financial statements and are not subsequently detected by management's oversight and review processes, and hence the risk of inaccurate financial reporting not being appropriately mitigated by internal controls. These pervasive control deficiencies when combined with the number of errors found are a significant factor in our conclusion that we cannot issue an opinion.</p> <p>A full list of control deficiencies can be found from page 35.</p>

Page 164

Quality indicators

Impact on the execution of our audit (continued)

Area	Grading	Reason
Quality and accuracy of management accounting papers		<p>Some of the information provided as part of the audit has been poor, and where this has been the case the impact of this on the audit has generally been significant, in terms of additional time and the need to involve more senior staff. At the same time we recognise that there have been certain areas where the information provided has been satisfactory.</p> <p>As an example of an area where the information provided hasn't been at the expected standard we note that the Council is unable to generate a report listing all currently outstanding debtors and creditors which reconcile to the debtors and creditors notes in the accounts. Instead, transaction listings are produced which show the full transaction history on the relevant ledger codes. These contain thousands of entries, with various transactions coming in and out of the listing, making it very difficult to reconcile these listings to the balances per the accounts we're aiming to test and to sample debtors/creditors for testing which relate to the balances in the accounts.</p> <p>As we note in a number of places later in this report when the Council has undertaken work to address issues raised in the audit, they have needed a number of attempts as initial versions have contained sometimes basic errors.</p> <p>The reason for some of the issues encountered is as a result of limitations with the finance system, and whilst the Finance Team have adapted to work around limitations such as this, it's not efficient for an audit and means that management do not have useful information to use in checking the accounts themselves.</p> <p>Whilst we acknowledge the limitations above, many of the errors identified during the audit should have been readily evident if the working papers produced for audit had been subject to appropriate management review before being provided to us.</p>

Page 165

Quality indicators

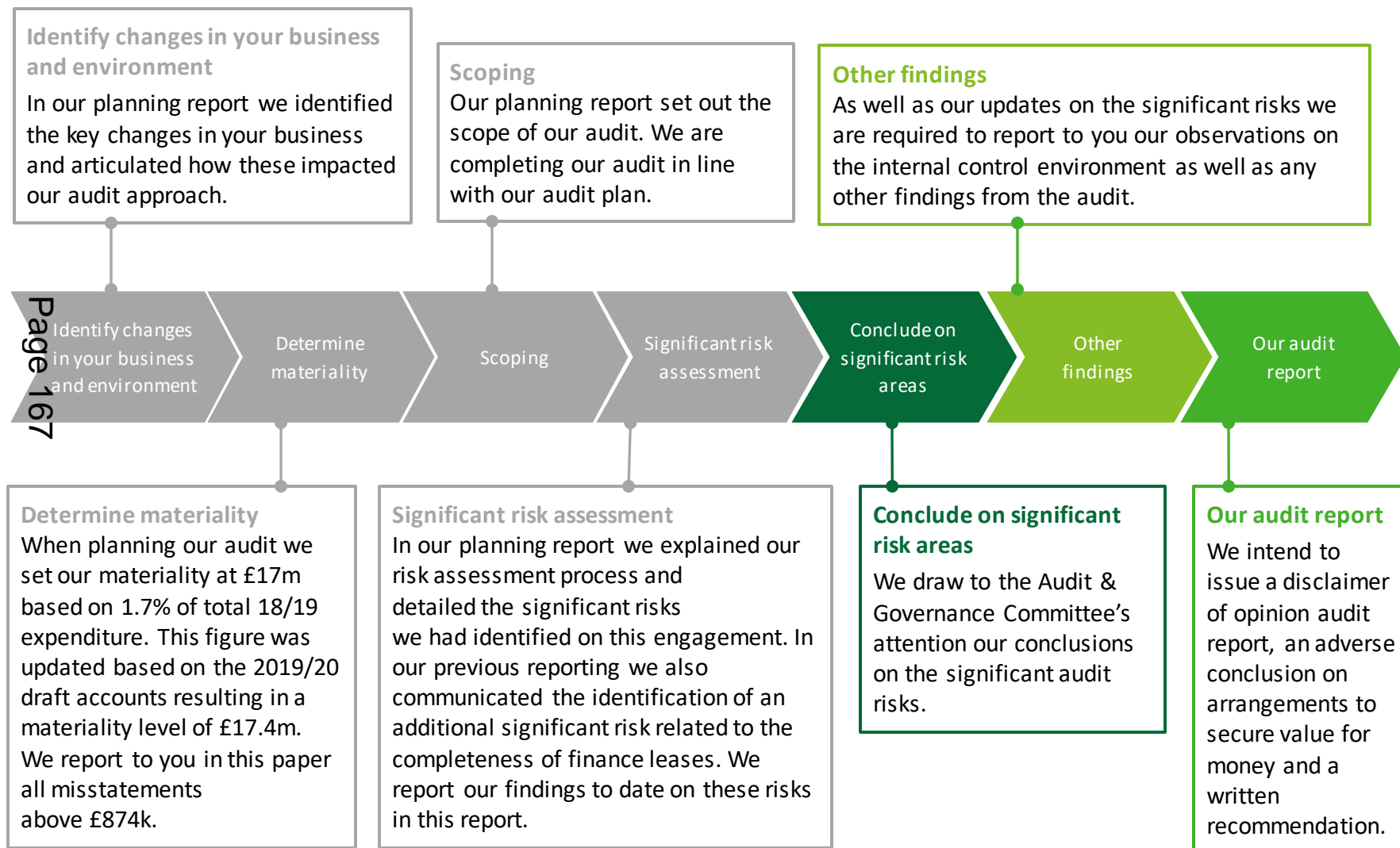
Impact on the execution of our audit (continued)

Area	Grading	Reason
Volume and magnitude of identified errors	!	<p>The volume and magnitude of errors identified during the audit well exceeds our expectations.</p> <p>In our April 2023 Update Report we noted that we had tracked approximately 883 individual changes to the 2019/20 numbers from the first draft financial statements up to version 15 (and 629 individual changes related to the 2018/19 financial statements). The most significant changes have been aggregated into the corrected misstatements set out on page 83. Uncorrected misstatements have been set out on page 79 with disclosure misstatements set out from page 86.</p>
Quality of draft financial statements	!	<p>The quality of the financial statements received has been well below an acceptable standard, as reflected by the errors discussed above.</p> <p>We have received at least 15 versions of the draft financial statements to date as these have been updated throughout the audit process to reflect identified misstatements. We would only usually expect to work with two versions of the accounts – the first draft version and the finalised version. Each set of accounts provided to us requires a significant amount of extra work for the audit team for numerous reasons, such as: the updated accounts need to be fully reviewed, compared with previous versions to identify/confirm the changes made, updated balances need to be traced through to audit testing to ensure that these agree, and very often additional audit testing needs to take place in respect of amended figures. This is a process which is made harder where no tracking document being maintained by the Council.</p> <p>We would expect the first draft financial statements, and all subsequent versions of the draft financial statements, to go through a rigorous internal review and quality assurance process before being presented for audit and for the public inspection period and we have raised a recommendation on this later in the report on page 47, finding 16.</p>

Page 88

Our audit explained

We tailor our audit to your business and your strategy



Significant risks

Risk 1 – Management Override of Controls

Risk identified

In accordance with ISA 240 (UK) management override of controls is a significant risk for all entities. This risk area includes the potential for management to use their judgement to influence the financial statements as well as the potential to override the Council's controls for specific transactions.

The key judgements in the financial statements include those which we have selected to be the significant audit risks, (completeness of accrued expenditure, pension valuations, the Council's property valuations and the completeness of finance leases) and any one off and unusual transactions where management could show bias. These are inherently the areas in which management has the potential to use their judgment to influence the financial statements.

Risk response

We obtained an understanding of the design and implementation of key controls in place around journal entries and key management estimates.

We risk assessed journals and selected items for detailed testing. The journal entries were selected using computer assisted profiling based on areas which we consider to be of increased interest.

We reviewed accounting estimates for biases that could result in material misstatements due to fraud.

We considered whether there were any significant transactions that were outside of the normal course of business for the Council, or that otherwise appear to be unusual, given our understanding of the Council and its environment.

Deloitte findings

We have not identified any significant bias in the key judgements made by management based on work performed.

We have not identified any instances of management override of controls in relation to the specific transactions tested based on work performed.

We have not identified any transactions outside of the normal course of business for the Council.

We have, however, identified significant control weaknesses as set out on the following page.

Significant risks

Risk 1 – Management Override of Controls

Deloitte findings

Lack of journal posting review controls: SAP has two types of journal access rights for finance employees; Park Access & Park and Post/Authorisation Access. Park Access allows a member of staff to prepare journals within the system which are then ‘parked’ until they are approved by a member of staff with Post Access. However, employees with ‘Park Access’ can upload an excel document with a number of journals and the journals can be automatically posted within SAP without secondary review. Employees with ‘Post Access’ can prepare and post journals directly into SAP, without a secondary review.

No evidence that the monthly journal posting review was occurring: On a quarterly basis, a report should be run directly from SAP for all journals posted during the period by journal value and by staff member who posted the journal. This report should be reviewed by the Chief Accountant to identify if any journals are posted by unauthorised staff members and inconsistencies are investigated.

As the focus of the review is on the users who are posting journals, rather than the journals themselves or their value, we have not deemed the design of this control to be effective in mitigating the management override of controls risk.

We have also identified that no formal evidence could be provided to show that this control was implemented during the financial year and we were informed that the control did not operate consistently throughout the financial year due to the Chief Accountant leaving in August 2020 and no one else taking responsibility for this control.

Lack of evidence of formal review of budget variances: strong budgetary control processes can mitigate weaknesses in journal authorisation, however, we were unable to evidence any formal review of budget variance reports by budget managers so we cannot determine the level of challenge or investigation undertaken. There is also no defined variance threshold above which Council procedures mandate investigation.

Lack of an effective balance sheet code review: On a monthly basis, the Head of Finance (Corporate) should review each balance sheet GL code against the previous month values and investigate the reasons for any unexpected variances (including suspense accounts). We identified that this control had not been in place since the departure of the Head of Finance (Corporate). The Chief Accountant undertook a year end full review as at 14 July 2020. We do not deem this to mitigate the risk of Management Override of Controls as there are thousands of journal postings so this control cannot be relied upon to identify incorrect journal postings.

Significant risks

Risk 1 – Management Override of Controls

Deloitte findings continued

Overall financial control environment: in addition to the findings above we note the wider findings as detailed on pages 35 to 70 and the level of errors both corrected and uncorrected which indicate a pervasive weaknesses in the controls that are necessary to support the production of accounts in compliance with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting 2019/20

Deloitte conclusion

We have not identified any evidence of management override of control, however, we have identified significant gaps in control which mean we cannot conclude that management override of controls has not occurred.

Page 170

Significant risks

Risk 2 – Property Valuation

Risk identified The Council holds a significant amount of property assets. The CIPFA Code of Practice on Local Authority Accounting (the Code) requires that where assets are subject to revaluation, their year-end carrying value should reflect the appropriate fair value at that date. The Council has adopted a rolling revaluation model which sees all land and buildings revalued over a three-year cycle.

The Council completes the valuation as at 28 February each year, 1 month before the year end. Any changes to factors (e.g. build costs) used in the valuation process during the month between the valuation and the balance sheet date could materially affect the value of the Council's assets as at year end.

There is therefore a risk that that the carrying value of property assets materially differ from the year end fair value, particularly given that valuations are inherently judgemental and include a number of assumptions.

Our response set out in the Audit Plan

We will obtain an understanding of the design and implementation of key controls in place around the property valuation and how the Council assures itself that there are no material impairments or changes in value for the assets not covered by the annual valuation.

We will review revaluations performed in the year, assessing whether they have been performed in a reasonable manner, on a timely basis and by suitably qualified individuals.

We will use our valuation specialists, to support our review and challenge of the appropriateness of the Council's assumptions on its asset values.

We will test a sample of revalued assets and determine whether the movement has been recorded correctly in the accounts.

We will consider whether assets not revalued in the year may have moved significantly in value since they were last revalued.

Key judgements

Property assets are revalued as part of the Council's rolling programme. The valuations are carried out by Avison Young, Chartered Surveyors (the valuer).

The financial year to 31 March 2020 represented part of a three-year rolling programme. The valuation was prepared ahead of year-end as at 28 February 2020. The valuer states that no material movements in value have occurred between 28 February 2020 and 31 March 2020. However, the valuer has identified in their report a material uncertainty in relation to valuations at 31 March 2020 due to the impact Covid-19 on market transaction volumes.

Significant risks

Risk 2 – Property Valuation (continued)

Key judgements (continued)

The property assets or classes of assets subject to valuation for 2019/20 were;

- Council Housing (valued each year)
- The Investment Estate (valued each year)
- Surplus Assets held for sale (valued each year)
- Surplus Assets not held for sale (valued each year)
- New acquisitions (valued each year)
- Major refurbishments and works (valued each year)
- Assets with impairment indicators (valued each year)
- Playing fields/allotments
- Cemeteries
- Car Parks
- Public Conveniences
- OAP Homes/Children’s Homes/Respite Centres
- Misc. Buildings (including leisure centres, school extensions and social clubs)

The valuer identified two new impaired assets in 2019/20 as follows:

- Chippenham Sadlers Mead Car Park (original value £325k, 100% impairment due to closure)
- Highways Depot- Melksham (original value £575k, 100% impairment due to closure)

Deloitte Findings

We have reviewed valuations performed in the year and confirmed with our valuation specialists that reasonable assumptions have been made by the Valuer. However, we note that the valuer has identified in their report a material uncertainty in relation to valuations at 31 March 2020 due to the impact of Covid-19 on market transaction volumes. This material uncertainty has been disclosed in the Financial Statements.

In undertaking the testing set out in our planned approach on the previous page we encountered a number of issues, as set out on the following pages.

Significant risks

Risk 2 – Property Valuation (continued)

Deloitte findings continued

Controls: Our valuation specialist's review and our work to obtain an understanding of the design and implementation of controls identified areas for improvement which are disclosed later in this report from page 35. A primary example is the lack of evidence of a control to assess and identify indications of impairment.

Disposals: our sample testing of disposals identified three assets (valued at £0.9m) included as disposals which should not have been, and three assets included in the disposals in the year which had actually been disposed of in a prior period. The Council carried out further work on disposals and identified further assets which had been disposed in prior years but had been accounted for in the current year, as the value was not material (£7m), no change has been made, but a disclosure note has been added to Note 3. The Council also identified two assets which were not included in the accounts (Melksham HRC and Bradford and Avon Library as these are not valued we cannot quantify the error); no adjustment has been made to the draft accounts for these errors. Also 26 DIY shared ownership properties were removed from the financial statements in error as they were not disposed, and these properties have never been revalued.

Asset verification: we identified an asset no longer owned by the Council but included in the Fixed Asset Register; although this asset had a net book value (NBV) of nil, it was incorrectly included in the cost line of note 15 (£23.7m). The asset had been closed and sold for housing several years ago. We also identified two schools included in PFI schools balances which converted to academies in 2011. This error resulted in a £35m overstatement of assets. These errors were corrected.

Nil NBV Vehicles, Plant and Equipment: our depreciation testing identified a significant number of vehicles, plant and machinery with a nil NBV. The Council undertook an exercise to determine if these assets were still in use or whether they had been disposed of. This exercise had to be re-worked twice following audit challenge and eventually £95m was removed from the cost line in note 15 with an equal reduction in accumulated depreciation.

Revaluation entries: we identified an error where an adjustment in respect of an asset no longer owned by the Council was processed as a revaluation rather than a disposal. This resulted in an understatement of £1.4m in disposals and a corresponding overstatement of downwards revaluations. We also identified issues with both upward and downward revaluations relating to the same assets; this error was a £1.5m overstatement of both upwards and downwards revaluations in Note 15 and the Revaluation reserve. These errors remain uncorrected.

We identified some assets which had not been re-valued within the stated three-year revaluation cycle. One of these (Crematorium Lodge) had been disposed of, but the Council's records had not been updated to reflect this disposal. Warminster Car Park Garages had been missed from the revaluation, but we concluded the value would not be material. This remains uncorrected.

Significant risks

Risk 2 – Property Valuation (continued)

Deloitte findings continued

Duplicate assets: We identified two instances where assets had been included twice in the Council's records, (Amesbury Salt Store and Highways Depot South). This resulted in an overstatement of the NBV of assets of £2.1m. This remains uncorrected.

HRA valuations: the Council provided the incorrect number of properties to the valuer for the HRA valuation. The valuation was subsequently updated for the actual number of properties. We identified instances of properties classified in the wrong archetypes which remain uncorrected.

Intangible assets: We identified that the Council had incorrectly included intangible assets under construction with a value of £4.1m in the tangible assets under construction disclosure. This remains uncorrected.

Services Assets incorrectly categorised: Service elements of buildings had been incorrectly included in Vehicles, Plant and Equipment (VPE). The correction of this error resulted in a reduction of VPE balance of £61m and an increase in land and buildings of £29m and Council Dwellings of £32m.

Infrastructure assets: The Council has reported £410.4m of infrastructure assets valued on a modified historic cost basis. They are all being depreciated over a useful economic life of 60 years despite varying in nature from roads to bridges to footpaths. The Council only has detailed records to support 23% of this balance, so the remaining balance cannot be tested back to underlying records to even determine the correct classification.

Accumulated impairment: there are a number of assets in Council's fixed assets register which appear to have an accumulated impairment balance that is higher than expected given the revaluation cycle. This was identified by the audit team when testing a sample of assets in relation to the correction of Services Assets discussed above. Originally it was believed that this was due to accumulated impairment not being written out as expected when assets have been revalued, but we have since been informed that it is due to revaluation losses being incorrectly treated as impairments. The Council quantified the total error resulting in a proposed reduction of cost/valuation of assets of £47m in 2018/19 with an equal reduction of depreciation/impairment, with smaller adjustments proposed for 2019/20 balances. One asset was initially selected by the audit team to recreate the correct Fixed Asset Register (FAR) entries and compare to Management's working papers, which highlighted a further issue whereby capital expenditure hasn't been correctly allocated to the relevant components of the asset. Seven assets have been identified with an accumulated impairment/depreciation balance (of £15m) which appears to be unusually high in comparison to carrying amount (of £21.7m) given the Council revalue properties on a three-year cycle, indicating that there may still be a further issue where impairment balances may not have been written out on revaluation. This work has not been concluded given the wide range of other issues which have led us to the conclusion on the following page.

Significant risks

Risk 2 – Property Valuation (continued)

Deloitte Conclusion

Despite the planned testing and additional testing undertaken, the pervasive issues identified in the Councils records to support the valuation of its fixed assets in combination with the significant gaps identified in the wider internal control environment mean we are unable to form an opinion as to whether the financial statements are materially correct in this respect. These issues affect all of the related disclosures such as the revaluation reserve, CAA and the MIRS.

Significant risks

Risk 3 – Valuation of the Council’s share of the Wiltshire Pension Fund Net Liability

Risk identified

The net pension liability is a material element of the Council’s balance sheet. The Council is an admitted body of the Wiltshire Pension Fund(the Fund). The valuation of the Fund relies on a number of assumptions, including actuarial assumptions, and actuarial methodology which determine the Council’s share of the Fund valuation.

Furthermore there are financial and demographic assumptions used in the calculation of the Council’s valuation – e.g the discount rate, inflation rates, and mortality rates. These assumptions should reflect the profile of the Council’s employees, and should be based on appropriate data.

There is a risk that the assumptions and methodology used in the valuation of the Council’s pension obligation are not reasonable. This could have a material impact to the net pension liability accounted for in the financial statements.

Our response

We obtained an understanding of the design, and tested the implementation, of the key controls in place in relation to the review of the assumptions by the Council.

We evaluated the competency, objectivity and independence of Hymans Robertson, the actuarial specialist.

We reviewed the methodology and appropriateness of the assumptions used in the Fund valuation, utilising a Deloitte Actuary to provide specialist assessment of the variables used.

We reviewed the pension related disclosures in respect of actuarial assumptions in the financial accounts for consistency with the Actuary’s Report.

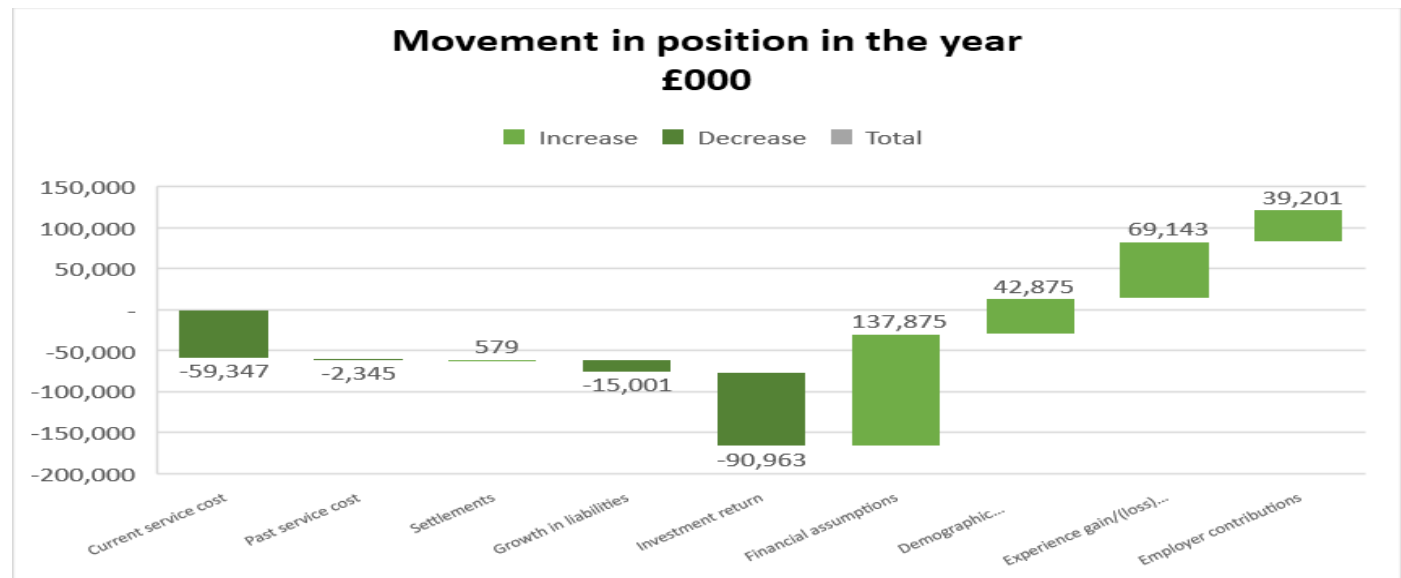
Significant risks

Risk 3 – Valuation of the Council’s share of the Wiltshire Pension Fund Net Liability (continued)

Key judgements

The Council’s share of the net pension fund liability has decreased from £613.8m at 31 March 2019 to £491.7m at 31 March 2020.

The largest gain shown is due to a change in the net discount rate, however, this is partially offset by a lower than assumed investment return and additional benefits in the year included in the current service costs exceeding employer contributions.



On the next page we have included a comparison between the assumptions used by the Council against our Deloitte benchmarks.

Significant risks

Risk 3 – Valuation of the Council’s share of the Wiltshire Pension Fund Net Liability (continued)

Key judgements (continued)

Assumption	Council	Benchmark	Comments
Discount rate (% p.a.)	2.30	2.15-2.60	Reasonable
Retail Price Index (RPI) Inflation rate (% p.a.)	2.80	2.40-2.80	Reasonable
Consumer Price Index (CPI) Inflation rate (% p.a.)	1.90	1.8-2.3	Slightly optimistic
Salary increase (% p.a.)	2.30	Council specific	Reasonable
Pension increase in payment and deferment (% p.a.)	1.90	1.90	Reasonable

Page 178



Deloitte findings

Assumptions: we have reviewed the assumptions and, on the whole, the set of assumptions appear to be reasonable when compared with the Deloitte benchmarks.

Impact of COVID on the value of property assets in the Fund: we note that although a material uncertainty is disclosed with regards to property valuations, we do not deem there to be a material uncertainty in relation to the value of property assets included in the pension fund, as property funds do not make up a significant proportion of pension assets.

Goodwin: The Council's share of the net liability on the Fund does not allow for the obligation related to the Goodwin case which we estimate is c£3m and would increase the liability. This remains uncorrected.

Significant risks

Risk 3 – Valuation of the Council’s share of the Wiltshire Pension Fund Net Liability (continued)

Deloitte findings continued

Benefits paid: Benefits paid as disclosed in the accounts were found to be overstated by £3.9m. This remains uncorrected.

Note 38 pension fund disclosures: this note contained a number of errors. The unfunded benefits paid, benefits paid and contributions to unfunded benefits did not agree to the actuary's report. This has been corrected.

Note 49 disclosures: the 2019/20 disclosures also did not agree to the Actuary's report and the 2018/19 disclosures did not agree to the prior year accounts. This note also included an average age of members of 16.5 years, which was a typographical error but highlights that a thorough review of the financial statements was not undertaken before the accounts were published as this is obviously not correct. These have been corrected.

Unreconciled differences between Altair and SAP: the Council has identified differences between the membership records held in Altair and the payments being made from SAP. This is expected to result in the identification of underpayments to benefits paid. The Council has estimated this as more than £10m, but the full amount will not be known until the detailed reconciliation has been completed.

Deloitte conclusion

We have concluded our testing in this area, however, as detailed on pages 35 to 70, we have identified significant gaps in the wider internal control environment which due to their pervasive nature mean we cannot conclude that the financial statements are free from material misstatement.

Significant risks

Risk 4 – Completeness of Accrued Expenditure

Risk identified

Under UK auditing standards, there is a presumed risk in respect of revenue recognition due to fraud. We have rebutted this risk, and instead believe that the fraud risk lies with the completeness of expenditure, particularly in relation to year end accruals.

During our 2018/19 audit we identified that approximately 80% of expenditure does not follow the purchase order process. As a result of this, there is a risk that the Council may understate accruals at year end.

There may also be an incentive for management to understate expenditure around the year end in order to present a more favourable year end position, and given the lack of strong purchase order controls, understatement of accruals is an area that could be manipulated.

Risk response

We note that accruals are not separately identified within the financial statements and are included as part of Short Term Creditors in Note 28 as shown below.

We obtained an understanding of the design, and implementation, of the key controls in place to ensure the completeness of accruals; and

We performed focused testing in relation to the completeness of accruals through testing of post-year end invoices received and payments made.

Note 28 Short Term Creditors

These represent sums owed by the Council for supplies and services received before 31 March 2020 but not paid for at that date.

	2019/2020 £000	2018/2019 £000
Other Local Authorities	(10,447)	(4,390)
Government Departments	(4,817)	(10,892)
NHS Bodies	(1,770)	(2,532)
Sundry Creditors	(80,442)	(57,874)
Receipts in Advance	(13,432)	(14,085)
Accumulated Absences	(6,336)	(5,916)
Total Short Term Creditors	(117,244)	(95,689)

Significant risks

Risk 4 – Completeness of Accrued Expenditure

Deloitte findings

A lack of controls over the completeness of expenditure: we have been unable to identify sufficient or appropriate controls in place at the Council to ensure accrued expenditure is complete. We would expect the Council to implement additional controls to mitigate the fact they do not have a common PO system. We also note that the budget management process at the Council does not mitigate this risk as we have not been able to evidence the review of the monthly budget variance reports and subsequent investigation into any variances.

No evidence of consultation with the legal department on potential liabilities: as part of the controls to ensure all potential liabilities are disclosed in the Financial Statements there should be a documented process for the Finance team to consult with the legal team. Whilst we understand the difficulties of doing this in the Covid-19 environment the failure to complete this process increases the risk of potential liabilities being unrecorded.

Ineffective purchase order processes: we have identified that approximately 15% of purchases follow a purchase order (PO) process, whilst the remainder follow an alternative 'non-PO' process. This percentage in the prior year was nearer 20% so performance is declining. As a result, there is a risk that inappropriate purchases are made without a PO and authorisation. There is also a risk that year end expenditure may not be complete because committed purchases are not yet available on the finance system.

System processing delays: during our work to understand the Design and Implementation (D&I) of controls over accrued expenditure, we identified an item for £3,060.90 where the invoice date was 01/09/2019, the Goods Received Note (GRN) date was 12/12/2019 and a delivery date (for services) on 11/12/2019, however the system showed the invoice received date as 18/06/2020. The invoice was input into the system 9 months after the Council had received it. This highlights a weakness in the Council's purchasing controls. Where invoices are posted late to the system there is a risk that services/goods received prior to the year-end are not accrued especially where a GRN is not raised pre year end. Also, the Council will not have paid the supplier for this invoice for a significant period of time so there is a risk of reputational damage to the Council.

Lack of evidenced review of year end bank reconciliations: our review of the year end bank reconciliations found evidence of preparer sign off but no evidence of review. Therefore, this control is not providing effective mitigation of the risk of unidentified expenditure.

No accrual for Housing Benefit payments: the Council does not accrue for housing benefits payable at the year-end, we have estimated this results in an understatement of accruals of £7.5m and an equal understatement of receivables. This remains uncorrected.

Significant risks

Risk 4 – Completeness of Accrued Expenditure

Deloitte findings continued

Understatements identified: we identified a number of instances of the understatement of accruals through our testing of a sample of payments that left the bank post year end (errors: £323k). We have extrapolated these errors over the population tested and determined the potential error to be £2.6m. This remains uncorrected.

Interest payable understatement: we identified an understatement of £4.2m as a result of the incorrect classification of PFI interest. This was corrected.

Audit fee included on a cash basis: the audit fee included in the financial statements was the amount paid and no accrual was made to bring the fee to the scale fee. Whilst the amount is small it is an indication of the lack of controls concerning accrued expenditure.

Deloitte conclusion

Whilst we have not identified any material misstatements related to expenditure, the significant gaps identified in the wider internal control environment are pervasive and therefore we cannot conclude that sample testing can mitigate the risk of a material misstatement in expenditure.

Page 182

Significant risks

Risk 5 – Completeness of Finance Leases

Risk identified

We have identified an additional significant risk for 2019/20, which was not included in the audit plan.

During the audit we were informed that the Council have a number of leases and lease disclosures were produced for inclusion in the financial statements. Whilst the finance lease disclosure wasn't quantitatively material, this was considered qualitatively material to the readers of the accounts.

Previously it had been our understanding that the Council did not have any leases and we were informed of this by the Council.

We had challenged this on several occasions and were told that the Council had a policy of not leasing.

As a result of leases previously being undisclosed, we have identified a significant risk in relation to the completeness of the finance leases recorded in the accounts.

Our response

We sought to gain an understanding of the design and implementation of controls in place in relation to the completeness of the leases balance.

We reviewed the Council's Contracts Register for any indication of additional leases.

We performed a search of Income and Expenditure ledger codes for keywords which might indicate a lease arrangement. We then gained an understanding of the identified ledger codes to determine whether or not these may include items with lease arrangements.

We selected a sample of properties and vehicles, plant and equipment and obtained supporting documentation to support whether or not the asset relates to a lease arrangement.

Deloitte findings

No controls to ensure completeness of lease disclosures: we have not been able to identify any controls to ensure that all lease arrangements are disclosed in the financial statements.

Lease disclosures were not included in the draft financial statements: the lease disclosures were missing from the accounts and now they are included following our challenge, they range in value from £2.9m to £13m.

Significant risks

Risk 5 – Completeness of Finance Leases

Deloitte findings

Leases missing from the updated disclosures: we reviewed the contracts register when testing whether the Council's lease disclosures were complete, we identified two further leases which had not been disclosed. One was highly trivial and the other related to a lease with a value of £928k per annum. The operating lease disclosure has been updated for this.

Errors in the initial lease disclosure: the initial version of the Operating Lease disclosure (Note 21) contained errors and also included leases that start after 31 March 2019 in the 18/19 numbers and 31 March 2020 in the 19/20 numbers. This was subsequently corrected.

Missing shared ownership lease: We completed some additional journal testing related to automatic journals. This testing identified a shared ownership lease of a property which we were not able to locate within the Council's lease working papers which is a further indication that lease disclosures may be incomplete.

Deloitte conclusion

We have identified a lack of effective controls and numerous missing disclosures which in combination and despite additional testing led us to conclude we cannot be satisfied that there is not a material error in lease disclosures.

18/09/2018

Other significant matters

Revaluation Reserve

As reported in our Final Report on the 2018/19 audit, as a result of the Council implementing the new asset management system, an adjustment to the opening revaluation reserve balance was made. We were unable to audit the revaluation reserve balances as part of the 2018/19 audit in order to determine whether these are materially correct. This was because the balances have built up over many years and the Council was not able to provide a detailed analysis which we could audit. As a result of this, our 2018/19 audit opinion was qualified as follows:

"Included in the Authority's Unusable Reserves are a Revaluation Reserve of £308,687,000 and Capital Adjustment Account of £326,878,000 as at 31 March 2019. As disclosed in notes 36 and 37, the opening balances as at 1 April 2017 of the Revaluation Reserve and the Capital Adjustment Account were adjusted due to errors found in the historic balances when implementing the new fixed asset management system. We were unable to obtain sufficient appropriate audit evidence in relation to the balances and the movements during the year as disclosed in notes 36 and 37 due to the Council being unable to produce records on an asset by asset basis to support how these balances have built up over a number of years. Consequently, we were unable to determine whether any adjustment between these amounts were necessary. Where any adjustments to the Revaluation Reserve or Capital Adjustment Account are required, there may also be an impact on the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement and the Expenditure and Funding Analysis Statement. However, there will be no impact on the General Fund Balance and the Total Useable Reserves. "

As previously planned, the Council has undertaken a detailed piece of work in relation to the revaluation reserve for the 2020/21 financial statements with the aim of resolving this matter.

Adverse Conclusion on Value for Money Arrangements

Value for Money – adverse conclusion

Risk identified Under the National Audit Office’s Code of Audit Practice, we are required to report whether, in our opinion, the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources. The Code and supporting Auditor Guidance Notes require us to perform a risk assessment to identify any risks that have the potential to cause us to reach an inappropriate conclusion on the audited body’s arrangements. We are required to carry out further work where we identify a significant risk - if we do not identify any significant risks, there is no requirement to carry out further work.

Given the pervasive control weaknesses identified during the audit we identified a significant risk in respect of the Council's arrangements for reliable and timely financial reporting and maintaining a sound system of internal control.

Our response

We obtained an understanding of the Council’s Medium Term Financial Plan and considered the Council’s financial results for the year and the assumptions in the budget for future years.

We reviewed the Annual Governance Statement, the Narrative Report and relevant Council papers and minutes.

We considered matters identified by the National Audit Office as potential value for money risks for Councils for 2019/20.

We have reviewed the findings of the Ofsted and Care Quality Commission inspection of the local area of Wiltshire to judge the effectiveness of the area and identified no significant value for money risks.

In addition, the Engagement Partner met with the Leader of the Council regularly throughout the financial year to discuss issues relevant to value for money and other related matters.

Deloitte conclusion

Through our audit we have identified pervasive control weaknesses which undermine the production of reliable financial statements. This has led us to conclude that there are weaknesses in arrangements for reliable and timely financial reporting and maintaining a sound system of internal control which will be reflected in our audit report. We have considered the significance of the impact of this weakness in arrangements which has led to a disclaimed opinion on the financial statements and a Statutory Recommendation and concluded that the weakness is so significant that we are issuing an adverse opinion.

Statutory Recommendation

Section 24 Schedule 7 (2) Written Recommendation

As well as our responsibilities to give an opinion the financial statements and assessing arrangements for securing Value for Money in the use of the Council's resources we are required to consider whether to use our additional powers and duties under the Local Audit and Accountability Act 2014. These powers are to:

- report in the Public Interest under Section 24 Schedule 7(1) of the Local Audit and Accountability Act 2014;
- make Written Recommendations to the audited body under Section 24 (7 (2) of the Local Audit and Accountability Act 2014;
- make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; and
- make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

I am minded to use my powers under Section 24 schedule 7 (2) of the Local Audit and Accountability Act, due to the finalisation and publication of the Authority's statement of accounts for the year ended 31 March 2020 being significantly delayed from the original target date of 30 November 2020. This is due to the time needed to investigate issues identified during the 2019/20 audit process and to prepare amended accounts and the consequent impact on the 2019/20 accounts and audit process.

As noted in our draft opinion on the financial statements, we are unable to provide an opinion due to pervasive weaknesses in the controls that are necessary to support the production of accounts in compliance with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting 2019/20, and the significant volume of errors identified. This has led us to conclude that there are weaknesses in arrangements for reliable and timely financial reporting and maintaining a sound system of internal control.

As specified in section 4 (5) of the Local Audit and Accountability Act the Council must consider the recommendation at a meeting held before the end of the period of one month beginning with the day on which it was sent to the Council. This responsibility comes with attendant publicity and access requirements. At that meeting the Council must decide whether the report requires the Council to take any action or whether the recommendation is accepted and what if any action to take in response to the recommendation. We are also required to send the Recommendation to the Secretary of State.

Area	Draft Recommendation	Management Response
Controls and processes for the completion of financial statements which are compliant with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.	The Council needs to address the 49 control weaknesses reported from page 35 to 70 in this report, to ensure it has a financial reporting system that allows it to meet its statutory responsibilities to produce reliable and accurate financial statements.	A response will be provided as part of the governance process and reporting to Full Council.

Your control environment and findings

IT systems

As a result of our work on your key IT systems we raised a number of recommendations which were communicated to management with management responses being provided in 2020. These consisted of five medium priority recommendations (two of which were first raised in 2019) and two low priority recommendations (one of which was first communicated in 2019).

We have not included the recommendations within this report as they did not have a significant impact on our audit.

Your control environment and findings

Control deficiencies and areas for management focus

The purpose of the audit was for us to express an opinion on the financial statements. The audit included consideration of internal control relevant to the preparation of the financial statements to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. The matters being reported are limited to those deficiencies that we have identified during the audit and that we have concluded are of sufficient importance to merit being reported to you.

We have not validated the management responses provided below or otherwise followed up on management's progress in implementing the recommendations raised, including assessing the adequacy of the design, implementation or operating effectiveness of controls introduced/planned to be introduced. We strongly recommend that the Audit & Governance Committee establishes a steering group to oversee the timely implementation of the recommendations and to ensure that it has sufficient assurance over the satisfactory closure of these significant control gaps.

No.	Observation	Severity	Deloitte recommendation	Management response and remediation plan
Page 189	Whilst we have identified a wide range of necessary improvements in control, we have not reviewed all of the controls necessary for a reliable financial reporting process.	High	The Council needs to do an end-to-end critical review of the sufficiency and design of existing controls in all key areas of the financial reporting process.	Management have already implemented [from 2020/21] improvements to a number of key controls. For example, project management disciplines, balance sheet, reconciliations, separate review and sign-off of working papers, separation of duties, review of fixed asset valuations and subsequent output from FAR, quality review of draft SOA, completeness review of lease disclosures, and revised schools' consolidation process. Management will continue to review key controls and make any required amendments as considered necessary

Your control environment and findings

Control deficiencies and areas for management focus (continued)

No.	Observation	Severity	Deloitte recommendation	Management response and remediation plan
2	<p>The Council has not updated its PFI model for the implementation of IFRS.</p> <p>We note management's review of the PFI arrangements has taken place and significant improvements have been identified in relation to the work that supports the accounting for these arrangements. A misstatement was identified as a result of this review.</p>	Medium	It is recommended that the Council needs to separately commission a suitably qualified financial advisor to develop an 'IFRS' accounting model. For example, an assessment of the impact of IFRS 16 on the accounting in advance of the standard being applied to Local Government.	A review of the PFI arrangements has taken place and significant improvements made to the accounting for these arrangements. Management will consider what additional changes are required to ensure the accounting remains robust, including options on the models used.
3	<p>During the testing of the expected credit loss provision, we noted that the Council apply a specific percentage to each aged debt category to calculate the expected credit loss provision.</p> <p>The Council have not updated the percentages applied for a significant number of years and therefore there is a risk these are no longer appropriate.</p> <p>Additionally, the Council have not performed an assessment of these percentages for the current financial year to explain why these percentages remain appropriate for 2019/20. Under IFRS 9 which was introduced in the prior year, this assessment is a critical part of the requirements.</p>	High	It is recommended that a detailed review of the methodology and judgements applied is completed to ensure they remain appropriate for 2020/21 and this is then completed on a regular basis.	Management have reviewed the percentages used in 2020/21 to ensure these are representative of the expected impact of credit losses, particularly having regard to the Covid-19 pandemic.

Your control environment and findings

Control deficiencies and areas for management focus (continued)

No.	Observation	Severity	Deloitte recommendation	Management response and remediation plan
4	<p>During the testing of the expected credit loss provision, Deloitte was unable to obtain the year-end report used to disclose the Housing Benefit Overpayment balance of £6.9m. We were informed that the report can only be run at a point in time and the report was not saved as at 31/03/2020.</p> <p>We instead obtained the report as at 30/09/2020 and noted that the value per this report was not materially different, and that the Council provides for 100% of housing benefit overpayments.</p>	High	<p>We appreciate this is a limitation within the finance system, however, it is recommended that the Council save all working papers and reports used in the financial reporting process so that the auditors can evidence the workings and test the balances accordingly.</p>	<p>Agreed, management will ensure controls are put in place to ensure time critical reports are run at the relevant time.</p>
5	<p>During the testing of school's balances, Deloitte identified that the cash, debtors and creditors for four schools which had been transformed into academies in the financial year were included in the schools' balances of the financial statements despite no longer being under Council control.</p>	Medium	<p>It is recommended that a control is implemented to ensure that schools that are subsequently transformed into academies in the financial year are removed from the Council's account balances appropriately.</p>	<p>Management have introduced a revised schools consolidation process for the 2020/21 balances and transactions, which includes controls to identify schools that have converted to academies.</p>

Page 191

Your control environment and findings

Control deficiencies and areas for management focus (continued)

No.	Observation	Severity	Deloitte recommendation	Management response and remediation plan
6	<p>During the testing of creditors/debtors, Deloitte were informed that the balances of various General Ledger (GL) codes are split between the categories in the creditor/debtor note for disclosure.</p> <p>For example, the GL code 943704 DCE Schools Balance Sheet Creditors with a year-end balance of £8.5m is split between Sundry Creditors (£3.5m) and Receipts in Advance (£5m).</p> <p>However, the working papers provided to Deloitte were manually coded and no additional support could be obtained. Therefore, no evidence could be obtained to show how the GL codes had been split.</p> <p>We also note that the original working papers used to manually split the GL codes were not saved and therefore have been lost.</p>	High	It is recommended that all working papers to support the values in the financial statements are saved so they can be provided to the auditors for testing. This should also be standard practice in case staff members who performed the work are absent or leave the Council preventing access to the working papers.	Agreed, management have implemented additional controls for 2020/21, including preparer and reviewer support and checks, rationale for splits etc.

Page 192

Your control environment and findings

Control deficiencies and areas for management focus (continued)

No.	Observation	Severity	Deloitte recommendation	Management response and remediation plan
7	<p>Deloitte have been unable to identify sufficient or appropriate controls in place at the Council to ensure accrued expenditure is complete.</p> <p>We would expect the Council to implement additional controls to mitigate the fact they do not have a common PO system. We also note that the budget management process at the Council does not mitigate this risk as we have not been able to evidence the review of the monthly budget variance reports and subsequent investigation into any variances.</p> <p>As part of our audit we have completed detailed testing to significant risk level sample sizes to identify any understatement of expenditure. Some errors have been identified as reported in our misstatement's schedules later in this report.</p>	High	<p>It is recommended that the Council implement additional controls to ensure the completeness of accrued expenditure. This could include a manual review to check for open POs/invoices which should be accrued for, and a manual review of post year end bank statements or invoices received to check that an accrual had been raised for a sample of payments/invoices.</p>	<p>Deloitte recommendations opposite are now in place.</p>

Page 193

Your control environment and findings

Control deficiencies and areas for management focus (continued)

No.	Observation	Severity	Deloitte recommendation	Management response and remediation plan
8	<p>Deloitte note that the valuer has not been instructed to provide land and building value apportionment for the Non- Specialised Operational fixed assets. We understand that this is normally required for accounting depreciation purposes.</p>	Medium	<p>It is recommended that the Council instruct the valuer to provide this level of detail to ensure depreciation is recorded accurately.</p>	<p>The controls around PPE valuations have been strengthened for 2020/21 closedown, including providing instructions for splitting assets into components.</p>
<p>Page 194</p>	<p>During our PPE revaluations testing, we noted that one of the sampled items had not been revalued since 2011 and therefore has not been included in the 3-year revaluation programme.</p> <p>Deloitte were informed that this asset was not selected for revaluation due to the asset having previously been transferred from investment property to operational property.</p> <p>(The asset in question was Warminster Car Park Garages with a carrying value of £65k in the Fixed Asset Register).</p>	Medium	<p>It is recommended that the Council introduce a control to review items that have been transferred between asset types to determine if any of the assets should be removed or included in the revaluation programme for the financial year.</p>	<p>Management have implemented additional controls for 2020/21, whereby:</p> <ol style="list-style-type: none"> 1. a cross check has been carried out between what was valued by the external valuers and the valuation dates in the fixed asset register, to identify assets that needed to be revalued in accordance with the Council's valuation policy; 2. the valuation dates in the fixed asset register are up to date.

Your control environment and findings

Control deficiencies and areas for management focus (continued)

No.	Observation	Severity	Deloitte recommendation	Management response and remediation plan
10	<p>During our testing of the fixed asset revaluations, we understand that circa 53 properties were inspected this year by the valuers and further inspections were limited due to the restrictions imposed by Covid-19 related lockdown from late March 2020.</p> <p>This is understandable but in future years it would be advisable that a detailed inspection programme is undertaken and details of the inspections undertaken is confirmed in the valuation report.</p>	Medium	It is recommended that more detailed information on the extent of the inspection of the assets valued in the year should be provided and the Council ensures that the valuer undertakes inspections of at least a representative sample of properties.	The external valuers must comply with their professional standards and inspections form part of the standards. 2019/20 was an exceptional year due to the national lockdown and for a period only essential travel was permitted. We are hoping that such restrictions do not apply for the valuation process for 2020/21.
11	During our controls testing for fixed asset valuations, we have not been able to identify a control in place relating to how the Council assures itself that there are no material impairments or changes in value for the assets not covered by the annual valuation.	High	It is recommended that a full review of assets not being revalued in the year based on the cyclical programme is completed to ensure that any assets with impairment indicators or potential increases in value are identified and revalued by the valuers.	A review of impairment events will be undertaken and evidenced and has been incorporated within the agreed timetable for the 2020/21 accounts and audit process.

Page 195

Your control environment and findings

Control deficiencies and areas for management focus (continued)

No.	Observation	Severity	Deloitte recommendation	Management response and remediation plan
12	<p>During our testing of the fixed assets valuations, we note that a number of times updated information was incorrectly sent to the valuer (such as HRA stock numbers) which caused errors in the valuations (although immaterial changes).</p> <p>We also noted that, similarly to last year, not all of the rent of housing stock is being set at social rental levels. The valuer confirmed that if they were provided with this information and asked to make the appropriate adjustments this would be possible in the future.</p>	Medium	It is recommended that the Council provides the valuers with updated and accurate information, so the correct valuations are produced.	The proportion of affordable Housing stock will be kept under review to ensure that there is no material misstatement in the valuation of the overall HRA Council Dwellings.

Page 196

Your control environment and findings

Control deficiencies and areas for management focus (continued)

No.	Observation	Severity	Deloitte recommendation	Management response and remediation plan
13	<p>From our revaluations review last year and this year, we understand that the Finance team discusses with the Estates team any potential areas where impairments may apply, identifying these and forwarding to the valuer for an updated valuation to be prepared.</p> <p>We have not been able to obtain evidence to show what considerations have been made to assess and identify impairment indicators. We have not been able to understand what was considered nor obtain meeting minutes for the meeting which was recommended in the prior year.</p>	High	<p>In line with our advice last year, we would recommend that in the future the Council documents the process either in the form of minutes or an impairment review paper detailing the discussions and considerations made between the Finance team, Estates and their appointed valuer confirming all the points that are considered in their impairment review, i.e. build cost movements, changes in the property market, physical changes to the assets etc. and the actions taken to impair any relevant assets or justifications for the conclusions reached if no impairment is deemed necessary.</p>	<p>An electronic record of the assets identified to be discussed as part of the impairment review discussion between Accountancy, Estates and the external valuers is retained. The impairment review discussions will be followed up in writing confirming the formal agreement.</p> <p>Consideration of all elements that might impact the need to impair assets will be taken into account and documented every year as part of the formal recording of the agreement.</p>

Page 197

Your control environment and findings

Control deficiencies and areas for management focus (continued)

No.	Observation	Severity	Deloitte recommendation	Management response and remediation plan
14	<p>During our testing of the fixed assets valuations, we noted that the Council does not have sufficient oversight of the terms of the occupational lettings.</p> <p>The Council is entitled to receive a set percentage of rents received from the occupational tenants of the related assets and the rent that the Council receives is subject to review every 5 years. However, the Council does not receive detailed information from the head-tenant on the occupational leases and income nor a tenancy schedule and current rental information.</p> <p>We note that a similar finding was raised in the prior year in relation this lack of oversight.</p>	Medium	<p>It is recommended that the Council obtain this information which would assist in the management of the rental income received. This position applies to all ground lease investments. Accordingly, we would recommend that the Council reviews what information is currently received from the head-tenant and pursue the position if the information is not sufficiently detailed.</p>	<p>Agreed. The Council is already taking action to address this recommendation.</p>

Page 198

Your control environment and findings

Control deficiencies and areas for management focus (continued)

No.	Observation	Severity	Deloitte recommendation	Management response and remediation plan
15	<p>During our testing of the fixed assets valuations, we noted that the HRA beacons/archetype groupings are unchanged from the last year and a review of the groupings has not occurred in the last three years.</p> <p>There is a risk that the groupings are incorrect and the onus to ensure the grouping is correct is on both the Council and valuer who should consider whether changes are required.</p> <p>Through our testing we have identified an issue with incorrect groupings. This has been included in our misstatements schedule further in this report.</p>	Medium	It is recommended that the Council and valuers conduct a review of archetypes to ensure these remain appropriate. We recommend this is included in the valuers report or confirmed by the Council.	We are not aware of any changes to the rules for grouping HRA assets since the inception of beacon/archetype groupings, and therefore we do not consider a review is required. However, we will ensure any new HRA properties are included in the correct beacons/archetype groupings, and this is checked by a senior member of the finance team.

Your control environment and findings

Control deficiencies and areas for management focus (continued)

No.	Observation	Severity	Deloitte recommendation	Management response and remediation plan
16	Throughout our audit testing of property, plant and equipment for 2019/20 and 2018/19, we have raised numerous findings in relation to fixed assets and the related account balances. We therefore note that there are significant improvements that should be made in relation to accounting procedures and policies for PPE to ensure the accuracy of the related account balances.	High	It is recommended that the Council complete a thorough review of PPE and management processes, including implementing additional controls, conducting an asset verification exercise (and ensure this is conducted on a regular basis) updating the depreciation, valuation, additions and disposals policies and accounting practices to ensure these balances are recorded correctly.	Staff leaving the employment of the Council over the last couple of years together with implementing a new Asset Management system has had an impact on procedures and technical accounting processes with regard to PPE. For the 2020-21 final accounts process an external technical accounting support is being used to improve the controls and accounting treatment of PPE. A development programme is also being designed to ensure expected standards are met in future years.

Page 200

Your control environment and findings

Control deficiencies and areas for management focus (continued)

No.	Observation	Severity	Deloitte recommendation	Management response and remediation plan
17	There were numerous errors within the 15 sets of draft accounts presented for audit.	High	<p>It is recommended that a robust review is undertaken of the accounts which are presented for audit, along with any subsequent versions of the accounts containing amendments. It is also recommended that the Council completes the CIPFA checklist as part of the closedown process, and references each requirement within the checklist to where the requirement has been satisfied within the accounts, or note that the requirement is not applicable with an explanation why. The completed checklist should then be reviewed along with the accounts prior to being presented for audit.</p> <p>In addition, it is also recommended that the working papers which support the balances in the accounts also undergo a review and quality assurance process in order to reduce errors in the accounts.</p>	<p>A detailed 2020-21 closedown timetable has been developed which includes working paper requirements [cross referenced to external audit requests] mapped to the financial statements and disclosure notes, which have a named individual responsible for completing the working paper(s).</p> <p>Additional control and quality assurance reviews will be implemented as part of the closedown process to ensure the accounts are presented in line with requirements.</p> <p>The CIPFA disclosure checklist will form part of this process and will be fully completed and reviewed prior to publication of the draft accounts and being presented for audit. This checklist will also form part of robust working papers that are being designed and implemented as part of the financial accounting improvement plan.</p>

Your control environment and findings

Control deficiencies and areas for management focus (continued)

No.	Observation	Severity	Deloitte recommendation	Management response and remediation plan
18	No listing is maintained setting out all properties subject to revaluation and when they were last revalued.	Medium	It is recommended that a listing is maintained detailing all assets subject to revaluation, along with their date of last valuation, and that this is reviewed on an annual basis to check that all assets due for a revaluation are included in the list sent to the valuers.	The Asset Management system that is used holds dates when assets were revalued. A full report will be run every year to ensure that all assets that are due for a revaluation are valued in line with the accounting policy. A check will be made to ensure that all assets are valued with appropriate frequency and there are no erroneous dates.

Your control environment and findings

Control deficiencies and areas for management focus (continued)

No.	Observation	Severity	Deloitte recommendation	Management response and remediation plan
19	<p>SAP has two types of journal access rights for finance employees; Park Access & Park and Post/Authorisation Access. Park Access allows a member of staff to prepare journals within the system which are then 'parked' until they are approved by a member of staff with Post Access. However, employees with 'Park Access' can upload an excel document with a number of journals and the journals can be automatically posted within SAP without secondary review. Employees with 'Post Access' can prepare and post journals directly into SAP, without a secondary review.</p>	High	<p>It is recommended that segregation of duties in relation to journal postings is enforced, or an alternative control is implemented to mitigate the risk that journals can be posted by staff without approval.</p>	<p>The Council has to consider the costs of implementing such a control as suggested, which are potentially high. Action to address the issue would include the need to reconfigure SAP and to pay to do so and prioritisation of this work considering a new system is due to be implemented during 2022/23 financial year.</p> <p>Wiltshire Council officers view the significance of the risk associated with potential lack of journal authorisation by a second person as minimal. From a fraud perspective, there are controls already in place in the AP and AR systems, including segregation of duties around key tasks. Journals do not actually involve expenditure or income, so the inherent risk to the Council is absolutely minimal. Regular internal audit work on our AP and AR systems have not demonstrated any risks that would need an additional authorisation to journals in the general ledger. This work provides on-going evidence of the strength of controls in those systems fundamental to the Council's internal control framework. Each user of SAP has an individual ID that is registered against each transaction that the user makes. Any unusual suspicious journals are going to be traceable to a single member of staff. There is an additional check being implemented that involves reviewing the officers who have processed journals on a quarterly basis to ensure they are relevant and trusted finance officers.</p>

Page 203

Your control environment and findings

Control deficiencies and areas for management focus (continued)

No.	Observation	Severity	Deloitte recommendation	Management response and remediation plan (continued)
				<p>Also, the Council's budget monitoring processes acts as another control in order to pick up rogue journals. Budget management / service budget holders would be surprised to see any transactions on their codes that they did not recognise and would investigate. We have provided a full journal list to Deloitte and none have been found to be fraudulent.</p>

Your control environment and findings

Control deficiencies and areas for management focus (continued)

No.	Observation	Severity	Deloitte recommendation	Management response and remediation plan
20	<p>We sought to identify further controls to mitigate the management override of controls risk presented by the lack of segregation of duties in journal postings.</p> <p>On a monthly basis, budget monitoring of I&E cost centres is carried out by budget managers and a detailed narrative for any large variances should be documented. This is presented monthly to the Corporate Leadership Team (CLT) meetings and quarterly to Members.</p> <p>We have identified that, although budget monitoring occurs at the Council, the control has not been formalised appropriately. We were unable to evidence any formal review of budget variance reports by budget managers so we cannot determine what challenge or investigation is undertaken. We were informed that the threshold for budget managers to investigate variances is at their discretion.</p>	Medium	<p>It is recommended that segregation of duties in relation to journal postings is enforced, or an alternative control is implemented to mitigate the risk that journals can be posted by staff without approval.</p> <p>In addition, it is recommended that the process for budget managers to undertake a review and investigation of their budget reports is formalised and an audit trail is maintained.</p>	<p>Robust budget monitoring processes are followed on a regular basis, with high risk and volatile budgets being reviewed monthly and all budget areas at least quarterly. This process includes a review from a finance officer to ensure independent challenge is carried out.</p> <p>As part of an improvement action plan for finance and accountancy the implementation of a checklist for those undertaking budget monitoring processes will be designed and implemented to ensure all relevant areas are discussed and a formal note made to ensure consistency of application is evidenced.</p>

Page 205

Your control environment and findings

Control deficiencies and areas for management focus (continued)

No.	Observation	Severity	Deloitte recommendation	Management response and remediation plan
<p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 206</p> <p>21</p>	<p>We sought to identify further controls to mitigate the management override of controls risk presented by the lack of segregation of duties in journal postings.</p> <p>On a quarterly basis, a report should be run directly from SAP for all journals posted during the period by journal value and by staff member who posted the journal. This report should be reviewed by the Chief Accountant to identify if any journals are posted by unauthorised staff members and inconsistencies are investigated.</p> <p>As the focus of the review is on the users who are posting journals, rather than the journals themselves or their value, we have not deemed the design of this control to be effective in mitigating the management override of controls risk.</p> <p>We have also identified that no formal evidence could be provided to show that this control was implemented during the financial year and we were informed that the control did not operate consistently throughout the financial year due to the Chief Accountant leaving in August 2020 and no one else taking responsibility for this control.</p>	<p>Medium</p>	<p>It is recommended that segregation of duties in relation to journal postings is enforced, or an alternative control is implemented to mitigate the risk that journals can be posted by staff without approval.</p>	<p>Agreed – this control is set but has not been followed. The Assistant Director – Finance will ensure it is fully implemented and quarterly checks carried out to support mitigation of the system process weaknesses for journal approval.</p> <p>Additional Balance sheet controls have been implemented following the appointment of a Chief Accountant and a comprehensive schedule listing balance sheet GL codes, the officer responsible for monitoring and producing reconciliation statements and the frequency of these reconciliations is maintained. This is reviewed by the Chief Accountant.</p>

Your control environment and findings

Control deficiencies and areas for management focus (continued)

No.	Observation	Severity	Deloitte recommendation	Management response and remediation plan
22	<p>We sought to identify further controls to mitigate the management override of controls risk presented by the lack of segregation of duties in journal postings.</p> <p>On a monthly basis, the Head of Finance (Corporate) should review each balance sheet GL code against the previous month values and investigate the reasons for any unexpected variances (including suspense accounts).</p> <p>We have identified that this control had not been in place since the departure of the Head of Finance (Corporate). The Chief Accountant undertook a year end full review as at 14 July 2020. We do not deem this to mitigate the risk of Management Override of Controls as there are thousands of journal postings so this control cannot be relied upon to identify incorrect journal postings.</p>	Medium	<p>It is recommended that segregation of duties in relation to journal postings is enforced, or an alternative control is implemented to mitigate the risk that journals can be posted by staff without approval.</p> <p>In addition, it is recommended that the review of balance sheet GL codes is undertaken on a monthly basis.</p>	<p>Additional Balance sheet controls have been implemented following the appointment of a Chief Accountant and a comprehensive schedule listing balance sheet GL codes, the officer responsible for monitoring and producing reconciliation statements and the frequency of these reconciliations is maintained. This is reviewed by the Chief Accountant.</p> <p>In addition to this control, as part of the improvement plan additional internal reporting of balance sheet items is being designed so that the Assistant Director – Finance and Corporate Director of Resources have full oversight of the balance sheet monitoring alongside the revenue and capital monitoring.</p>

Your control environment and findings

Control deficiencies and areas for management focus (continued)

No.	Observation	Severity	Deloitte recommendation	Management response and remediation plan
23	<p>As part of the controls to ensure all potential liabilities are disclosed in the Financial Statements there should be a documented process for the Finance team to consult with the legal team. Whilst we understand the difficulties of doing this in the Covid-19 environment the failure to complete this process increases the risk of potential liabilities being unrecorded. Our substantive testing has not however identified any undisclosed potential liabilities.</p>	Medium	It is recommended that a meeting takes place between the Finance Team and the Legal Team at year end and that all potential legal liabilities are discussed, with the results of this meeting minuted.	Agreed – as part of the assessment of year end liabilities the finance team will consult with the legal team and document consideration of liabilities discussed. This will ensure adequate evidence is provided of liabilities disclosed (accrual, provision or contingent liability) and those not disclosed due to not meeting the criteria for disclosure.
24	<p>The Council did not submit the first Whole of Government Accounts return by the 30 September 2020 deadline. This was instead submitted in February 2021.</p>	High	It is recommended that the Council introduce controls to ensure that the Whole of Government accounts return is completed , reviewed and submitted by the required deadline.	Agreed – this has been incorporated within the agreed timetable for the 2020/21 accounts and audit process.

Page 208

Your control environment and findings

Control deficiencies and areas for management focus (continued)

No.	Observation	Severity	Deloitte recommendation	Management response and remediation plan
25	We have identified that approximately 15% of purchases follow a purchase order (PO) process, whilst the remainder follow an alternative 'non-PO' process. We identified this by obtaining the Accounts Payable scorecard which details some KPIs for the AP team, such as time from invoice received to payment and the types of invoices being raised. This percentage in the prior year was nearer 20% so performance is declining. As a result, there is a risk that inappropriate purchases are made without a PO and authorisation. There is also a risk that year end expenditure may not be complete because purchases committed to are not yet available on the finance system.	High	It is recommended that the Council introduces a full PO process which all purchases should follow where appropriate.	The implementation of a new ERP and the implementation of standard processes as part of the Evolve programme will help support compliance to the control processes. Significant change and training support is included in the programme plan to help understand and address non-compliance.

Your control environment and findings

Control deficiencies and areas for management focus (continued)

No.	Observation	Severity	Deloitte recommendation	Management response and remediation plan
26	We identified that the reconciliation between SAP and Asset Manager system is performed by the Chief Accountant but there is no review of this reconciliation.	High	It is recommended that the reconciliation between SAP and Asset Manager is reviewed (by someone more senior than the preparer).	Agreed – this has been incorporated within the agreed timetable for the 2020/21 accounts and audit process.
Page 210	The reconciliation between Asset Manager and valuer's report which is prepared by the Capital Management Accountant is not reviewed by another member of staff.	High	It is recommended that the reconciliation between Asset Manager and the valuer's report is reviewed.	Agreed – this has been incorporated within the agreed timetable for the 2020/21 accounts and audit process.
28	The Council's valuer does not provide updated useful lives for the properties revalued. As a result of this there are a number of properties which have not had their useful lives updated, so there is a risk that useful lives are not accurate which may affect the depreciation charge.	Medium	It is recommended that the useful lives of fixed assets are reviewed and updated on a regular basis.	Agreed – this has been incorporated within the agreed timetable for the 2020/21 accounts and audit process.

Your control environment and findings

Control deficiencies and areas for management focus (continued)

No.	Observation	Severity	Deloitte recommendation	Management response and remediation plan
29	<p>During our Design and Implementation (D&I) testing of controls over accrued expenditure, we identified one item for £3,060.90 where the invoice date was 01/09/2019, the Goods Received Note (GRN) date was 12/12/2019 and a delivery date (for services) on 11/12/2019, however the system showed the invoice received date as 18/06/2020. We have evidenced the invoice which related to 'on track education services' and was invoiced to the SEND Department at Wiltshire Council. We were informed that the invoice was input in the system late due to a workload issue in which the requisitioner did not have sufficient time to input the invoice into the system immediately and therefore this was input late and appeared as though the invoice was not received until after year end. The invoice was therefore input into the system 9 months after the Council had received it. This highlights a weakness in the Council's purchasing controls. Where invoices are posted late to the system there is a risk that services/goods received prior to the year end are not accrued especially where a GRN is not raised pre year end. Also, the Council will not have paid the supplier for this invoice for a significant period of time so there is a risk of reputational damage to the Council.</p>	Medium	<p>Whilst the amount identified in this specific instance is not significant, we have only looked at this one invoice as part of our controls testing, so there is a risk that this may be a wider issue. It is recommended that invoices are processed and paid in a timely manner and that controls are introduced to monitor this.</p>	<p>The implementation of a new ERP and the implementation of standard processes as part of the Evolve programme will help support compliance to the control processes. Significant change and training support is included in the programme plan to help understand and address non-compliance.</p>

Your control environment and findings

Control deficiencies and areas for management focus (continued)

No.	Observation	Severity	Deloitte recommendation	Management response and remediation plan
30	Our review of the year end bank reconciliations found evidence of preparer sign off but no evidence of reviewer sign off.	High	It is recommended that bank reconciliations are reviewed by someone more senior than the preparer.	Additional Balance sheet controls have been implemented following the appointment of a Chief Accountant and a comprehensive schedule listing balance sheet GL codes, the officer responsible for monitoring and producing reconciliation statements and the frequency of these reconciliations is maintained. This is reviewed by the Chief Accountant. Bank reconciliations form part of this listing.

Your control environment and findings

Control deficiencies and areas for management focus (continued)

No.	Observation	Severity	Deloitte recommendation	Management response and remediation plan
31	We were informed that there are a number of assets included in the disposals figure within the 2019/20 accounts which were actually disposed of in previous financial years, however were not recorded as disposals in the relevant financial statements.	High	It is recommended that the Council reviews the process in place for recording disposals in the fixed assets system, and what controls are in place to ensure that this system is kept up to date with disposals.	Agreed – this has been incorporated within the agreed timetable for the 2020/21 accounts and audit process.
Page 213	At present the Council uses 60 years for the Useful Economic Lives (UELs) of infrastructure assets. The UELs are impacted by various factors such as climate change, new technologies, changes in traffic volumes etc. This is something that should be kept under consideration going forward.	Low	It is recommended that the UELs of Infrastructure assets is reviewed if new technology, climate changes or changes in traffic volumes may impact the expected lives of assets.	As part of the annual assessment of UEL the Chief Accountant will liaise with the highways department to determine if technology, climate changes or changes in traffic volumes may impact the UEL of assets.

Your control environment and findings

Control deficiencies and areas for management focus (continued)

No.	Observation	Severity	Deloitte recommendation	Management response and remediation plan
33	We identified that assets included within the category of Infrastructure were not separately identifiable on the FAR, and instead combined into one large overall asset covering different financial years. For example, the largest asset by cost within the infrastructure category is Structural Maintenance Schemes Completed 15-16 with a cost value of £41,843,483.41. The lack of detail in these records means we are unable to ascertain the breakdown of infrastructure assets or complete any sample testing of the balance. We are also unable to determine if the use of a UEL of 60 years for all assets is appropriate without an analysis of the balance and this restricts our ability to test the correct depreciation is being calculated.	Medium	It is recommended that infrastructure assets are recorded separately on the FAR rather than all grouped together as one asset per financial year.	Recent expenditure on infrastructure assets is already recorded separately within broad categories within the FAR i.e. roads, bridges, land drainage, major structures. The cost [i.e. staff time] of identifying assets at a more granular level than these broad categories is considered to outweigh the benefits [i.e. annual depreciation charges that better reflect the consumption of assets to support services]. Recording assets based on these broad categories will be further enhanced through the Chief Accountant liaising with the highways department to identify UEL for each of the broad categories of assets, as opposed to using an average 60 years for all categories [which is current practice]. For historic balances transferred at the time the unitary authority was formed, the information needed to allocate the spend to these broad categories is not available and therefore these will continue to held at overall totals and an average 60 UEL used.

Your control environment and findings

Control deficiencies and areas for management focus (continued)

No.	Observation	Severity	Deloitte recommendation	Management response and remediation plan
34	A error was identified in the accounts relating to the understatement of the Monkton Park loan balance., as it had been incorrectly been treated as a PFI asset even though the PFI had been converted to a loan in 2011.	High	It is recommended that a record of all loans is maintained and that this is kept up to date.	The Council has a record of all treasury management and capital loans, including this loan. However, it was being accounted for incorrectly as a PFI scheme as opposed to a loan. Management will put in place additional controls to ensure that where there are changes to loan facility agreements [i.e. in this case the contract was revised in January 2011. Therefore, only the loan associated with the capital and interest cost of building Monkton Park still has to be repaid], the advice of the Chief Accountant will be sought to ensure the proper accounting treatment is adopted'.

Page 215

Your control environment and findings

Control deficiencies and areas for management focus (continued)

No.	Observation	Severity	Deloitte recommendation	Management response and remediation plan
35	We identified that the Council does not accrue for housing benefit payments at year end.	High	It's recommended that the Council undertakes an assessment at year end to determine the potential under accrual related to housing benefit payments in order to determine whether this is material.	Management will work with external auditors to agree an accepted process [have regard to cost/benefit] to determine that any potential under accrual related to housing benefit payments is not material.
Page 9 of 16	We identified that similar assets (i.e. wheelie bins) are grouped together on the FAR and accounted for as one larger asset. The accounting policies per the accounts do not explain that this takes place.	Low	It is recommended that the accounting policies are updated to make it clear in what circumstances assets may be grouped together and accounted for as one larger asset.	The accounting policy for Property, Plant and Equipment [effective from 2020/21 SOA] will be updated to include the following text; 'Where there are large volumes of low value similar assets, these assets are grouped together on the fixed asset register and accounted for as one larger asset.'

Your control environment and findings

Control deficiencies and areas for management focus (continued)

No.	Observation	Severity	Deloitte recommendation	Management response and remediation plan
37	As part of the Nil NBV asset review undertaken by the Council, it was identified that there was a balance of approximately £11m of assets with a nil NBV which were still in use, mainly relating to Vehicles, Plant and Equipment, indicating that these have been depreciated over too short of a period.	Medium	It is recommended that the Council reassesses the useful economic lives assigned to assets categorised as Vehicles, Plant and Equipment to determine whether these are appropriate.	Management will put in place a process to reassess UELs before assets are fully depreciated to ensure annual depreciation is more reflective of the period the asset is in use.
Page 217	We have noted throughout our audit a number of errors in relation to accounting for academies. We have therefore determined that there are insufficient controls in place to correctly dispose of schools that have converted into academies.	High	We recommend that additional controls are put in place to ensure that all related balances (cash, receivables etc) for academies are removed from the Council's financial systems/accounts and that the assets are subsequently disposed of from the FAR in a timely manner.	It is acknowledged that the two academy schools (previously PFI schools) were incorrectly recorded in the Council's fixed asset register ("FAR") and financial statements (i.e. balance sheet). The Council has introduced the following controls to ensure academy school transactions are appropriately reflected in the financial statements going forward: <ul style="list-style-type: none"> <li data-bbox="1180 1039 1850 1153">• An 'existence' check of all the school assets recorded on the FAR to underlying Council school records; and <li data-bbox="1180 1168 1850 1352">• Consolidation [into the financial statements] of school transactions [which remain under the 'control of the Council] using school's trial balances, which are cross reference to the Council's FAR records.

Your control environment and findings

Control deficiencies and areas for management focus (continued)

No.	Observation	Severity	Deloitte recommendation	Management response and remediation plan
39	There are no controls in place to ensure that the accounts are updated for lease arrangements.	High	It is recommended that the Council introduces appropriate controls in order to mitigate the risk that leases are entered into and the accounts are not updated for these.	Management accepts previous controls were not sufficient to ensure lease disclosures in the accounts were accurate and complete. Steps have already been taken to improve the control environment and will continue to be improved. For example; there is now a complete list of all the Council's leases, which will be maintained by finance and periodically updated for new and expired leases through liaison with service department.

Page 218

Your control environment and findings

Control deficiencies and areas for management focus (continued)

No.	Observation	Severity	Deloitte recommendation	Management response and remediation plan
40	We identified a weakness in how the Council document their considerations for assessing recoverability of debtors and these could be improved.	Medium	It is recommended that a detailed review is undertaken in relation to the recoverability of debtors by type of debtor i.e. schools debtor, general debtors etc. A working paper should be produced as part of this exercise which documents the considerations applied to each type of debtor as well as what evidence there is to support those considerations based on past experience. Once the exercise has been completed and the working paper has been produced, this should be reviewed by the chief accountant or a member of the team who is suitably senior.	Management will consider implementing this recommendation. However, in line with the Accounting Code requirements management will consider whether it is reasonable and there is supportable credit risk information available for the debtors without undue cost or effort. Should this not be the case, management will continue to include debtors in a collective assessment with other assets with shared risk characteristics.
41	We identified that nil balances are presented inconsistently throughout the accounts. In some disclosures nil balances will be presented as '0' and in other places these are left as blanks.	Low	It is recommended that nil balances are included in the accounts rather than being shown as blanks. Alternatively, if the Council decides not to present nil balances then this decision should be applied consistently, i.e. not showing some nil balances as '0' and some as blanks.	Management will consider implementing this recommendation in future years but don't consider this a high priority alongside prioritising implementation of other key recommendation.

Your control environment and findings

Control deficiencies and areas for management focus (continued)

No.	Observation	Severity	Deloitte recommendation	Management response and remediation plan
42	We identified a number of intangible assets (£4.128m) have been included within the AUC column of the PPE disclosure and then shown as a transfer out of AUC.	Medium	It's recommended that intangible assets are disclosed in the intangible assets disclosure in the accounts in the first instance rather than being included within the PPE disclosure and subsequently transferred out to the intangibles disclosure.	This has been corrected in 2019/20 accounts.
	We identified that the 2020/21 draft provisions note included three provisions which had been disclosed as short term provisions in the 2019/20 accounts but that the draft note was showing had not been utilised.	Medium	It is recommended that the Council reviews provisions balances and determines whether or not these are short- or long-term provisions.	From 2020/21 management will review provision balances at the balance sheet date [and based on available evidence], make a judgement on whether specific balances [i.e. insurance claims], are short or long term, and classify on the face of the Balance Sheet accordingly.

Your control environment and findings

Control deficiencies and areas for management focus (continued)

No.	Observation	Severity	Deloitte recommendation	Management response and remediation plan
44	We identified errors in the prior year figures included in the cashflow statement and associated notes as well as an error in the number included for the adjustment for non cash movements in 2019/20 caused by the incorrect signs being applied to investing and financing activities. Also the first three versions of the draft accounts did not include the movement on PFI contracts for 2018/19 of £3,351k in note 41.	Medium	It is recommended that the Council review their cashflow workings and presentation.	The Council recognised there were issues in the presentation of the Cashflow statement and have subsequently completely restated it.

Your control environment and findings

Control deficiencies and areas for management focus (continued)

No.	Observation	Severity	Deloitte recommendation	Management response and remediation plan
45	<p>We have identified numerous errors throughout our audit of the financial statements for 2019/20. We have encountered issues in obtaining adequate responses to queries, technical working papers and explanations for accounting treatment and in the quality of working papers. In some instances we have identified weaknesses in the technical accounting expertise of members of the Finance Team. In addition, there was significant turnover of staff throughout the audit and a couple of external contractors have been employed. Due to being new to the Council they do not possess an in depth knowledge of the Council to be able to allow them to answer some audit questions.</p> <p>Ultimately, these findings indicate insufficient staff resourcing of appropriate skills and experience to keep underlying accounting records free from material misstatement and prepare financial statements in line with IFRS and CIPFA requirements.</p>	High	It is recommended that the Council review the finance team to identify the levels of technical accounting expertise present and identify any areas which may require further training, or where there are knowledge gaps that should be filled.	<p>Management unequivocally disagree with the following observations:</p> <ul style="list-style-type: none"> - ‘Due to being new to the Council they [external contractors] do not possess an in depth knowledge of the Council to be able to allow them to answer some audit questions’ – there has been no occurrences where any audit questions have not been answered. - ‘Ultimately, these findings indicate insufficient staff resourcing of appropriate skills and experience to keep underlying accounting records free from material misstatement’ – the errors and misstatements are historic, with external resources and appointment of a new chief accountant making significant improvements. <p>Management are already taking steps to improve the technical accounting skills of the finance team and have undertaken significant knowledge transfer activities to strengthen the skills, knowledge and experience of the substantive team.</p>

Page 222

Your control environment and findings

Control deficiencies and areas for management focus (continued)

No.	Observation	Severity	Deloitte recommendation	Management response and remediation plan
46	We identified during our testing of the cashflow that the Council does not have a control in place to identify grants which are received in advance, with these coded to the same place as other grants. This means it is difficult for them to identify those received in advance which are then recognised as income in the year, vs those received and recognised in year and those to be deferred. This then has implications for the ease of drafting the cashflow and recognising non-cash items etc.	High	It is recommended that the Council introduce a process to ensure the accuracy of the identification grants received in advance and code these separately, as a well as a review control to ensure the accuracy of the accounting.	Management have implemented a system to centrally record grants to improve financial reporting.
47	We identified during our testing of the cash flow statement that values had been incorrectly classified as cash items within the cashflow when they related to non-cash items, indicating the absence of an effective review control.	Medium	It is recommended that the draft cash flow is thoroughly reviewed before inclusion within the draft financial statements, to ensure that it accurately reflects cash and non-cash movements in the correct lines.	Management disagree with the observation that the classification issue was as a result of 'the absence of an effective review control'. The issue arose because of the method/approach taken to complete the cash flow statement. The method/approach has been changed to focus on the balance sheet movements, which have been implemented from 2019/20 accounts.

Page 223

Your control environment and findings

Control deficiencies and areas for management focus (continued)

No.	Observation	Severity	Deloitte recommendation	Management response and remediation plan
48	All infrastructure assets are depreciated over a useful economic life (UEL) of 60 years, rather than an a UEL specific to the type of asset.	High	It is recommended that the Council apply individual UEL to categories of infrastructure assets, rather than an overall weighted average to all Infrastructure in order to achieve greater accuracy in UEL and depreciation.	Management have provided Deloitte with a working paper setting out the rationale for using the 60 years UEL. Going forward from 2020/21 management will use individual UEL for different categories of infrastructure capital spend. This will be in addition to continuing to use the 60 UEL for the historic spend.
49	We performed a reconciliation between the business rates and council tax in the CIES and the Collection Fund and additionally asked the Council to also provide us with a reconciliation. The Council's reconciliation was not detailed enough to allow us to identify items we would expect to be included as reconciling items. For example, the Council tax reconciliation noted the balance per the CIES, the balance per the Collection Fund and one reconciling balance between the two of "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".	High	It is recommended that when the Council produces reconciliations/working papers to support the accounts that these are reviewed internally before being presented for audit. Additionally, these should be detailed enough to allow specific reconciling items to be identified so that the reviewer of the working papers is able to clearly see what the reconciling items are.	Deloitte have not discussed this observation with the finance team, and hence this is the first time that management are aware. In the absence of any discussion, management are unable to provide a response and remediation plan solely from the observation opposite.

Page 224

Other significant findings

Liaison with internal audit

The audit team, has completed an assessment of the independence and competence of the South West Audit Partnership audit team and reviewed their work and findings for the purposes of informing our risk assessment.

In response to the significant risks identified, no reliance was placed on the work of internal audit and we performed all work ourselves.

Other significant findings

Financial reporting findings

Below are the findings from our audit surrounding your financial reporting process.

Qualitative aspects of your accounting practices:

We have highlighted in this report significant issues in relation to the systems and controls in place for the production of the financial statements and reported to you our views in the quality indicators.

Page 226

Significant matters discussed with management:

We have discussed with management the impact of the pervasive control weaknesses highlighted in this report. The main discussions with respect to accounting were in relation to the waste vehicles and infrastructure assets.

Other matters relevant to financial reporting:

In previous reports to the Audit and Governance Committee we reported our request for management to complete an exercise to support our requested representations. Having considered the pervasive control issues reported we do not believe management can provide those representations without extensive substantive testing of their own.

We will obtain written representations from those charged with governance on matters material to the financial statements when other sufficient appropriate audit evidence cannot reasonably be expected to exist. A copy of the draft representations letter has been circulated separately.

Other significant findings

Other matters

Fraud and non-compliance with laws and regulations

We have not identified actual or suspected fraud involving management or employees who have significant roles in internal control.

We have not identified other non-compliance with laws and regulations.

We explained in our planning paper how we considered the audit capable of detecting irregularities, including fraud. In doing so, we described the procedures we performed in understanding the legal and regulatory framework and assessing compliance with relevant laws and regulations.

Significant difficulties encountered:

We have encountered significant difficulties during our audit as described earlier in this report and shown through the quality indicators, control findings and misstatements raised in this report.

Other matters:

No other matters to disclose.

Our audit report

Other matters relating to the form and content of our report

Here we discuss how the results of the audit impact on other significant sections of our audit report.



Our opinion on the financial statements

We intend to issue a disclaimer of opinion audit report.



Going concern

We have not identified a material uncertainty related to going concern.



Value for money

We are required to be satisfied that proper arrangements have been made to secure economy, efficiency and effectiveness in the use of resources (value for money).
Our audit report will include an adverse opinion on the weakness in arrangements discussed earlier in this report.



Other reporting responsibilities

The Annual Report is reviewed in its entirety for material consistency with the financial statements and the audit work performed and to ensure that they are fair, balanced and reasonable.

For 2028

Your annual report

Summary of our comments

	Requirement	Deloitte response
Narrative Report	<p>The Narrative Report is expected to address (as relevant to the Council):</p> <ul style="list-style-type: none"> - Organisational overview and external environment; - Governance; - Operational Model; - Risks and opportunities; - Strategy and resource allocation; - Performance; - Outlook; and - Basis of preparation 	<p>This has been reviewed for compliance with the CIPFA code and for consistency with the annual accounts and our knowledge acquired during the course of this audit.</p> <p>No significant issues have been identified, with the exception of the Council’s narrative on Covid-19 which needed expanding to cover the areas suggested within the CIPFA 2019/20 closedown Bulletin.</p>
Annual Governance Statement	<p>The Annual Governance Statement reports that governance arrangements provide assurance, are adequate and are operating effectively.</p>	<p>We have assessed whether the information given in the Annual Governance Statement meets the disclosure requirements set out in CIPFA/SOLACE guidance, is misleading, or is inconsistent with other information from our audit.</p> <p>A number of minor changes have been made to the Annual Governance Statement following our review.</p> <p>Given the number of internal control findings included within this report we don’t consider that the Annual Governance Statement appropriately reflects these issues.</p>

Page 229

Audit quality and our system of quality management

Our commitment to audit quality

Audit quality is at the heart of everything we do and our system of quality management (SQM) supports our execution of quality audits.

The FRC recently promulgated ISQM (UK) 1, a standard that sets out a firm's responsibilities to design, implement and operate a system of quality management for audits, reviews of financial statements, and other assurance or related services engagements.

30 Led by senior UK leadership, Deloitte UK's ISQM (UK) 1 implementation activities reached successful completion on 15 December 2022.

Deloitte UK performed its first annual evaluation of its system of quality management as of 31 May 2023. This evaluation was conducted in accordance with ISQM (UK) 1 and we concluded our SQM provides the firm with reasonable assurance that the objectives of the SQM are being achieved as of 31 May 2023.

For further details surrounding the conclusion on the operating effectiveness of the firm's SQM, including results of the monitoring activities performed, please refer to the disclosures within Appendix 5 of our publicly available [transparency report](#).



Purpose of our report and responsibility statement

Our report is designed to help you meet your governance duties

What we report

Our report is designed to help the Audit & Governance Committee and the Council discharge their governance duties. It also represents one way in which we fulfil our obligations under ISA (UK) 260 to communicate with you regarding your oversight of the financial reporting process and your governance requirements.

Our report includes:

- Results of our work on key audit judgements and our observations on the quality of your Annual Report.
- Our internal control observations.
- Other insights we have identified from our audit.

The scope of our work

Our observations are developed in the context of our audit of the financial statements.

We described the scope of our work in our audit plan.

Use of this report

This report has been prepared for the Audit & Governance Committee, as a body, and we therefore accept responsibility to you alone for its contents. We accept no duty, responsibility or liability to any other parties, since this report has not been prepared, and is not intended, for any other purpose. Except where required by law or regulation, it should not be made available to any other parties without our prior written consent.

What we don't report

As you will be aware, our audit was not designed to identify all matters that may be relevant to the Council.

Also, there will be further information you need to discharge your governance responsibilities, such as matters reported on by management or by other specialist advisers.

Finally, our views on internal controls and business risk assessment should not be taken as comprehensive or as an opinion on effectiveness since they have been based solely on the audit procedures performed in the audit of the financial statements and the other procedures performed in fulfilling our audit plan.

We welcome the opportunity to discuss our report with you and receive your feedback.

Deloitte LLP

Cardiff | 2 February 2024

Page 27

Appendices

Page 232



Audit adjustments

Unadjusted misstatements

The following uncorrected misstatements have been identified up to the date of this report which we request that you ask management to correct as required by ISAs (UK).

		Debit/ (credit) income statement £m	Debit/ (credit) in net assets £m	Debit/ (credit) OCI/Equity £m
Misstatements identified in current year				
Pension liability – Goodwin	[1]	-	(3.000)	3.000
Ridgeway House	[2]	-	0.084	(0.084)
Crematorium Lodge	[3]	-	(0.234)	0.234
Disposals made in error	[4]	(0.293)	0.936	(0.643)
Duplicate assets	[5]	-	(2.089)	2.089
Cost of Asset Disposals Debtor GL Code	[6]	0.128	(0.882)	0.754
Properties not on FAR	[7]	-	-	-
Archetype classification	[8]	-	0.636	(0.636)
Understatement of accruals (actual and extrapolated)	[9]	2.959	(2.959)	-
Overstatement of employer's pension contributions	[10]	-	(0.981)	0.981
Properties incorrectly on FAR	[11]	-	(1.443)	1.443
Trust assets	[12]	-	(1.347)	1.347
DIY SO Properties	[13]	(1.845)	1.038	0.807
Housing benefit accruals	[14]	-	-	-
Aggregation of misstatements individually < materiality				
Total		0.949	(10.241)	9.292

Audit adjustments

Unadjusted misstatements (continued)

- [1] Although the Council is aware of the Goodwin case, we understand that it has not been reflected in the Defined Benefit Obligation; our view is that it should be. Based on general information that we have from Hymans Robertson, we understand that for a typical employer's section, the Goodwin impact cost could be of the order of 0.2% of the Defined Benefit Obligation, i.e. around £3m.
- [2] We note that for the fixed asset, Ridgeway House Old Peoples' Home, The Lawns, Wootton Bassett, following a challenge by our valuation expert, the Council's valuer has acknowledged that the adopted land value rate was too low as a rate of £200,000 per hectare was applied and the valuer has now revalued the asset adopting a revised land rate of £375,000 per hectare. On this basis the value of this asset has been adjusted from £1,498,112 (buildings £1,402,060, land £96,052) to £1,582,158 (buildings £1,402,060, land £180,098) but this adjustment has not been made by the Council due to it being immaterial. We have obtained confirmation from the Council's external valuers that no other assets were affected by the incorrect land value rate being used in the valuation.
- [3] We note that the fixed asset, Crematorium Lodge, has not been revalued in the last 3 years and on further investigation it should have actually been disposed of as it has been transferred to a city council. We note the NBV is not material so has not been corrected and any related depreciation charges have not been added to the misstatement as this would be highly trivial. The Council have confirmed this will be corrected in 2020/21 accounts and recognised as a disposal.
- [4] We noted during our disposals testing that 3 assets had been processed as disposals in the year in error and were actually still owned by the Council as at 31 March 2020. This meant that the loss on disposal in the year disclosed in Note 3 is overstated and the total value of disposals is also overstated in Note 15 due to the loss on disposal equalling the net book value of the disposed assets. The factual adjustment has not been corrected because it is not material at £935,170 and will be corrected for 2020/21.
- [5] We identified two assets which have been recorded twice in the fixed assets register (Amesbury Salt Store Depot £1.959m and Highways Depot (South) – Salisbury £0.130m) resulting in an overstatement of the property, plant and equipment balance.

Audit adjustments

Unadjusted misstatements (continued)

-
- [6] We identified that GL code 919995 'Cost of Asset Disposals' which sits within short term debtors is incorrect and these do not represent valid debtors. Per discussions these are legal costs and demolition costs associated with the disposal of assets. From a sample of 3 we identified that none of the assets have yet been sold and 2 were not classified as surplus within the FAR. Therefore, 100% of the debtors balance is not recoverable. These are recognised as debtors incorrectly, with the intention to release them to offset against capital receipts once sold. However this is not in line with accounting standards. Therefore the whole GL code with value of £882k is incorrect and should be removed from debtors. This will be processed in future accounts. From review of the breakdown of the £882k we can see that there is £128k of spend in 19/20 and a reduction of £209k in the year of the debtors balance.
-
- [7] As part of the Council's Asset Existence Exercise the Council identified two assets which are not included in the FAR but should be. These are: Melksham HRC and the Bradford on Avon Library. Neither of these have been valued so net book values are not available. However, based on our considerations we have no reason to believe that the value of these would be material. This misstatement is that PPE is understated by the value of these assets which is currently unknown.
-
- Page 235
[8] We identified two instances in our sample testing where two storey properties had been classified as medium rise flats and therefore were included in Archetype 11. However, medium rise flats are defined as 3-5 stories tall. As such these two properties should be classified in Archetype 10. We performed some calculations to determine the potential error based on the average value of a property in each archetype. The value of the possible error is therefore a £636k understatement which is immaterial.
-
- [9] We identified a number of instances of the understatement of accruals through our testing of a sample of payments that left the bank post year end (errors: £323k) to determine which financial year these relate to. We have extrapolated these errors over the population tested to determine whether they may be indicative of a material misstatement and have not identified any issues with these extrapolations not being material.
-
- [10] Per the IAS 19 letter from the Pension Fund Auditors, we were informed that the employers contributions figure per the IAS 19 report was £981k higher than per the pension system.
-
- [11] As part of the Asset Existence Exercise the Council identified a number of assets which are included on the FAR in error as they are not supported by Council records. These assets are no longer owned by the Council and should have been removed from the FAR. It is assumed that the assets were disposed of by the Council in previous years.
-

Audit adjustments

Unadjusted misstatements (continued)

-
- [12] The Council held a review of the King George assets in March 2021 following up from the recommendation raised in 2018/19. This identified several assets which should be removed from the Council's accounts.
-
- [13] The Council disposed of 26 DIY shared ownership properties in error due to not thinking these were owned by the Council and subsequently discovering that they were. Additionally, these properties had never been revalued.
-
- The Council doesn't accrue for housing benefit payments and these are instead recognised on a cash basis when they are paid.
- [14] We have determined that the impact on expenditure would not be significant and have estimated the impact to the balance sheet to be a potential understatement of accruals and receivables of £7.5m.
-

Audit adjustments

Corrected misstatements

The following table is not a complete list but contains the most significant misstatements that have been identified up to the date of this report which have been corrected by management. We communicate them to you to assist you in fulfilling your governance responsibilities, including reviewing the effectiveness of the system of internal control.

		Debit/(credit) income statement £m	Debit/(credit) in net assets £m	Debit/(credit) OCI/Equity £m
Cash Flow Statement	[1]	-	-	-
HRA – repairs and maintenance	[2]	(1.457)	-	1.457
HRA - valuations	[3]	-	(0.718)	0.718
PP loan understatement	[4]	-	(4.431)	4.431
PP schools	[5]	-	(34.842)	34.842
Finance leases	[6]	1.053	12.170	(13.223)
Interest payable	[7]	-	-	-
Investment properties income and expenditure	[8]	-	-	-
Total		(0.404)	(27.821)	28.225

Audit adjustments

Corrected misstatements (continued)

[1] We identified errors in the figures included in the Cash Flow Statement, and associated notes as well as an error in the number included for the adjustment for non-cash movements in 2019/20 caused by the incorrect signs being applied to investing and financing activities. Also, the first versions of the draft accounts did not include the movement on PFI contracts for 2018/19 of £3,351k in note 41. Management also identified errors in the statement which resulted in this being redrafted and the 2018/19 comparative figures being restated. The Council recognised there were issues in the presentation of the Cash Flow Statement and, following a review of the accounts, have subsequently completely restated the Cash Flow Statement.

Page 238

In our testing of the restated Cash Flow Statement we identified that the adjustments for items included in the net SODPOS for investing and financing activities exactly matched the balance included in Note 40 as cash receipts of capital grants. However, from our testing of grants we were aware that not all grants were cash receipts in the year and there was a grant brought forward. The value of this grant was £7,476k and the Cash Flow Statement was subsequently amended.

[2] In the Draft Financial Statements the HRA repairs and maintenance expenditure was shown as £6,884k. This did not agree to the working paper breakdown and was subsequently amended to £5,427k.

[3] The incorrect number of HRA units was provided to the valuer. This meant that the HRA valuation was initially incorrect and was subsequently updated. On this basis the updated reported valuations for the Council House Assets are: Total Value £311,290,875 (originally reported as Total Value £312,009,250).

[4] This misstatement relates to the Monkton Park PFI contract which was revised in January 2011 to become a long-term loan with Barclays bank, as such this affects the current year and prior year. The correction of the classification from PFI to loan has no net impact, however, investigation by the Strategic Finance Accountant has identified that the outstanding liability was approximately £4m understated.

[5] As part of our fixed asset verification testing we identified that the PFI schools balance was made up of 3 schools. Of these 3 schools, 2 had been converted into academies in 2011 and therefore should not be included in the FAR. This affects the current year and the prior year.

Audit adjustments

Corrected misstatements (continued)

This misstatement reflects the Council's waste vehicles being reclassified and remeasured as a finance lease - receivable (previously treated as REFCUS). This was corrected for the current year and prior year.

As a result of this correction the Council is showing a finance lease receivable on the balance sheet. We agree that this is a lease and that in most cases we would expect the Council as a lessor to recognise a finance lease receivable, however, that's because usually the lessee would be making cash payments in relation to the lease. In this instance, the Council is not entitled to, nor is it receiving, cash payments from the lessee and it is instead receiving a reduction in the price of the waste contract (which is not viewed as an entitlement to receive cash). For this reason that we believe it's appropriate for the asset being recognised in this arrangement to be a prepayment as the provision of the waste vehicles to the supplier up front has led to a reduction in the waste contract price, or in other words, the Council has effectively prepaid an element of the waste contract cost with the consideration being the provision of the vehicles rather than a cash payment. We don't think it's accurate to record a finance lease receivable on the basis that the Council doesn't have any right to receive future cash flows as part of this arrangement. We do not view the abatement of the services contract as equivalent to a right to receive cash – any receivable would not be settled with cash. The Council is instead entitled to pay less for future services, hence our characterisation as a prepayment.

[6]

Page 239

The disagreement in the correct accounting treatment only impacts the type of asset the Council is recording on the balance sheet - either a prepayment within long term/short term debtors, or a long term/short term finance lease receivable and as such we don't consider the current presentation to be materially incorrect.

[7]

There has been a £4.237m increase in interest payable and similar charges due to an adjustment to reclassify interest payable on PFIs, which was previously recognised in net cost of services.

[8]

Income and Expenditure in relation to Investment Properties, £1,986k, is now being shown in Financing and Investment Income and Expenditure rather than within net cost of services. This was corrected for the current year and prior year.

We note that in addition to the above there are numerous prior year adjustments that have been made to the 2019/20 accounts.

Audit adjustments

Disclosures Misstatements

Uncorrected disclosure misstatements

The following uncorrected disclosure misstatements have been identified up to the date of this report which we request that you ask management to correct as required by ISAs (UK).

No.	Disclosure misstatement
1	Accounting Policies of the draft Financial Statements do not include disclosures in respect of the Council's Write off policy as stated in the CIPFA Checklist. A control finding relating to the inadequate review of the CIPFA checklist by the Council has been raised within control deficiency point 16 above.
Page 240	During the fixed asset revaluations testing, we identified that the Council had disposed of an asset in the year however had recorded this as a 'downwards revaluation' instead of a 'disposal'. This therefore has an impact on Note 15 and Note 36 showing disposals in the year as understated and downwards revaluations in the year as overstated. The value of this misstatement is £1,369k however, we note that this does not impact the net book value of assets as at 31 March 2020. We are in the process of conducting further work to identify if there are assets that have been processed in this way.
3	During the fixed asset revaluations testing, we identified that the Council had processed some revaluation adjustments incorrectly by posting both upward and downward revaluation balances in the revaluation reserve (which net to the actual change in value of the asset in the year). This means both upwards and downwards revaluation balances are overstated by an equal amount in Note 36. We therefore undertook some further analysis to identify any other assets where this error has occurred. We note that the total impact is an overstatement of upwards and downwards revaluation balances of £1,535k (£3,070k total overstatement). We note that this does not impact the total balance for the year for the revaluation reserve.
4	During our testing of the reclassification of service lines for the 2018/19 balances we identified three differences. The differences are the result of an adjustment from the Corporate service line to the Education & Skills and Housing & Commercial service lines. Management were unable to explain this adjustment. We note that the value of the adjustment is £4,651k. We note that the impact on the total balance in the CIES is trivial, and this is mainly a reclassification issue.

Audit adjustments

Disclosures Misstatements (continued)

No.	Disclosure misstatement
5	Per the IAS 19 letter from the Pension Fund Auditors we noted that benefits paid were overstated by £3.9m. This would result in the equal understatement of both liabilities and assets relating to the pension so would have an overall nil impact on the pension liability.
6	We identified that there are intangible asset balances within Assets Under Construction in the PPE disclosure which are then transferred out of the disclosure to be presented within the Intangible asset disclosure. This impacts both Notes 15 and 24.
7	The PPE disclosure (Note 15) is not showing the PFI asset balances within a separate column as per the CIPFA code.
Page 241	During the audit we received a copy of the draft 20/21 provisions note and identified that a number of short-term provisions per the 19/20 financial statements were still showing as balances at year end with none being utilised in the year per the draft 20/21 note. We challenged the Council on whether that was correct and whether these should be showing as long-term provisions in 19/20 rather than short term. The Council determined they would not investigate this for the purposes of the 19/20 accounts and would review for the 20/21 accounts. Whilst we have not yet audited the 20/21 provisions note to determine whether it's correct that none of these balances have been utilised, we've raised an uncorrected disclosure misstatement on the value of the potential classification error - £3,528k.
9	We identified two assets that should have been part of the nil NBV exercise (see corrected disclosure misstatement 9) when testing adjustments related to the services reclassification correction, as they had nil value and had been disposed of with a value of £1,155,796.
10	In testing the correction for the grants received in advance error in the Cash Flow Statement as noted under corrected misstatement number 1, we identified an error where the movement in creditors line in adjustments to SODPOS for non-cash movements in note 39 is understated by £7,476k while the capital grants credited to the CIES line in adjustments for items included in SODPOS that are investing and financing activities is overstated by £7,476k. This is an immaterial classification error within a note.

Audit adjustments

Disclosures Misstatements (continued)

No.	Disclosure misstatement
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11	From our services reclassification testing we identified that the Vale Community Campus Land asset with a NBV of £1,678k at 31 March 2020 was included in the 'valued at historic cost' category of note 18 but had been revalued by the valuer in 18/19 and therefore should have been in the 18/19 category.
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Page 242

The CIPFA code notes that the service analysis on the face of the CIES must be based on the same segmental structure as the expenditure and funding analysis. Section 3.4.2.94 of the code notes: *“Reportable segments shall be based on an authority’s internal management reporting, for example, departments, directorates or portfolios. Where more than one presentation is used for internal management reporting, the authority shall select the presentation most commonly used by the individual or group within the authority that has the most significant role in allocating resources and assessing the performance of services (for example, cabinet, board or senior directors) when considering the allocation of financial resources. Segments may include support services. A local authority shall disclose factors used to identify the authority’s reportable segments, including the basis of organisation.”*

We compared the presentation of the EFA & CIES to the revenue outturn report for 2019/20. We note that this does not reflect the same categories within the CIES/EFA. However, per discussion with the Council this is shown at a 'service' level, while the statement of accounts are presented at the 'directorate' level. As such, the presentation is at a more granular level in the outturn report than in the financial statements.

13	We note that the short term creditors in the balance sheet in v15 of the financial statements is £117,244k as the grants received in advance balance has been split out. However, note 30 (Financial Instruments) was not updated to reflect this so the creditors reconciliation to the balance sheet in note 30 reconciles to the incorrect short term creditors balance of £128,264k.
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14	Expenditure related to IT hardware is all included within the Digital and Information service line in the CIES rather than being accounted for within the service line the assets relate to. The value of depreciation charged to Digital and Information is not material so whilst we’ve not quantified the potential error, we have assurance that this is not material.
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Audit adjustments

Disclosures Misstatements (continued)

Corrected disclosure misstatements

The following corrected disclosure misstatements have been identified up to the date of this report.

No.	Disclosure misstatement
1	<p>There was a remapping of the current year CIES headings due to changes in the structure of the Council departments. The Council failed to remap the prior year comparatives based on the new mapping when the draft Financial Statements were prepared. The prior year comparatives have since been remapped and we have undertaken audit testing of this.</p>
2	<p>The draft Financial Statements included a disclosure for a contingent liability in relation to business rate claims by NHS trusts. The legal case was turned down by the courts in December 2019 and therefore we consider this an adjusting post balance sheet event and the disclosure in the financial statements has been amended to remove the reference to a contingent liability.</p>
3	<p>In the draft Financial Statements Note 1 of the Collection Fund Accounts showed a Council Tax base of 184,897. As per cabinet meeting minutes the correct Council Tax base is 186,013. The difference is due to a one-off adjustment for single person discounts which had not been reflected in the first version of the draft Financial Statements. This has since been amended.</p>
4	<p>The disclosed housing stock levels in note 1 to the Housing Revenue Account in the draft Financial Statements were incorrect as they did not agree to the valuer's report. Whilst the largest difference was 13 in relation to 2 bedroom flats each number was incorrect. The disclosure was updated in version two of the draft Financial Statements. The Council identified the error on review of work handed over by a departing staff member.</p>
5	<p>The draft Financial Statements Note 4 to the HRA did not include the Prior Year (PY) comparatives. This was amended in version four of the draft Financial Statements to include the prior year comparators. Also, in version four of the draft Financial Statements the analysis was changed for both years and this has also resulted in the prior year column now being headed as re-stated.</p>

Audit adjustments

Disclosures Misstatements (continued)

No.	Disclosure misstatement
6	The Council did not include lease disclosures in the draft accounts (or prior year accounts). These disclosures have now been included and range in value from £2,891k to £13,031k.
7	Upon reviewing the contracts register when testing whether the Council's lease disclosures were complete, we identified two further leases which had not been disclosed. One was highly trivial and the other related to a lease with a value of £928k per annum. The operating lease disclosure has been updated for this.
Page 244 ^o	In the draft Financial Statements, the related party balance disclosure for Wiltshire Pension Fund, in note 12, had not been updated from 2018/19 so the 2019/20 disclosure was incorrect. The disclosure was amended from £1.478m to £1.818m in version four of the draft Financial Statements.
	As part of our PPE testing we identified a number of nil net book value assets on the FAR. We challenged the Council on these and they conducted an exercise to identify any which were no longer in use and therefore should have been disposed of. Adjustments of £97,589k resulted from this which impact the PPE disclosure only, and do not impact on the net book value of assets and therefore do not impact the balance sheet. The accounts have been updated for these adjustments.
10	In the draft Financial Statements the employee expense and other services expense lines in Note 1b for 2018/19 did not agree to the prior year audited financial statements. The employee expenses had not been updated from 2017/18 and this meant the other services expense line was wrong too as it is formula driven. This has since been updated.
11	We identified that the Council received a grant of £11.6m in relation to Covid-19 which is being recognised within Corporate Income in the CIES but was not disclosed in Note 6 Grant Income in the draft Financial Statements. This resulted in the Council revisiting Note 6 and a number of other amendments have been made to the disclosure in that note.

Audit adjustments

Disclosures Misstatements (continued)

No.	Disclosure misstatement
12	<p>In the draft Financial Statements Note 38 which contains the Pension Fund disclosures contained a number of errors. The contributions in respect of unfunded benefits, benefits paid and unfunded benefits paid lines did not agree to the actuary's report. This was a transposition error where the wrong narrative was aligned to the disclosed numbers. Together the numbers are correct, however the draft accounts show the figures next to the wrong narrative line. For example, contributions in respect of unfunded benefits: as per note 38 - (£46,996k) as per actuaries report - £3,534k. This has been corrected in version five of the accounts.</p>
13	<p>Note 49 of the draft Financial Statements includes disclosures in respect of the Local Government Pension Scheme. Our testing revealed that the disclosures for 2019/20 did not agree to the Actuary's IAS 19 report, and the 2018/19 disclosures did not agree to the prior year financial statements. This is because the 2019/20 figures were included in the 2018/2019 column, and vice versa. This has since been amended in version four of the accounts.</p>
14	<p>Note 49 of the draft Financial Statements includes disclosures in respect of the Local Government Pension Scheme. The disclosures included an 'average age' total of 16.5 years. This is clearly not correct and is not a required disclosure so should be removed. This has since been amended in version five of the accounts.</p>
15	<p>Note 49 of the draft Financial Statements includes disclosures in respect of the Local Government Pension Scheme. The disclosure of the percentage of fund assets in each asset category were incorrect in the draft accounts as they had not been updated from the prior year. Therefore the 2019/20 disclosures did not agree to the IAS19 Actuaries report. We noted that there were percentages disclosed for some asset classes with zero balances. This has since been corrected in version four of the accounts.</p>
16	<p>Note 7 of the draft Financial Statements discloses information in relation to the Dedicated Schools Grant (DSG). We identified several differences in the 2018/19 comparative figures within this note compared with the signed prior year Financial Statements - b/f from previous year and agreed use of 2020-21 grant in advance. These were brought to the attention of management who informed us that the note was incorrect and provided an amended note. This note was re- stated by management in version four of the draft accounts.</p>

Audit adjustments

Disclosures Misstatements (continued)

No.	Disclosure misstatement
17	Note 7 of the draft Financial Statements discloses information in relation to the Dedicated Schools Grant (DSG). We identified that several figures had the wrong signs in the amended note we received as a result of the first error found (see above). The note was showing £846k rather than (£846k) for 2018/19 and (£2,073k) instead of £2,073k for 2019/20. This meant the note did not cast correctly and the figures did not agree with the PY. This note was re-stated by management in version five of the draft accounts.
18	Note 16 of the draft Financial Statements discloses information about depreciation. We identified that the balance being disclosed for the total depreciation charged for 2019/20 read as 35,67.000. This was clearly formatted inconsistently and incorrectly. This has since been corrected in version four of the accounts.
19	On review of Version 3 of the Draft Financial Statements, we identified that the balance for '(Gain)/Loss on sale of HRA assets' in the HRA Income and Expenditure Statement was originally stated as £1,719k. However, the same balance in the 'Statement of Movement on HRA balances' was stated as (£1,904k). These balances should agree. These differences were brought to the attention of management who informed us that the 'Statement of Movement on HRA balances' note was incorrect and provided an amended note in Version 4 of the Draft Financial Statements. As a result, the presentation of the 'Statement of Movement on HRA balances' changed slightly to show two balances; Capital receipts of £6,440k and Disposals of (£1,719k) which net to the correct balance of £4,721k and now agrees to the HRA Income and Expenditure Statement. Similarly, the 2018/19 balance was incorrect and this was adjusted from £4,759k to (£2,770k). We note that these were presentational errors only and the ledger was correct.
20	On review of Version 3 of the Draft Financial Statements, we identified that the 'charges for services and facilities' account balance of the HRA Income and Expenditure Statement was nil. This was brought to the attention of management who informed us that this was incorrect and had been omitted in error. Management then amended this in Version 5 of the Draft Financial Statements to show a balance of £1,052k.

Audit adjustments

Disclosures Misstatements (continued)

No.	Disclosure misstatement
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21	<p>During the testing of PPE disposals, we were informed that there were a number of assets included in the disposals figure (with 3 of these being identified in our sample testing) within the 2019/20 accounts which were actually disposed of in previous financial years, however were not recorded as disposals in the relevant financial statements. This was discussed with management to quantify the impact and it was agreed to include a footnote to Note 3 to explain the impact on the financial statements. This is as follows; <i>* 2019/20 amount includes the net book value (£7.3m) of schools that have converted to academies and the net book value (£7.0m) of assets that were included in the Council's fixed asset register that following a review were identified as having been disposed of in previous years.</i></p>
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Page 247

Note 18 of the draft Financial Statements includes information about the fixed asset valuations that have taken place each year within the 3 year rolling revaluation programme across the classes of assets. We noted during the testing of Note 18 that the balances did not agree to the valuers report and was queried with the Council. We then discovered that the note was incorrect due to the assets having incorrect revaluation dates and therefore there was £10m of assets not included as having been revalued in the 3 year cycle.

23	<p>We noted in our capital commitments testing that commitments relating to 2019/20 financial year were included in the 2018/19 comparatives. This was because this note was not included in the 2018/19 accounts so both the 2018/19 and 2019/20 balances were produced for the 2019/20 accounts. This meant that the information available to the Council for 2018/19 was not as accurate as it was for the 2019/20 financial year due to the time lag. We have performed analysis of the report making up this note and have concluded that there is not a material impact and the accounts have been updated accordingly.</p>
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24	<p>The prior year gain/loss on sale of HRA assets in the HRA statements was identified as incorrect changing from £4,759k to (£2,770k) a difference of £7,529k which is immaterial. This was a presentational error only with the statement of accounts and the ledger was correct.</p>
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We note that the original HRA statement in V3 of the accounts contained errors, which once highlighted were amended and adjusted by the Council following their review.

Audit adjustments

Disclosures Misstatements (continued)

No.	Disclosure misstatement
25	On inspection of note 18, which shows the value of properties revalued by year, we identified that there were £10.7m of properties included in the rows 2016/17 and 2015/16 which is not in line with the Council's 3-year valuation cycle. On investigation, the Council confirmed this was incorrect, and incorrect on Asset Manager, and that the assets had been revalued in 2018/19. Note 18 has been amended to reflect this error.
26	We identified that the 18/19 audited accounts, along with the first version of the 19/20 accounts, did not include a capital commitments note. This has now been added for 2019/20 with 2018/19 comparatives.
Page 248	We requested the Council split out the other grants balances of £71,529k (2019/20) and £62,216k (2018/19) within Note 6 into more disaggregated balances. This has been done, with the accounts amended, splitting out this balance into individual grants. No impact on bottom line as this is disclosure only.
28	In the prior year financial statements, the HRA asset depreciation figure was shown in the major repairs reserve column of Note 14 - the Adjustments between accounting basis and funding basis under regulations, however as the assets are actually HRA assets it should be shown in the HRA column. These adjustments have no effect on the overall balance of the note and are merely presentational.
29	Within Note 51, the 19/20 Fair Value split between Non-Current and Current has been adjusted, as previously this was not disclosed.
30	We identified an incorrect entry in relation to 'repayment of long-term capital assets' in note 17. The amount for 18/19 has been restated by £39k.
31	In version 1 of the accounts the sale of non-current assets was disclosed across the service lines, but it should have been shown in disposal of assets within other operating expenditure. We note this adjustment, of £26m, therefore impacted the CIES, Note 1b, 3 and 13.

Audit adjustments

Disclosures Misstatements (continued)

No.	Disclosure misstatement
32	The Expenditure and Funding Analysis (EFA) included a line for transfers to earmarked reserves when it shouldn't have. Per the CIPFA code the EFA does not show a transfers to earmarked reserves line. As a result of including this additional line in the first version of the accounts the Council had also included an adjustment to the Corporate line of the EFA for the earmarked reserves balance so that net cost of services in total per the EFA still matched the disclosure in note 13.
33	The initial version of the Operating Lease disclosure (Note 21) contained errors and also included leases that start after 31 March 2019 in the 18/19 numbers and 31 March 2020 in the 19/20 numbers.
Page 249	It was identified that the Council hadn't included income and expenditure in relation to investment properties (£1,986k) and Financial Instruments Adjustments (£3k) in their Financing and Investment Income and Expenditure balance or Note 4 but this was instead included in the net cost to services. This was corrected as this income should be included in Financing and Investment Income and Expenditure per CIPFA Code section 3.4.2.38 c).
	The expenses for one individual were not included in Note 10 but were identified during our testing. On further inspection the expenses were included in the Council's workings, so this was a typo in the draft versions of accounts.
36	We identified that in version 1 of the accounts, the external audit fee was stated as £80k as note 11 was completed on a cash basis. This is incorrect and it should be done on an accruals basis. Therefore, the note was amended to show the fee as £129k which is the correct external audit fee. In addition, the fees payable for grant claims and returns were amended from 1k to 24k.

Audit adjustments

Disclosures Misstatements (continued)

No.	Disclosure misstatement
37	<p>The accounts have been updated to include a £1.58m balance of "Flexible use of capital receipts to fund transformation expenditure". This balance was not in the original set of accounts, but was included in a later set which formed the basis of our testing for note 17 (although this particular balance was scoped out due to being immaterial).</p> <p>We note this is included in the capital receipts reserve balance of £7,695k related to capital receipts utilised on capital expenditure. Further we have concluded there is a remote risk of material misstatement in terms of the risk that this amount hasn't actually been used on transformational projects so have not undertaken any detailed testing of the balance, although we have viewed a breakdown of the balance and noted that there were no individual projects above our clearly trivial threshold and that the majority of the projects listed referred to transformation.</p>
38	<p>The accounts did not separately disclose grant receipts in advance on the balance sheet as required by the CIPFA code. This has been corrected.</p>
39	<p>Version 1 of Note 36 did not cast to the 'surplus or deficit on revaluation of NCA not posted to surplus/ deficit on the provision of services' line. The accounts were showing (£315,307k) when it should have shown (6,421k). This is a difference of 308,886k. In addition, there was a missing subtotal of the net amount transferred to the capital adjustment account of 25,933k. This was corrected in later versions of the accounts.</p>
40	<p>We note that within version 1 of note 18, the book value at 31 March 2020 for the total Property, Plant and Equipment balance did not cast correctly based on the individual asset category totals. This was subsequently updated.</p>
41	<p>We note that note 14 originally did not show HRA balances in the correct places, i.e. they were not all shown in the HRA line. This was corrected. No impact on bottom line of unusable reserves.</p>
42	<p>The financial assets fair value disclosure (Note 51) was not included in Version 1 of the accounts as it was missed in the preparation of accounts.</p>

Page 250 of 250

Audit adjustments

Disclosures Misstatements (continued)

No.	Disclosure misstatement
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43	Note 26b Long Term Debtors was not included in version 1 of the accounts.
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44	A number of adjustments have been made within Note 13 since the first version of the financial statements. This is due to the note being incorrect, and assets not being appropriately split across the categories. This was resolved and the new note tested. It wasn't possible to understand the reasons for some of the adjustments because management couldn't explain why the previous numbers were wrong, they were only able to provide assurance that the new note was correct, which we've tested with no issues. The 18/19 disclosure has also been updated.
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Page 254

	When we were reviewing Note 1b in version 10 of the accounts we identified that it did not reconcile to other values in the accounts. This was because adjustments made in other areas had not been put through note 1b, therefore the Council reproduced Note 1b.
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	We identified that note 30 in version 1 of the accounts was incorrect in totality, and did not satisfy the requirements of the CIPFA code. Therefore, the audit team did not test this but asked the Council to reproduce the note. They subsequently did that and we have tested the note as per version 4 of the accounts.
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47	Version 1 of the accounts included £28k of an investment with Landsbank as an expected credit loss in the next 12 months, however this was subsequently removed from the table and a note added that this was not included as it has already been impaired.
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48	We identified that the Investment properties using significant unobservable inputs - level 3 balance for the main portfolio in 'Valuation Techniques' section of Note 52 had not been updated from prior year and had also not been included in thousands.
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49	We identified that Note 6 was missing the £52,764k balance for capital grants and contributions included in note 5 in the initial versions of the accounts. This was subsequently added.
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Audit adjustments

Disclosures Misstatements (continued)

No.	Disclosure misstatement
50	We identified that the Housing Benefit subsidy balance of £75,239k was not disclosed in the Grant Income note in the initial versions of the accounts. This was subsequently amended.
51	Previously depreciation and revaluation charges were recognised in the Housing and Commercial Development line of the CIES rather than being recognised in the department/ service line that the assets related to. This has been corrected and has resulted in the reclassification of balances only with no impact on net cost of services. The total amount reclassified across depreciation and revaluation was £11.9m.
Page 252	The Council originally included all capital TB codes in the capital adjustments column of Note 13 and therefore in the depreciation, amortisation and impairment line of Note 1b. However, £17,050m of this isn't capital amounts. £12,788k is related to MRP. We are unable to provide a full explanation of the £17m as instead of testing the adjustments to Note 13 we tested the new note instead.
53	<p>We identified that there were service elements of building assets included in the Plant, Vehicles and Equipment category in Note 15 and the FAR which should have been included in Council Dwellings and Other Land and Buildings instead as they relate to building. The Council have reclassified these assets. £29,421k moved to Land and Buildings and £31,870k moved to Council Dwellings.</p> <p>We note in note 3 of HRA accounts services, structures and land were previously shown in separate columns and have since been combined.</p>
54	The Council corrected the classification of some asset depreciation/revaluation adjustments (with a value of approximately £8m) within the Expenditure and Funding Analysis to more accurately show which assets are used in which service line.
55	Within the Capital Adjustment Account disclosure, gains in fair value on Investment properties were previously included within "Reversal of items relating to capital expenditure debited or credited to the comprehensive income and expenditure account", These are now included within "movement in the market value of investment properties (credited)/ debited to the CIES".

Audit adjustments

Disclosures Misstatements (continued)

No.	Disclosure misstatement
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56	During our testing of the services reclassification adjustment we identified £21.7m of assets which had previously been shown as valued at historic cost in note 18 which were actually revalued in various other years.
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57	We note that the short term creditors in the balance sheet in v15 of the financial statements is £117,244k as the grants received in advance balance has been split out. However, note 30 (Financial Instruments) was not updated to reflect this so the creditors reconciliation to the balance sheet in note 30 reconciles to the incorrect short term creditors balance of £128,264k.
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Incomplete & Potential Errors

The table below includes the errors/potential errors which we have identified but which at the time of issuing our opinion had not been fully quantified.

No. Description of error/potential error

1
Page 254

The Council has Infrastructure assets on the balance sheet with a net book value of £410.4m valued on a modified historic costs basis. All infrastructure is depreciated by the Council over a useful economic life of 60 years. The Council only has records sufficient to support 23% of this balance, the remaining balance cannot be tested back to underlying records to determine the correct classification as infrastructure or the classification of the balance into sub-categories of roads, bridges, drainage, streetlights and cycle routes. As we would expect there to be different useful economic lives for these sub-categories, without an analysis between the sub-categories we are unable to determine if the average useful economic life applied by the Council was reasonable and does not result in a material misstatement of depreciation or netbook value.

2

We identified some differences between the changes made to the financial statements to reflect the service asset reclassification and the listings in the supporting working papers. This identifies a potential issue within note 15 (when comparing the changes between V11 and V12 and the supporting listings) for 2018/19 of approximately £982k in opening cost, £652k in closing cost, £660k in opening depreciation and £653k in closing depreciation, resulting in a NBV difference of £322k. In addition, in the 2017/18 column on the balance sheet there is a difference of £322k between other land & buildings and vehicles, plant, furniture and equipment (when comparing the changes between V12 and V13 and the supporting listings).

Incomplete & Potential Errors (continued)

No. Description of error/potential error

During our work on the reclassification of service assets (in response to the error identified where service assets were incorrectly categorised in the PPE note) we identified several assets with carried forward impairment/depreciation balances despite being revalued. The Council has done some work to correct the error however we have not tested this. In addition, we encountered issues in being able to test proposed adjustments as the Council had not been updating the FAR for PPE errors identified throughout the audit. Therefore, we have not been able to quantify the full impact of this.

- 3 Between version 12 and 13 of the financial statements a number of balances within the PPE Note 15 were changed by the Council. These included a £47m adjustment to cost brought forward, £6m adjustment to revaluation increase/ decreases recognised in Reval reserve, £14m adjustment to revaluation increase/ decrease in surplus/ deficit on provision of services resulting in total adjustment to cost of £39m. In terms of accumulated depreciation the changes were: brought forward £47m adjustment, £14m adjustment to revaluation losses/ impairment recognised in surplus/ deficit on provision of services, £6m adjustment to revaluation losses/ impairment recognised in revaluation reserve, leading to an overall adjustment of £39m in accumulated dep carried forward. No impact on NBV. We have not completed testing of these changes.

- 4 During our testing of the reclassification of services adjustment we identified a number of errors which had been corrected in year. These included 6 assets which had a brought forward accumulated depreciation/impairment balance which appeared incorrect, however, 3 of these were revalued in year, so the brought forward balance was written out on revaluation, and the other 3 assets were reduced to nil and written out in year. Effectively, there is a potential error in the brought forward balance of £831k and there may be further errors as our testing was not extended.

- 5 We completed some additional journal testing related to automatic journals. This testing identified a shared ownership lease of a property which we have not been able to locate within the Council's lease working papers which may indicate that lease disclosures are incomplete.
-

Our other responsibilities explained

Fraud responsibilities and representations

Responsibilities:

The primary responsibility for the prevention and detection of fraud rests with management and those charged with governance, including establishing and maintaining internal controls over the reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations. As auditors, we obtain reasonable, but not absolute, assurance that the financial statements as a whole are free from material misstatement, whether caused by fraud or error.

Required representations:

We have asked the Council to confirm in writing that you have disclosed to us the results of your own assessment of the risk that the financial statements may be materially misstated as a result of fraud and that you have disclosed to us all information in relation to fraud or suspected fraud that you are aware of and that affects the Council.

We have also asked the Council to confirm in writing their responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud and error and their belief that they have appropriately fulfilled those responsibilities.

Audit work performed:

In our planning we identified the risk of fraud in completeness of accrued expenditure and management override of controls as a key audit fraud risk.

Due to the volume of control findings and errors identified we held a discussion with a Fraud Specialist. During this discussion and through the course of our audit, we have not identified any further risks relating to fraud.

Concerns:

We have raised pervasive control improvements summarised earlier in this report to help mitigate against the risk of fraud. No instances of fraud which have a material impact on the financial statements have been identified.

Independence and fees

As part of our obligations under International Standards on Auditing (UK), and the Companies Act, we are required to report to you on the matters listed below:

Independence confirmation

We confirm the audit engagement team, and others in the firm as appropriate, Deloitte LLP and, where applicable, all Deloitte network firms are independent of the Council and our objectivity is not compromised.

Fees

Details of proposed fees for audit services performed for the period have been presented separately on the next page.

Non-audit services

In our opinion there are no inconsistencies between the FRC's Ethical Standard and the Council's approach the supply of non-audit services or any apparent breach of that policy. We continue to review our independence and ensure that appropriate safeguards are in place including, but not limited to, the rotation of senior partners and professional staff and the involvement of additional partners and professional staff to carry out reviews of the work performed and to otherwise advise as necessary.

Relationships

We have no other relationships with the Council, its officers and senior management and its affiliates.

Independence and fees

The professional fees expected to be charged by Deloitte for the period from 1 April 2019 to 31 March 2029 are as follows:

	Current year £'000
Financial Statement audit including Whole of Government and procedures in respect of Value for Money assessment	129*
Total audit fees	129*

*We note that the fee above represents the scale fee for the audit of £129k. We have previously agreed a variation to the scale fee of £9523 with the S151 Officer and PSAA in respect of increased work due to FRC challenge on audit work with respect to asset valuation and pension liabilities.

We are seeking an interim additional variation of £236,483, which has been submitted to PSAA but is yet to be approved, as a result of the additional work required in relation to errors identified, technical accounting queries and quality issues up to the end of November 2023.

Our approach to quality

FRC 2022/23 Audit Quality Inspection and Supervision report

Audit quality is at the heart of everything we do. We are committed to acting with the highest levels of integrity in the public interest to deliver confidence and trust in business.

In July 2023, the Financial Reporting Council (“FRC”) issued individual reports on each of the seven largest firms, including Deloitte on Audit Quality Inspection and Supervision, providing a summary of the findings of its Audit Quality Review (“AQR”) team for the 2022/23 cycle of reviews.

We greatly value the FRC reviews of our audit engagements and firm wide quality control systems, a key aspect of evaluating our audit quality.

In that context, our inspection results for our audits selected by the FRC as part of the 2022/23 inspection cycle remain consistent year-on-year, with 82% of all inspections in the cycle assessed as good or needing limited improvement. This reflects the ongoing investment we continue to make in audit quality, with a relentless focus on continuous improvement. Our audit culture and the audit quality environment we create are critical to our resilience and reputation as a business and we remain committed to our role in protecting the public interest and creating pride in our profession.

We value the observations raised by both the FRC AQR and Supervision teams, both in identifying areas for improvement and also the increasing focus on sharing good practice to drive further and continuous improvement.

We are pleased to see the positive impact of actions taken over the last 12-18 months to address findings raised by the FRC in the prior year relating to EQCR, Independence & Ethics and Group Audits, with none of these areas identified as key findings in this year’s engagement inspection cycle. The reduction in findings in this area reflects the ongoing effectiveness of the actions taken, particularly the successful rollout of our group audit coaching programme. Our EQCR transformation programme, which commenced in the second half of 2021, has served to further enhance the effectiveness of our EQCR process and led to improved evidence on our audit files demonstrating the EQCR challenge.

We welcome the breadth and depth of good practice points raised by the FRC, particularly in respect of effective group oversight and effective procedures for impairments, where we have made sustained efforts and investment to drive consistency and high-quality execution.

All the AQR public reports are available on the FRC's website:

[Audit Firm Specific Reports - Tier 1 audit firms](#) | [Financial Reporting Council \(frc.org.uk\)](#)

Our approach to quality

FRC 2022/23 Audit Quality Inspection and Supervision report

The AQR's 2022/23 Audit Quality Inspection and Supervision Report on Deloitte LLP

"In the 2021/22 public report, we concluded that the firm had continued to show improvement in relation to its audit execution and firm-wide procedures.

82% of audits inspected were found to require no more than limited improvements. None of the audits we inspected this year were found to require significant improvements and 82% required no more than limited improvements, the same as last year. This was the case for 78% of FTSE 350 audits (91% last year). The firm has maintained its focus on audit quality on individual audits, with consistent FRC inspection results.

The areas of the audit that contributed most to the audits assessed as requiring improvements were revenue and margin recognition, and provisions. There continues to be findings related to the audit of provisions, which was a key finding last year, although in different areas of provisioning. At the same time, we identified a range of good practice in these and other areas."

Inspection results: review of the firm's quality control procedures

"This year, our firm-wide work focused primarily on evaluating the firm's: actions to implement the FRC's Revised Ethical Standard; partner and staff matters; acceptance, continuance, and resignation procedures; and audit methodology relating to settlement and clearing processes.

Our key findings related to compliance with the FRC's Revised Ethical Standard, timely continuance procedures, and audit methodology relating to settlement and clearing processes.

We identified good practice points in the areas of compliance with the FRC's Revised Ethical Standard, partner and staff matters, and acceptance, continuance and resignation procedures."

Our approach to quality

FRC 2022/23 Audit Quality Inspection and Supervision report

Improve the effectiveness of the testing of revenue and margin recognition

How we have addressed this area as a firm

To address this finding, we have done, or plan to do, the following:

- We are establishing a Revenue centre of excellence to support engagement teams in the audit of revenue. The involvement of the centre of excellence will focus on the overall approach to revenue testing, including an end-to-end view of revenue, the risk assessment, planned controls and IT and substantive work and will take place during the key stages of the risk assessment, planning and execution stages of an audit.

Monthly workshops are held with partners and directors to brief them on the areas of regulatory focus. We also regularly communicate the FRC findings, including those on revenue and margin recognition, to the wider audit practice during the inspection cycle through our weekly technical email update to ensure that audit teams who might be affected by the findings are fully briefed.

- We held a review of a portfolio of audits in specific industries to evaluate the approach to margin recognition and to ensure teams are consulting with our technical team when required.
- We updated partner and EQCR/EQR review guidance and templates to ensure these reviews considers all revenue testing regardless of risk assessment.

- We have refreshed our internal controls coaching and introduced independent health check reviews on internal controls. Coaching is direct 1-2-1 support tailored to the specific needs of the engagement team. The health check reviews include work performed on controls that address significant, higher and lower risks; and entity level controls, including those relating to revenue.

Page 261

Our approach to quality

FRC 2022/23 Audit Quality Inspection and Supervision report

Improve the audit of cash equivalents and cash flow statements

How we have addressed this area as a firm

To address this finding, we have done, or plan to do, the following:

- We continue to hold monthly workshops and share weekly technical emails to brief our people on the areas of regulatory focus. These included a focus on auditing cash and cash equivalents.

We have issued a 'Getting it right FAQs' in relation to cash equivalents testing, updated to include clarified guidance relating to money market funds and alternative procedures when external confirmations are not requested or received.

Our Business Unit quality community leads led AQR hot topic reminders workshops and these covered cash findings ahead of reporting season to raise awareness of common pitfalls.

- We have refreshed our cash flow statement work programme and issued reminders requiring its use to all audit practitioners.
- We have assessed the training of audit delivery centres and performed additional training for junior team members in the context of common pitfalls. As part of this, a training module was updated to include a cash testing workpaper exercise as part of the core audit curriculum which will link to the regulatory findings.

Page 262

Our approach to quality

FRC 2022/23 Audit Quality Inspection and Supervision report

Improve the consistency of the audit of estimates for certain provisions

How we have addressed this area as a firm

To address this finding, we have done, or plan to do, the following:

- Our main annual technical training in 2022 included specific training in relation to the audit of complex estimates and provisions and includes scenario examples for auditing management estimates. Our Engagement Team Based Learning in 2022 (“TechEx Teams”) included a follow-on session focusing on accounting estimates on a community basis to facilitate sharing of practical examples relevant to community.

Our annual training for 2023 also included a module on the experienced auditor mindset to support our people in ensuring that audit evidence captures the story of the audit process and challenge therein.

We have issued new templates and support guidance to assist our teams in auditing complex models and evidencing our ‘standback’ assessment.

- We regularly communicate the FRC findings, including a focused communication on avoiding the ‘assumed knowledge’ pitfalls particularly in relation to management estimates, to the wider audit practice during the inspection cycle through our weekly technical email update to ensure that audit teams who might be affected by the findings are fully briefed.
- Management estimates were included within our ‘Key topics for FY23 audits’ publication in December 2022 providing key messages and links to supporting materials for all teams ahead of reporting season.

Page.263

Our approach to quality

FRC 2022/23 Audit Quality Inspection and Supervision report

Enhance the assessment of impairment reversals

To address this finding, we have done, or plan to do, the following:

- We plan to review our impairment specialist consultation policy to assess whether this should include reference to circumstances where an impairment reversal is identified.
- We have updated the impairment consultation memo to include a prompt on reversal of past impairments and ensure this is considered as part of the audit.

Page 264 We held briefings within the impairment specialist community on the AQR findings and the expectation that the specialists include impairment reversals in their review scope where a material reversal has taken place.

Community Quality Leads are continuously briefed on key findings and reminders to ensure messages are disseminated to more junior grades through busy season including those relating to impairment reversals.

- We delivered a Bitesize learning on impairment reversals.
- We issued updated guidance to help company management understand some common questions on application of IAS 36, including impairment reversals.

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