Wiltshire Council

AGENDA

Meeting:	**Audit and Governance Committee**
Online Meeting:	**Access the online meeting here**
Date:	**Wednesday 28 April 2021**
Time:	**10.00 am**

Please direct any enquiries on this Agenda to Tara Shannon, of Democratic Services, County Hall, Bythesea Road, Trowbridge, direct line 01225 718352 or email tara.shannon@wiltshire.gov.uk

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

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Membership:

Cllr Richard Britton (Chairman)
Cllr Stewart Dobson (Vice-Chairman)
Cllr Gavin Grant
Cllr Mike Hewitt
Cllr Nick Holder
Cllr Edward Kirk
Cllr Andy Phillips
Cllr Pip Ridout
Cllr Ian Thorn
Cllr John Walsh
Cllr Stuart Wheeler

Substitutes:

Cllr Anna Cuthbert
Cllr Peter Evans
Cllr Ross Henning
Cllr Ruth Hopkinson
Cllr Jim Lynch
Cllr Ricky Rogers
Cllr Jo Trigg
Cllr Jon Hubbard

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AGENDA

Part I

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

1 **Apologies**

To receive any apologies or substitutions for the meeting.

2 **Minutes of the Previous Meeting** *(Pages 7 - 24)*

To confirm the minutes of the meeting held on 10 February 2021.

3 **Declarations of Interests**

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

4 **Chairman's Announcements**

To receive any announcements through the Chairman.

5 **Public Participation**

The Council welcomes contributions from members of the public. During the ongoing Covid-19 situation the Council is operating revised procedures and the public are able participate in meetings online after registering with the officer named on this agenda, and in accordance with the deadlines below.

Guidance on how to participate in this meeting online.

Statements
Members of the public who wish to submit a statement in relation to an item on this agenda should submit this is electronically to the officer named on this agenda no later than 5pm on Monday 26 April 2021 (1 clear working day before the meeting).

State whom the statement is from (including if representing another person or organisation), state points clearly and be readable aloud in approximately 3 minutes. Up to three speakers are allowed for each item on the agenda.

Questions
Those wishing to ask questions are required to give notice of any such questions electronically to the officer named on the front of this agenda no later than 5pm on Wednesday 21 April 2021 (4 clear working days before the meeting) in order to be guaranteed of a written response. In order to receive a verbal response questions must be submitted no later than 5pm on Friday 23 April 2021 (2 clear working days before the meeting).

Please contact the officer named on the front of this agenda for further advice. Questions may be asked without notice if the Chairman decides that the matter is urgent. Details of any questions received will be circulated to members prior to the meeting and made available at the meeting and on the Council's website; they will be taken as read at the meeting.

6 **Internal Audit Plan 2021/22**

To receive an update on the Internal Audit Plan 2021/22.

Report to follow.

7 **Q4 Internal Audit Report 2020/21**

To consider the Q4 Internal Audit Report 2020/21.

Report to follow.

8 **Consolidated IA Outstanding Management Actions Report**

To consider the consolidated IA outstanding management actions report.

Report to follow.

9 **Corporate Governance Update** *(Pages 25 - 40)*

Quarterly update, to include:

- Corporate Governance update
- Outstanding AGS improvement actions
- Update on review of governance reporting arrangements in the constitution

10 **Cyber Security**

To receive an update from SWAP on cyber security.

11 **Accounting Policies 2020/21** *(Pages 41 - 60)*

To receive a presentation on accounting policies 2020/21.

12 **Statement of Accounts 2019/20** *(Pages 61 - 206)*

To consider the statement of accounts 2019/20, letter of representation and review of AGS.

13 **External Audit Plan 2020/21** *(Pages 207 - 238)*

To receive an update from Deloitte on external audit plans for 2020/21.

14 **Forward Work Programme** *(Pages 239 - 242)*

To note the Forward Work Programme

15 **Date of Next Meeting**

To note that the next regular meeting of the Committee will be held on 21 July 2021.

16 **Urgent Items**

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

Part II

Items during whose consideration it is recommended that the public should be excluded because of the likelihood that exempt information would be disclosed

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Wiltshire Council

Audit and Governance Committee

MINUTES OF THE AUDIT AND GOVERNANCE COMMITTEE MEETING HELD ONLINE ON 10 FEBRUARY 2021.

Present:

Cllr Richard Britton (Chairman), Cllr Stewart Dobson (Vice-Chairman), Cllr Gavin Grant, Cllr Nick Holder, Cllr Edward Kirk, Cllr Pip Ridout, Cllr John Walsh and Cllr Stuart Wheeler

Also Present:
Cllr Pauline Church.

67 Apologies

Apologies were received from:

Cllr Mike Hewitt and Cllr Ian Thorn.

68 Minutes of the Previous Meeting

The minutes of the meeting held on 18 November 2020 were presented for consideration and it was,

Resolved:

To confirm the minutes of the meeting held on 18 November 2020 as a correct record.

69 Declarations of Interests

The Chairman declared a non-pecuniary interest, stating that he was a Director at SWAP.

70 Chairman's Announcements

The Chairman announced that the Members annual meeting with SWAP would take place on the rising of the Audit and Governance Committee. Cllr Grant gave his apologies for that meeting.

71 Public Participation

No public questions or statements were received.

72 **Update on Statement of Accounts 2019/20**

Andy Brown, Interim Corporate Director of Resources (S151 Officer) gave an update to the committee on the 2019/20 accounts.

The officer stated that the statement of accounts 2019/20 had been due to be presented for approval at the meeting. However, it was explained that the statement of accounts 2019/20 were not ready to be brought before the committee. This was due to the outstanding resolution and qualification issues from the 2018/19 accounts, the limited technical capacity and experience of resources within the council at the time and the difficulties in progressing the audit process remotely, combined with outstanding audit queries on the accounts.

Resolving the situation was a priority and more resources had been allocated. Weekly meetings were taking place with Deloitte, the external auditors, and an iterative process was being used to work through outstanding queries. Small errors and misstatements had also been identified in the draft statement of accounts 2019/20 and these were being worked through in order to correct them. It was hoped that the statement of accounts 2019/20 could be brought to the April meeting of the Audit and Governance Committee for approval.

Plans and work for removing the qualification issues from the statement of accounts 2018/19 and on the statement of accounts 2020/21 were also underway, however it was noted that as a result of the Redmond Review there may be changes to the timelines involved for the statement of accounts 2020/21.

Ian Howse, Deloitte stated that he was encouraged by the additional resources, in particular the appointment of a new Chief Accountant. Mr Howse gave assurance that Deloitte would work collaboratively with Wiltshire Council to progress the accounts properly and in a timely manner and that Deloitte had adequate resources to achieve this.

Cllr Pauline Church, Cabinet Member for Finance, Procurement and Commercial Investment, welcomed the new officers; David Baldam, Stratgeic Finance Accountant and Vicky Ody, Chief Accountant to the team. Cllr Church stated she was encouraged by the diligence being undertaken to produce a robust set of accounts and the focus on correcting small errors, it was also stated that Cllr Church would continue to hold the s151 officer and Deloitte to account.

Other councillors also welcomed to the new officers, particularly as the Audit and Governance Committee had previously expressed concerns over a lack of resources, so this was recognised as a positive step forward. In response to questions, assurance was given regarding the retrospective issues of the 2018/19 accounts, which should involve no further material issues that would cause further qualification.

Resolved:

To note the position of the accounts and audit process for the Statement of Accounts 2019/20.

73 **Grant Certification Report 2019/20**

Lizzie Watkin, Head of Corporate Finance and Deputy s151, presented the grant certification report from KPMG relating to teachers' pensions 2019/2020 as seen at pages 27-40 of the agenda.

There were no significant items to note in the report, therefore it was requested that the committee note the process was complete and note the audit report issued.

It was,

Resolved:

To note the conclusion of the audit of the Teachers' Pension Contributions for 2019/20 and audit report issued.

74 **Q3 Internal Audit Report 2020/21**

David Hill, SWAP presented the Q3 internal audit report 2020/21 to the meeting.

Mr Hill noted that there had been an impact on delivery due to COVID-19 challenges and that four members of his team had been redeployed to Wiltshire Council in order to support payment of COVID-19 business grants. However, new initiatives such as agile working and data analytics had been undertaken in order to mitigate the challenges and there had been positive feedback on the one page report.

Continuous auditing had been introduced and these would be used to liaise with external auditors and the s151 and deputy.

All priority 1 actions had been implemented. There were still some outstanding priority 2 actions but significant progress has been made.

Page 46 of the agenda explained changes to the audit plan as a result of COVID. Appendix B detailed progress to date. Some minor updates to the table were highlighted. There were no errors of high corporate risk or significance.

Regarding the annual head of internal audit opinion, CIPFA had produced some guidance to deal with the challenging times. Other assurance providers both internal and external would be mapped and used to inform the annual internal audit opinion.

Members queried how Wiltshire Council staff working from home had impacted on projects and Mr Hill explained that remote working was driving efficiencies and actually made collaborative working easier. In response to questions it was explained that the Internal Audit Plan was constantly updated and any risks to Wiltshire Council and therefore the Internal Audit Plan due to COVID-19 were mitigated by constant collaborative working to ensure that key risks were mapped back to the correct risk areas for the Council.

Councillors raised questions regarding overdue actions and how these were dealt with. Mr Hill stated that there was every ambition to make sure actions were implemented; terminology had been changed to agreed management actions rather than recommendations and follow up processes and procedures were in place, but it was up to management to carry out the actions. It was explained that further details would be given under the next agenda item.

The Chairman stated that as this item was linked to the next agenda item 9, Outstanding Audit Recommendations, that the committee would hear that item before noting this item.

After hearing agenda item 9, it was,

Resolved:

To note the Q3 Internal Audit Report 2020/21.

75 **<u>Internal Audit Outstanding Recommendations Report</u>**

The Chairman stated that at the last committee meeting the committee had expressed concerns regarding unimplemented Internal Audit Recommendations and had requested that the list of outstanding recommendations be reviewed and a report on this provided to the committee.

Andy Brown, Interim Corporate Director of Resources (S151 Officer), gave an update to the meeting. It was explained that some of the outstanding recommendations dated to before the pandemic, which was still ongoing and so the list of outstanding recommendations had required review. Internal Audit Management Actions were an integral part of the Councils control systems and part of a suite of management tools that should be used.

Paragraph 6 on page 75 of the agenda gave a summary of outstanding actions and categorised them. 20 had been completed, 25 were still to be implemented and were at the same priority level, 3 had increased in priority and 16 had been overtaken by organisation change. So, these would more than likely still be implemented but under different pathways. The detailed review could be seen in the appendix on page 78.

It was explained that the majority of outstanding actions were priority 3, however these still needed to be acted upon. Recommendations and timescales were still valid. The Audit and Governance Committee should still have oversight of overall totals to ensure management were still delivering. However, going forward, now that the cleanse had been undertaken, the focus should be on priority 1 & 2 actions, but with an oversight on priority 3 actions.

In response to questions it was stated that there may be differences between appendix C from SWAP (page 53) and then appendix 1 (page 78) as the Q3 report from SWAP was looking backwards. Now that the review had taken place, the updated list could be circulated to SWAP and a consolidated list developed that both SWAP and Wiltshire Council were happy with.

SWAP confirmed that they had reviewed the list and were happy with it, therefore they could update their systems and produce an updated list. The Chairman requested that they pay particular attention to any actions coming off the list when the report was produced to ensure SWAP were happy.

During debate councillors queried the exact meaning of 'overtaken by organisational change'. Some particular examples were detailed that Members were concerned about and in particular the accountability for these actions and who was responsible for them. It was explained that actions which had been overtaken by organisation change and that were now under organisational recovery, were part of the Organisational Recovery Programme for which Andy Brown and Jo Pitt (Director - HR & Organisational Development) were responsible. Some actions which had been overtaken by organisational change were now under the Corporate Leadership Team, acting as the Programme Board.

In response to the debate on the item, the proposed recommendations were adapted by the committee and it was,

Resolved:

- **To accept the update on the review of outstanding internal audit recommendations.**
- **That management and SWAP should produce a consolidated and agreed list between them, of remaining Internal Audit management recommendations, with target date and accountability, which should include priority 3 recommendations.**
- **Going forward, to concentrate on priority 1 and 2 Internal Audit management recommendations and have a separate report for priority 3 at a global level.**
- **To ask SWAP to confirm to that they were satisfied that the abandoned or completed actions had been removed for appropriate reasons.**
- **That no recommendation would be removed from the list without being reported to the Audit and Governance Committee.**

76 **<u>Corporate Governance Update</u>**

Ian Gibbons, Director Legal and Governance gave an update to the committee and presented the report at page 103 of the agenda.

Mr Gibbons highlighted the Corporate Governance Group, an officer led group he chaired which had been established to steer the development of good corporate governance at the council. The terms of reference for the group could be found in the report.

A report on outstanding AGS improvement actions could be seen at page 107 of the agenda.

During debate the Chairman stated that the Audit and Governance Committee had governance responsibilities in its Terms of Reference, therefore requested clarification on the other committees that had a role in governance (paragraph 5 page 104). The officer explained that corporate governance was broad ranging, for example the Standards Committee had oversight of code of conduct complaints, Overview and Scrutiny held the Executive to account and the Constitution Focus Group were responsible for ensuring that the constitution was up to date. However, the Audit and Governance Committee had an overarching view and oversight of the council's governance.

Further comments from councillors included that there was regret Ian Gibbons was retiring and best wishes for his future; that acronyms be kept to a minimum in reports and that it would be good if the distinct and discrete elements of governance could be detailed further in writing. The officer agreed and suggested that the protocol in the constitution relating to Corporate Governance that could be revisited, revised and reported back to the committee.

At the end of the debate it was;

Resolved:

- **To note the current status of improvement actions identified in Annual Governance Statement, as set out at Appendix 1 (pages 107 – 110).**
- **To ask the monitoring officer to undertake a review of governance reporting arrangements in the constitution and report back to Audit & Governance Committee.**

77 **<u>Risk Management Review</u>**

The Chairman sought assurance that Internal Audit resources were being properly assigned to corporate risk and service area risk. It was hoped that projects within the Internal Audit could be tied up with risks that the projects related to.

Toby Eliot, Corporate Support Manager explained that Internal Audit have access to the risk register as it is published, however there was the possibility for more linkage and the officer would be happy to liaise to bring this about. However, the situation was more complicated at the moment due to the pandemic.

Mr Hill from SWAP stated that Internal Audit actions were on the corporate risk register and audit work should be directed at key corporate risks. SWAP were happy to meet with risk management to increase linkage and map assurances and mitigations, and could bring an update to the next committee.

Mr Eliot stated he was keen to have a full risk process running right through the organisation.

78 **The Redmond Review**

Lizzie Watkin gave a presentation on the Redmond Review.

The officer explained that the Redmond Review was an independent review undertaken by Sir Tony Redmond which considered the quality of local authority financial reporting and external audit.

The slides used for the presentation are appended to the minutes.

Key points stated:

- The statuary deadline to sign off statement of accounts had been extended from 31 July to 30 September. Therefore, an additional Audit and Governance Committee would need to held in September in order to sign off the statement of accounts 2020/21.
- There was an anticipated increase in fees, for which central government would be providing some funding, however it was unclear how the funds would be split between the sector therefore Wiltshire Council had put aside some funds towards this.
- Auditors should provide an annual high-level performance report to Full Council.
- Statements of accounts should be standardised and simplified.
- The possibility of appointing suitably qualified independent persons to Audit Committees and how that could be managed.

After some discussion from Councillors it was agreed that the possibility of co-opting a suitably qualified person to the Audit and Governance Committee would be added to the Forward Work Programme.

79 **Forward Work Programme**

The Forward Work Programme (page 111) was presented for consideration and it was,

Resolved:

To note the forward work programme.

80 **Date of Next Meeting**

The next meeting of the Audit and Governance Committee would be held on 28 April 2021.

81 **Urgent Items**

(Duration of meeting: 10.00 am - 12.30 pm)

The Officer who has produced these minutes is Tara Shannon of Democratic Services, direct line 01225 718352, e-mail tara.shannon@wiltshire.gov.uk

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

Redmond Review – Update

Audit and Governance Committee
10 February 2021

Andy Brown – Interim Corporate Director of Resources (s151)

Lizzie Watkin – Head of Corporate Finance

Background

- Independent review undertaken by Sir Tony Redmond
- Considered the quality of local authority financial reporting and external audit
- Call for views (consultation) issued 17 September 2019
- Direct or indirect interest in local authority audit and financial reporting
- Invited views, information and evidence
- Consultation ended on 20 December 2019
- Sir Tony Redmond's conclusions and recommendations were published in September 2020

Redmond Review Recommendations

- Conclusions and recommendations can be split into 3 main areas that cover:
  - Audit Performance
  - Governance
  - Financial Reporting
- Recommendations made to government
- In part require regulatory or legislative change
- Urgent attention required given the scale and breadth of current concerns about local audit

Redmond Review Recommendations

- **Audit Performance**
  - VFM work and benefit and timing
  - Fees and variations - fees 25-30% too low
  - Quality - limited resource, condensed period
  - Oversight and regulation

- New Single Body – manage, oversee and regulate
- Review eligibility for entrants into the market, fee structure, training requirements, requirement to meet inspectorates
- Extended deadline to September

Redmond Review Recommendations

- **Governance**
  - Capacity and understanding
  - Low/lack of reliance on Internal Audit
  - Lack of clarity/transparency of audit accountability

- Annual report submitted to Full Council
- Appointment of independent, suitably qualified member to committee
- Formalise liaison with statutory officers
- Information sharing with Inspectorates
- Skills and training

Redmond Review Recommendations

- **Financial Reporting**
  - Impenetrable
  - Technical accounting areas (property & pension valuations)
  - Narrative Report variations across Local Government

- New standardised and simplified statement

Government Response

- MHCLG published initial response on 17 December
- Grouped into 5 themes:
  - action to support immediate market stability
  - consideration of system leadership options
  - enhancing the functioning of local audit, and the governance for responding to its findings
  - improving transparency of local authorities' accounts to the public
  - action to further consider the functioning of local audit for smaller bodies

Local authority financial reporting and external audit: government response to the independent review - GOV.UK (www.gov.uk)

Wiltshire Council

Government Response

- **Market stability**
  - Review and reform of regulations
  - Likely increase in fees - £15m will be made available
  - Deadlines likely to change for 2 year period (to September)
  - CIPFA, ICAEW to support market

- **System Leadership**
  - Explore options for new system leadership
  - Full response expected in spring 2021

Government Response

- **Enhancing the functioning of local audit, and the governance for responding to its findings**
  - Agree with annual report to Full Council
  - Agree with auditors meeting statutory officers
  - Agree with appointment of independent member(s) to Audit Committees
  - Agree with the sharing of information with Inspectorates
- **Improving transparency of local authorities' accounts to the public**
  - Explore single standardised statement of service costs
  - Explore options for simplification of accounts
- **Action to further consider the functioning of local audit for smaller bodies not applicable to Wiltshire Council**

Considerations

- Likely extension in audit deadline
- Likely report to Full Council annually by auditors
- Increase in audit fees likely – £50k built into MTFS
- Additional simplified statement likely to be published alongside Council Tax Bills in future years
- Consideration of appointment of independent, suitably qualified Audit & Governance Committee member and whether remuneration is required for such a role

Wiltshire Council

Wiltshire Council

Audit and Governance Committee

28 April 2021

Subject: Corporate Governance Update

Executive Summary

The Annual Governance Statement for Wiltshire Council demonstrates how the Council is meeting the principles of good governance adopted in its Local Code of Corporate Governance (LCCG). Following the agreement of the Annual Governance Statement at the end of last year, this report provides a second quarterly update on the current status of improvement actions identified in the Annual Governance Statement for 2020.

This report also proposes changes to update the Governance Reporting Arrangements document at Protocol 11 of the Constitution.

Proposal(s)

Audit and Governance Committee is asked to consider:

a. the current status of improvement actions identified in Annual Governance Statement, as set out at **Appendix 1**.

b. the proposed changes to Protocol 10 – Governance Reporting Arrangements, as set out at **Appendix 2**.

Reason for Proposal

In considering the draft Local Code of Corporate Governance in 2019, Audit Committee agreed to receive quarterly updates on the implementation of improvement actions identified in the Annual Governance Statement. Consideration of these actions will inform the development of the Annual Governance Statement (AGS) that the council is required to produce for 2020/21.

At its meeting on 10 February 2021 the Audit and Governance Committee asked the Monitoring Officer to review the governance reporting arrangements in the constitution and report back to the Committee.

Andy Brown
Corporate Director, Resources

Ian Gibbons
Director, Legal and Governance (Monitoring Officer)

Jo Pitt
Director, Human Resources and Organisational Development

Wiltshire Council

Audit and Governance Committee

28 April 2021

Subject: Corporate Governance Update

Purpose of Report

1. a. To consider the current status of improvement actions identified in the Annual Governance Statement (AGS) and emerging themes to capture in the AGS for 2020-21.

   b. To consider proposed revisions to the governance reporting arrangements in Protocol 10 of the Constitution.

Background

2. Wiltshire Council agreed a revised Local Code of Corporate Governance in 2019.

3. In considering the draft Local Code of Corporate Governance, Audit Committee agreed to receive regular updates on the implementation of improvement actions identified in the Annual Governance Statement. Consideration of these actions will inform the development of the Annual Governance Statement (AGS) that the council is required to produce for 2020/21.

Main Considerations

4. In 2019/20's Annual Governance Statement the Council identified a number of areas where further improvements could be made to strengthen its governance framework. It should be noted that these areas are not to be regarded as failures, rather examples of issues where scope for further improvement has been identified. In many cases, work is already well underway to address these areas for improvement.

5. The governance of the Council continues to be monitored by Cabinet, Audit and Governance and other councillor committees and the Council's Corporate Leadership Team.

6. The Corporate Governance (Officer) Group chaired by the Monitoring Officer met on 16 March 2021 and discussed:

   - Training sessions within the post-election Induction and Development Programme that will assist councillors in fulfilling their decision-making responsibilities;
   - Draft amendments to the Constitution prior to review and approval by Councillors;
   - The implications of the Redmond Review on the Oversight of Local Audit and Transparency of Financial Reporting, which was discussed by

the Committee in February;

- The legal position with regard to virtual council meetings and contingency planning in the event that emergency legislation is not extended.

7. A quarterly update on progress with the improvement actions identified in the Annual Governance Statement 2019-20 is included at **Appendix 1**. This document will be kept live and updated and inform the development of the AGS for 2020/21.

8. Protocol 10 - Governance Reporting Arrangements outlines the responsibilities of cabinet and relevant committees in relation to various elements of corporate governance. It was last updated in May 2018 following a review of the constitutional role of the Audit Committee (as it was then called). The review examined, in particular, the role of the Audit Committee vis-à-vis other committees and scrutiny bodies to ensure clarity of their separate and distinct roles in corporate governance.

9. As background, details of the review that was carried out by the Audit Task Group may be found at:

   Agenda for Audit and Governance Committee on Wednesday 11 April 2018, 10.00 am | Wiltshire Council

10. The changes agreed by full Council on 22 May 2018 may be found at:

   Agenda for Council on Tuesday 22 May 2018, 10.30 am | Wiltshire Council

   (Item 36)

11. A copy of Protocol 10 with notes and proposed revisions is attached at Appendix 2 for consideration and comment by the Committee. The main changes include:

   - Incorporating the Committee's change of name to Audit and Governance Committee;
   - Confirmation of the Committee's responsibility to approve the Annual Statement of Accounts and the AGS;
   - Clarification of the Committee's role in relation to Swindon and Wiltshire Local Enterprise Partnership (SWLEP);
   - The Committee's role in relation to the Council's Stone Circle companies, which will be considered as part of a review of the governance arrangements for these companies as requested by Cabinet at its meeting in February. An update on the review will be provided to Cabinet in July 2021.

12. The Protocol will be referred to the Constitution Focus Group to review, having regard to any comments from the Audit and Governance Committee. It will then be taken to the Standards Committee and on to full Council for

final approval of any changes.

Report Authors:
Andy Brown - Interim Corporate Director, Resources;
Ian Gibbons - Director, Legal and Governance (Monitoring Officer);
Jo Pitt - Director, Human Resources and Organisational Development;
David Bowater – Senior Corporate Support Manager

Appendices
Appendix 1 Quarterly LCCG AGS update
Appendix 2 Protocol 10 – Governance Reporting Arrangements with proposed revisions

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Annual Governance Statement 2019/20 **Current Status of Improvement Actions**
Quarterly Update to Audit and Governance Committee: April 2021

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

AGS improvement actions	**Current Status**	
Deliver policy and training to embed social value across the council	Our work on Organisational Recovery will ensure we strengthen alignment between policy development and spending with third parties across the Council, and establish a culture, to maximise the delivery of tangible social, economic and environmental outcomes through commercial activity. We will take a targeted and data driven approach to such policy application to ensure that we focus efforts on those areas where maximum benefits can be achieved; we will supplement this by providing support, training and tools, to help people throughout the Council to deliver defined & tangible benefits for the people of Wiltshire	**AB** JH
Promote with staff 'EPIC values' (Empowering People to Innovate and Collaborate) and an updated code of conduct, replacing the previous Behaviours framework	Complete	**JP** PM

Principle B - Ensuring openness and comprehensive stakeholder engagement

AGS improvement actions	**Current Status**	
Implement a new VCS strategy and review the Wiltshire Compact	A new VCS strategy was drafted before the COVID pandemic. The principles of openness and comprehensive stakeholder engagement have been embedded into the partnership work of response and recovery. The Neighbourhood cell led this initially and leadership continued through the Community Resilience recovery group bringing together Community Partners, VCS, Strategic partners and the Council. Wessex Community Action are leading a developmental evaluation exercise to assess the impact of the Community Resilience Partnership work during the pandemic. This work will inform how the Council learn lessons from the pandemic and work with the VCS in future.	**JG**

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

AGS improvement actions	Current Status	
Pilot a multi-year outcome-based planning process aligned to budget build (when spending reviews permit)	The delay in a multi-year spending review until 2021 means the process will be piloted during 2021 ready for 2022/23, following the outcome of the local elections.	**AB**
Review approach to service delegation and asset transfer and One Public Estate	A review of the benefit of the asset transfer and service devolution programme has taken place. The future approach will be informed by the review. One public estate opportunities will be identified as part of the asset rationalisation programme and early progress has already been made in that respect.	**AB SH**

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

AGS improvement actions	Current Status	
Review the effectiveness of the commercial policy and current commissioning approaches.	Elements of the Council's Capital Programme around commercial investment were deferred while others are progressing. The Council's appetite for commercial investment, given the current economic state, will be wrapped up as part of the recovery work. Recent government controls on use of PWLB borrowing has prevented commercial investment. There will be a need to review the commercial policy in light of changing government policy. The governance of the council owned companies, Stone Circle, is being reviewed and a report will be taken to Cabinet in July 2021.	**SH HH** **AB IG**
Embed good commissioning and contract management as part of staff job descriptions.	Procurement are reviewing information and will liaise with HR Business Partner to discuss – current action is with Procurement	**AB** JH

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

AGS improvement actions	Current Status	
Rollout training and awareness on decision making processes	Guidance is being drafted, subject to review by Corporate Governance Group, before discussion at CLT/ELT and development of training material. A comprehensive councillor induction and development programme has been prepared for all councillors to benefit from following local elections.	**IG** **JP** MD MN
Work with partners to complete a multi-agency evaluation of the response to the pandemic	A full multi-agency debrief was not taken forward before response was reactivated for the second wave – this will be considered during 2021. As part of the ongoing management of outbreaks and situations the Local Outbreak Management Plan has been updated. This used multi-agency feedback and wider regional Sector-Led Improvement work to ensure an effective continued response to the changing nature of the pandemic.	**KB** EP MN

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

AGS improvement actions	Current Status	
Review how performance can be communicated to the public to deliver maximum openness and transparency	A new approach to communication of performance as well as publishing open data will be developed and delivered as part of the BI Development programme and SAP Evolve project.	**MN**

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

AGS improvement actions	Current Status	
Align organisational processes more closely to the outcomes in the Business Plan to ensure a focus on the resources used and outcomes achieved	An outcome-based process has been developed with the intention of informing a three year budget. The delay in a multi-year spending review until 2021 means the process will be piloted during 2021/22, following the local elections, ready for 2022/23. Services are being provided with support for preparations with the new Business Plan. A new portfolio management approach is being implemented to align corporate programmes with the new Business Plan and ensure benefits realisation….	**AB** MN

Initials

AB: Andy Brown, Interim Corporate Director, Resources
IG: Ian Gibbons, Director, Legal and Electoral Services
JP: Jo Pitt, Director, HR and OD
SH: Simon Hendey, Director, Housing and Commercial
HH: Helean Hughes, Director, Education and Skills
JG: Jess Gibbons, Director, Communities and Neighbourhood Services
KB: Kate Blackburn, Director, Public Health

PM: Paula Marsh, HR
JH: Jonathan Hopkins, Procurement
MN: Martin Nicholls, Executive Office
MD: Maria Doherty, Democracy
EP: Emergency Planning

Wiltshire Council Constitution Protocol 10 Governance Reporting Arrangements

Appendix 2

PROTOCOL 10

Governance Reporting Arrangements

	Governance Area	Executive Responsibility	Non - Executive Lead Committee	Activity – Terms of Reference	Other Interested Committees *
1.	Business ~~Corporate~~ Plan - Performance	Cabinet (Council approves Plan)	Overview and Scrutiny	Review and scrutinise	Audit and Governance Standards
2.	Medium Term Financial Strategy (MTFS)	Cabinet (Council approves MTFS)	Overview and Scrutiny	Review and scrutinise	Audit and Governance
3.	Budget Setting	Cabinet (Council approves budget)	Overview and Scrutiny	Review and scrutinise	Audit and Governance
4.	Budget Monitoring	Cabinet	Overview and Scrutiny	Review and scrutinise	Audit and Governance
5.	Annual Statement of Accounts	~~Cabinet~~	Audit and Governance	Review and approve	Overview and Scrutiny
6.	Financial Management	Cabinet	Audit and Governance	Review to ensure arrangements for financial management are adequate and effective	Overview and Scrutiny
7.	Corporate governance, risk management and internal control	Cabinet	Audit and Governance	Monitor and review effective development and operation; receive progress reports.	Overview and Scrutiny
8.	Annual Governance Statement (AGS)	~~Cabinet~~ Leader and Chief Executive sign AGS	Audit and Governance	Oversee process, review supporting evidence and approve AGS	Contributions from standards – ethical governance and Overview and Scrutiny
9.	Anti-fraud and Corruption Policy	Cabinet	Audit and Governance	Monitor development and implementation	Standards Overview and Scrutiny

10.	Internal Audit	Cabinet	Audit and Governance	- Approve terms of reference and strategy and annual internal audit plan; - Monitor and review effectiveness of internal audit; - Consider annual report and opinion of Head of Internal Audit, summary on internal audit activity and level of assurance it provides on corporate governance; - Consider specific internal audit reports as requested and monitor implementation of agreed actions.	Overview and Scrutiny Standards – ethical governance issues
11.	External Audit	Cabinet	Audit and Governance	- Comment on external audit plan - consider relevant reports and report to those charged with governance; - Comment on scope and depth of external audit work and ensure it gives value for money - Monitor implementation of actions arising from external audit. - Consider issues arising from external audit of accounts	Overview and Scrutiny Standards – ethical governance issues
12.	Audit and Inspection Letter	Cabinet	a. Overview and Scrutiny b. Audit c. Standards – ethical governance issues		
13.	Constitution	Council	Standards	Oversight of the Constitution and recommending any changes to full Council	Audit and Governance Committee consulted

					on financial rules and regulations All other committees Constitution Focus Group may be asked to consider and advise on any proposed changes to the Constiution
14.	Promoting and maintaining high standards of conduct : officers and members	Cabinet	Standards	- Advising and providing training on Code of Conduct; -Granting dispensations; -Dealing with complaints under the Code of Conduct.	Staffing Policy Committee – Officer disciplinary hearings and any recommendations for wider learning
15.	Whistleblowing Policy	Cabinet	Standards	Overview of policy development and implementation	Possible issues for Audit and Governance, Standards and Overview and Scrutiny
16.	Corporate Complaints Handling and Local Government and Social Care Ombudsman Investigations	Cabinet	Standards	- Overview; - Review implementation of recommendations by Ombudsman	Possible issues for Overview and Scrutiny and Audit and Governance Committee
17.	~~Partnership~~ Governance of partnership working	Cabinet	Audit and Governance	Review effectiveness of ~~partnership~~ governance of partnership working ~~arrangements~~ as part of AGS process	Overview and Scrutiny – review partnerships Standards, ethical governance in relation to partnerships
18.	Safeguarding and looked after children	Cabinet	Children's Select Committee	Ensuring safeguarding responsibilities	Corporate Parenting Panel Safeguarding Children and Young People Panel

					Safeguarding Children and Young People Task Group
19.	Heath, wellbeing and social care	Cabinet/Health and Wellbeing Board	Health Select Committee	Ensuring health, wellbeing and social care responsibilities	
20.	Policing and Community Safety	Cabinet	Police and Crime Panel	Holding Police and Crime Commissioner to account	Overview and Scrutiny
21.	Swindon and Wiltshire Local Enterprise Partnership (SWLEP)	Cabinet	~~Joint Strategic Economic Committee~~ Audit and Governance Committee	Democratic accountability, review effectiveness of SWLEP governance framework	Overview and Scrutiny - LEP Joint Scrutiny Task Group
22	Stone Circle Companies	Cabinet (representing the Council as shareholder)	The role of Audit and Governance and Overview and Scrutiny Committees will be considered as part of the review of the governance arrangements for the Stone Circle companies on which Cabinet will be updated in July 2021.		
* The Overview and Scrutiny Management Committee will work with the Audit and Governance Committee to refer matters of governance for further review. Likewise, the Audit and Governance Committee can refer					

matters arising from its remit that have a specific impact or risk to the Council's policy or operation to the Management Committee to consider the need for review. (Pargarpgh 6.5 Article 6 of Part 2 of the Constitution)					

Wiltshire Council

Audit and Governance Committee

28 April 2021

Subject: **Accounting Policies 2020/21**

Executive Summary

This report presents the Accounting Policies for the 2020/21 financial year end and used in the preparation of the draft Statement of Accounts for the financial year ending 31 March 2021.

Proposal(s)

To recommend the approval of the council's accounting policies for the financial year 2020/21 by those charged with governance.

Reason for Proposal(s)

Adopting policies in line with proper accounting practice supports the production of a high-quality set of annual accounts that meet the requirements of accounting codes of practices.

Andy Brown
Corporate Director of Resources and Deputy Chief Executive (S.151 Officer)

Wiltshire Council

Audit and Governance Committee

28 April 2021

Subject: Accounting Policies 2020/21

Purpose of Report

1. This report presents the Accounting Policies for the 2020/21 financial year end and used in the preparation of the draft Statement of Accounts for the financial year ending 31 March 2021 and recommends the approval of these policies for the final Statement of Accounts for that financial year.

Relevance to the Council's Business Plan

2. Adopting policies in line with proper accounting practice supports the production of a high-quality set of annual accounts that meet the requirements of accounting codes of practices.

Background

3. The production of annual accounts is a statutory requirement and provides financial information on a consistent basis on which the council can be compared to other Local Authorities. The accounts include disclosure of the accounting policies that set out the basis on which the accounts have been prepared and are presented and includes all key accounting matters that affect the figures disclosed in the accounts.

4. The policies are in line with Chartered Institute of Public Finance and Accountancy (CIPFA)'s Code of Practice on Local Authority Accounting for the year ending 31 March 2021 and take account of local circumstances. However, there is little discretion to the Council, as the proper accounting practices, which apply to all local authorities, are set down in the Code.

5. The disclosed policies are those which are fundamental to the understanding of the Statement of Accounts. The matters covered in the proposed policy statement have a significant impact on the way the accounts are prepared and are those commonly adopted by other local authorities.

Main Considerations for the Council

6. The Council's accounting policies are regularly reviewed by suitably qualified officers to ensure they are up to date. The policies also fall within the scope of the annual audit of the Statement of Accounts and therefore independently reviewed by the council's external auditors to ensure they are in line with the Code of Practice.

7. There have been no significant changes to the accounting regulations since last year (2019/20). Some additional disclosure narrative has been included to

set out detail on the Council approach to agency / principal relationships due to the significant level of additional grant funding from government as a response to the COVID-19 pandemic

8. The creation of the Stone Circle subsidiary companies means the Council will now be producing full group rather than single entity accounts in 2020/21. This is a required change in format rather than policy.

9. The accounting policies are included annually in the Statement of Accounts that is approved by Audit and Governance committee each year. They are included in Appendix A.

Overview and Scrutiny Engagement

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

Safeguarding Implications

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

Public Health Implications

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

Procurement Implications

13. There are no procurement implications associated with this report.

Equalities Impact of the Proposal

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

Environmental and Climate Change Considerations

15. 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

16. The accounting policies are required to be approved by the Audit and Governance Committee as part of the overall requirement of the approval of the annual accounts. This paper gives the committee the opportunity to review the policies in advance of the statutory deadline for approval of the annual accounts and before the annual accounts are brought forward following the audit process.

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

17. The accounting policies will be presented again as part of the presentation of the annual accounts to Audit and Governance Committee.

Financial Implications

18. The accounting policies presented have been used in the production of the draft annual accounts and these policies and the annual accounts are currently being reviewed by officers and the council's independent external auditors.

Legal Implications

19. There are no legal implications associated with this report.

Workforce Implications

20. There are no workforce implications associated with this report.

Options Considered

21. There is a statutory requirement for the approval of the annual accounts by Audit Committee. These accounts are produced and based on the accounting policies. The accounting policies could be considered and approved alongside the annual accounts, which will be presented to this committee at its meeting on 28 September 2021 however this does not allow for early discussion and adoption to allow for any changes to be made and any subsequent amendments applied to the annual accounts.

Conclusions

22. It is recommended that Audit and Governance Committee approve the council's accounting policies for the financial year 2020/21.

Andy Brown
Corporate Director of Resources and Deputy Chief Executive (S.151 Officer)

Report Author: Vicky Ody, Chief Accountant, vicky.ody@wiltshire.gov.uk, 01225 713042

30/03/2021

Appendices

Appendix A – Accounting Policies 2020/21

Background Papers

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

CIPFA Code of Practice 2020/21

Subject: **Accounting Policies 2020/21 – Appendix A**

Notes to Accounts Annex 1 Accounting Policies

i. General Principles

The Statement of Accounts summarises the Council's transactions for the 2020/2021 financial year and its position at the year-end of 31 March 2021. 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 2020/21 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.
- 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.
- Housing benefits expenditure is payable on a weekly or monthly basis throughout the year. No adjustments are made to account for payments in respect of part weeks / months at the beginning or end of the financial year.

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.

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)

- 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, based on the indicative rate of return on high quality corporate bonds.

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

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

The change in the net 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

- 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, they 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
- Dwellings – fair value, determined using the basis of existing use value for social housing (EUV-SH)
- Surplus Assets – the current value measurement base is fair value, estimated at highest and best use from a market participant's perspective
- All other assets – fair value, determined as the amount that would be paid for the asset in its existing use value (EUV).

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

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

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

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

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

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

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

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

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

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

Depreciation

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

Depreciation is calculated on the following bases:

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

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

- Infrastructure – straight-line allocation over 60 years.

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

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

Disposals and Non-current Assets Held for Sale

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

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

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

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

xi. Investment Property

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

Investment properties are measured initially at cost and subsequently at fair value, 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
- 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)

- 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.

Loans and receivables

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, expect 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 ay 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
- 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
- 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 a material interest in three subsidiary companies: Stone Circle is a wholly owned subsidiary of Wiltshire Council that was set up for the benefit of Wiltshire residents, aiming to provide quality affordable housing. It comprises the holding company Stone Circle Development Company; Stone Circle Housing Company which purchases residential property for let to tenants and the dormant Stone Circle Energy Company. The Council will produce group accounts for 2020/21 based on line by line consolidation following the elimination of inter-company balances / transactions and alignment of accounting policies. In the Council’s own single-entity accounts, the interest in Stone Circle is recorded as financial assets at cost, less any provision for losses.

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:

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

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

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

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

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

xix.Exceptional Items

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

xx. Cash and Cash Equivalents

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

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

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

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

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

xxii. Events after the Balance Sheet Date

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

Two types of events can be identified:

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

- Those that are indicative of conditions that arose after the reporting period – the Statement of Accounts 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. 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:

a) in the principal market for the asset or liability, or

b) 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
- Level 3 – unobservable inputs for the asset or liability.

xxvii. 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 Rates (NDR)

The council tax and NDR income included in the Comprehensive Income and Expenditure Statement (CIES) 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 CIES 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.

xxviii. Accounting for Agency / Principal relationships

The Council acts as Principal where it acts on its own behalf and as Agent where it acts as an intermediary. Where it acts as principal, transactions are included in the financial statements in full. Where it acts as agent, only the cash collected and or expenditure incurred are included in the council's statements, with the creation of a debtor or creditor and any cash being shown in the council's cash flow statement under financial activities. An example of such a principal / agent relationship is where the council acts as billing authority for NDR and council tax attributable to the police and fire authorities. In this example, the council is principal and shows cash collected on behalf of the other authorities in its net cash balance and two creditors. A further example would be in respect of Covid Grants provided by Government, the council is acting as an agent where the council is not in control of funding where it is responsible only for distributing amounts to beneficiaries with rules supplied by the funder, so that the recipient and the amounts they receive would be no different if Government had distributed the funding itself.

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Wiltshire Council

Audit and Governance Committee

28 April 2021

Subject: **Statement of Accounts 2019/20 update**

Executive Summary

This report presents the final Statement of Accounts 2019/20 and provides an update on the amendments made since the draft accounts were published.

Proposal(s)

It is recommended that Audit & Governance Committee note the updated position on the Statement of Accounts 2019/20.

Reason for Proposal(s)

The responsible financial officer is required to gain approval 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.

Andy Brown
Corporate Director for Resources & Deputy Chief Executive (S.151 Officer)

Wiltshire Council

Audit and Governance Committee

28 April 2021

Subject: **Statement of Accounts 2019/20**

Purpose of Report

1. This report presents the final Statement of Accounts 2019/20 and provides an update on the amendments made since the draft accounts were published following the delay in expected receipt of the final audited accounts from November 2020. It also sets out some of the actions taken to address the weaknesses within the previous accounts processes and the limited technical capacity and experience of resources within the council.

Relevance to the Council's Business Plan

2. The responsible financial officer is required to gain approval 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.

Background

3. The Statement of Accounts for the financial year 2018/19 was presented to Audit and Governance Committee for final approval at its meeting on 18 November 2020 following an extended audit process.

4. During this meeting it was agreed to defer the approval of the 2019/20 accounts to the Audit and Governance Committee meeting on 10 February 2021 as the audit process had not been completed to conclusion. This was in part due to the focus on progressing the resolution of outstanding audit queries and bringing the audit of the 2018/19 accounts to conclusion, as well as recognising the limited technical capacity and experience of resources within the council at the time and the difficulties in progressing the audit process remotely.

5. During the latter part of December 2020, it became apparent that a significant proportion of audit queries on the 2019/20 accounts remained outstanding. As a result, a report was presented to the Audit & Governance Committee at its meeting on 10 February 2021 setting out the challenges and requested that a further delay be approved, with a commitment to bring the accounts to the meeting on 28 April 2021, which was agreed.

Steps taken

6. As previously reported a new officer has been appointed as Chief Accountant and started in post on 25 January 2021. In addition to this an experienced local government resource has been appointed through an agency for a short-

term period to support resolution of the outstanding issues on the accounts. This has provided greater confidence that resources within the council are able to deliver the work to the standard required to bring the accounts and audit process to conclusion.

7. A full review has been undertaken in liaison with Deloitte and all outstanding audit queries responded to and evidence provided. At this point there is only one query that remains outstanding which is below ‘triviality’ thresholds so will not affect the accounts. Alongside this review of outstanding audit queries a full internal quality assurance check has been carried out to ensure no material errors or misstatements are present in the 2019/20 accounts.

8. In preparation for the 2020/21 accounts process a review has been undertaken and a detailed 2020-21 closedown timetable has been developed which includes working paper requirements mapped to the financial statements and disclosure notes. This process has highlighted a misstatement associated with the financial arrangement for the funding of Monkton Park, which has previously been disclosed as a PFI arrangement incorrectly. This misstatement is estimated to understate the value of the loan liability shown on the balance sheet of approximately £4m. Due the late identification of this misstatement it will not be adjusted for in the accounts but will be corrected in 2020/21.

9. Meetings have occurred between the section 151 officer and the audit partner to ensure full oversight of the audit process and to maintain strategic focus and ensure priority remains for this work. An updated set of accounts has also been presented to the auditors following the reviews noted above.

10. The audit process is substantially complete now however progress is expected to be slow over the coming month due to Deloitte’s commitments to other clients. It is not anticipated that the audit review processes will be complete and reporting finalised until mid-July and therefore the expectation is that the final audited accounts will be presented to this committee at its next meeting on 21 July for approval.

Improvement plan of action

11. Attached in Appendix A is a table of amendments that have been applied to the accounts since they were last published as draft. As can be seen the range and number of errors and misstatements is larger than we would wish to see, and they are not contained to one area. There is therefore a need for focused development to address the weaknesses within the previous accounts processes and the limited technical capacity and experience of resources within the council. A comprehensive improvement plan is under development and it will cover areas including setting expectations and standards, sharing knowledge and experience across team members, and will also include additional training and development for the team and addressing the capacity in this technical accounting area. Some training has already been undertaken.

Overview and Scrutiny Engagement

12. No overview and scrutiny engagement has taken place due to the statutory nature of the annual accounts process and those charged with governance i.e. Audit and Governance Committee, are responsible for the review and approval of all matters concerning the annual accounts.

Safeguarding Implications

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

Public Health Implications

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

Procurement Implications

15. There are no procurement implications associated with this report.

Equalities Impact of the Proposal

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

Environmental and Climate Change Considerations

17. 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

18. The annual accounts are required to be approved as part of the overall statutory requirement of the annual accounts process. If the accounts and audit process is not finalised the process for 2019/20 will not be able to be concluded and it may impact on the ability to progress the accounts and audit process for 2020/21.

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

19. Additional work has taken place by both council and audit staff to address the outstanding audit queries and complete the audit process. The audit is a statutory function and accounts must be prepared in accordance with regulation to represent a true and fair view of the financial position of the council.

Financial Implications

20. The financial implications have been set out in the body of this report. As with 2018/19 the extended time to complete the audit is likely to result in additional audit fees being incurred. As stated above, additional local government technical financial accounting experienced resource has been sourced through an agency for short-term support to address to conclusion the 2019/20

accounts and audit, to address the outstanding technical historic account balances issue which resulted in the 'except for' qualification of the 2018/19 accounts in time for the lifting of this 'except for' qualification for the 2020/21 accounts process, and to also support the development and training of team through the production of the 2020/21 accounts process.

Legal Implications

21. There are no legal implications associated with this report.

Workforce Implications

22. There are no workforce implications associated with this report.

Options Considered

23. The responsible financial officer is required to gain approval 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.

Conclusions

24. It is recommended that the Audit & Governance Committee note the updated position on the Statement of Accounts 2019/20.

Andy Brown
Corporate Director for Resources & Deputy Chief Executive (S.151 Officer)

Report Authors:
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20 April 2021

Appendices:
Appendix A – Summary table of changes from the published Draft Statement of Accounts 2019/20
Appendix B – Final Statement of Accounts 2019/20

Background Papers

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

Draft Statement of Accounts 2019/20

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Wiltshire Council

Audit and Governance Committee 28 April 2021

Subject: Appendix A – Summary table of changes from the published Draft Statement of Accounts 2019/20

The table below shows the amendments that have been applied to the accounts since they were last published as draft.

Area	Amendments
Leaders Introduction	Deleted outturn table - duplicate of table in the section 2019/20 Financial and Performance Review
Director of Finance's Narrative Report	Corrected dates on the table 'Delivery of the Capital Programme'
	Cross referenced amounts (£) quoted to Financial Statements, disclosure notes and other sources of evidence i.e. 2019/20 outturn reports - corrections made to ensure consistency of amounts. HRA commentary added. Sub-section added referring to roundings
Comprehensive Income and Expenditure Statement, Movement in Reserves Statement, Expenditure and Funding Analysis Statement, Note 1a Revenue Outturn. and Note 13 Note to the Funding Analysis	Corrected value of segments to reflect correct split, which included restating 2018/19 to reflect 2019/20 new management structure
	Corrected classifications between capital adj, pension adj and other differences in note 13, allocation of depreciation/ revaluations, and HRA which consequently impact on the Comprehensive Income and Expenditure Statement, Movement in Reserves Statement, Expenditure and Funding Analysis Statement, which have been amended accordingly
Comprehensive Income and Expenditure Statement, Expenditure and Funding Analysis Statement, and Note 13 Note to the Funding Analysis	Reflected impairment losses in correct segments
Note 1b Expenditure and Income Analysed by Nature	Some lines were amended so the 2018/19 comparatives agreed to the prior year audited financial statements
Note 33 Major Repairs Reserve, Movement in Reserves Statement, Balance Sheet, Note 31 Usable Reserves, Note 37 Capital Adjustment Account, Note 17 Capital Financing Requirement &	Corrected amount used for financing HRA capital programme

Area	**Amendments**
Note 4 Financing of HRA capital expenditure (HRA) and Note 5 Major Repairs Reserve (HRA)	
Cashflow statement, Note 39 Cash Flow Operating Activities, Note 40 Cash Flow Investing Activities, and Note 41 Cash Flow Financing Activities	Reworked Cash Flow to correct errors which included restating 2018/19 Statement. Included additional disclosures in note 39 that are required by the Accounting Code
Note 4 Financing and Investment Income and Expenditure, Comprehensive Income and Expenditure Statement, Expenditure and Funding Analysis Statement, and Note 13 Note to the Funding Analysis	Included 'Income and Expenditure in relation to Investment Properties' and 'Financial Instrument Adjustments' in this note/total. This meant amending the CIES, EFA and note 13, included restating 2018/19.
Note 3 Other Operating Expenditure	Footnote to disclosure note that highlights that the gain or loss on disposal of non-current assets includes the write-out schools converted to academies (£7.3m) and assets that have been disposed of in previous years (£7.0m)
Note 5 Taxation and Non-specific Grant Income	'Adjustment for Statutory Requirements' line deleted and amount added to Council Tax line (this is consistent with the presentation of the NDR statutory adj. in the note)
	2018/19 has been restated to eliminate the entry 'additional reserves contribution' £1.8m and correctly classify this as a reserve movement in the Movement in Reserves Statement
Note 6 Grant Income	2019/20 amounts have been corrected (including Covid Grants) and 2018/19 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
Note 7 Dedicated Schools Grant	Presentation of the table has been amended in line with the requirements of the Accounting Code and Department for Education
Note 10 Officer Remuneration	2019-20 disclosure - expenses had been omitted for an employee
Note 12 Related Parties	Corrected the disclosed amount the Council charged the Wiltshire Pension fund in 2019/20 for expenses incurred in administering the fund

Area	Amendments
Note 14 Adjustments between accounting basis and funding basis under regulations	Corrected presentation to show all HRA transactions in the HRA column and added new lines* to transparently reflect transactions and easy cross reference to other notes i.e. HRA. * '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',*'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'
Note 14 Adjustments between accounting basis and funding basis under regulations, HRA Statement and Statement of Movement on HRA Balances	Corrected the presentation of the profit/loss on sale of non-current assets (HRA)
Note 15 Property, Plant and Equipment	Reflecting 'revaluation adjustment' in the lines 'Revaluation increases/ (decreases) recognised in Revaluation reserve' and 'Revaluation increases/ (decreases) recognised in Surplus/ Deficit on provision of services'
	Capital Commitment disclosure has been included to comply with the requirements of the Code.
	Added 2018/19 Comparative Table showing movement in the year
Note 17 Capital Financing Requirement	2018/19 & 2019/20 deleted the line ‘repayment of long-term capital assets’* and corrected the 2018/19 total movement in the year which was showing the incorrect total. * No evidence could be found as to what this amount related to i.e. no entries in the Capital Adjustment Account
	Included the Flexible use of capital receipts to fund transformation expenditure - transfer of expenditure and associated financing (Capital Receipts), so these entries cross referenced to note 14 Adjustments between accounting basis and funding basis under regulations and note 34 Usable Capital Receipts Reserve
	2019/20 deleted the line 'adjustment per disposal of assets’* * No evidence could be found as to what this amount related to i.e. no entries in the Capital Adjustment Account, and disposals do not impact the CFR
Note 26a Debtors	The age debt analysis table has been deleted - not required by the Accounting Code
	Includes a new disclosure note for long term debtors because the total amount on the Balance Sheet is material
Note 30 Financial Instruments	Complete rework of this note (previously named 'Borrowing') to comply with the requirements of the Code i.e. include the following tables ‘Categories of Financial Assets’, ‘Categories of Financial Liabilities', ‘Items of Income, Expense, Gains and

Area	Amendments
	Losses Recognised in CIES'.
Note 32 Transfer to/from Earmarked Reserves	Included 2018/19 comparatives
Note 36 Revaluation Reserve	Amended presentation and sub-totals to facilitate more transparent cross referencing to other notes
Note 38 Pension Fund Liability	A small number of corrections to reflect amounts against the correct lines in the detailed movements in net pension liability
	Included a footnote to the table making reference to McCloud and footnote to explain the breakdown of the unfunded liabilities
Note 39 Cashflow Operating Activities	Corrected table row headings
Note 40 Cashflow Investing Activities	Corrected table row headings
Note 44 Assumptions made about the future and other major sources of estimation uncertainty	PPE, included text: 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 valuation. At the current time, it is not possible to accurately predict the longevity and severity of the impact of Covid-19 on the economy
	Quantified the effect of changes in estimates
Note 46 Events after the Balance Sheet Date	Included the text: 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
Note 47 Contingent Liabilities	Legal Claims - corrected date
	NHS Trust - Business Rates disclosure removed
Note 49 Defined Pensions Benefit Schemes	Delete total for average column
	Corrected the first table in the note whereby the years had been mixed up and updated the percentages in the fair value of employer assets table
Note 51 Fair Value	Corrected discrepancies (amounts and allocation to categories)

Area	Amendments
Note 52 Fair Value Measurement of Investment Properties	Corrected discrepancies (amount and dates)
Notes to Accounts Annex 1 Accounting Policies	Amended dates to 2019/20
HRA Statement and Statement of Movement on HRA Balances	Expanded presentation of Statements to comply with the requirements of the Code and provide a more transparent link to the Comprehensive Income and Expenditure Statement, Movement in Reserves Statement and Note 14 Adjustments between accounting basis and funding basis under regulations
	HRA repairs and maintenance expenditure was amended to reflect the correct amount
Note 1 Housing Stock (HRA)	The disclosed housing stock levels were corrected to agree to the valuer's report
Note 4 Financing of Capital Programme (HRA)	Amended to include 2018/19 comparatives, and restated to include total expenditure and financing (as opposed to just expenditure and financing that the Council incurred as was previously shown)
Note 1 Council Tax (Collection Fund)	Table: Council tax base (band D equivalents) updated to dovetail with base approved by Committee
Glossary	Updated to delete out terms i.e. Provision for Credit Liabilities, and included new terms

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Appendix B

Wiltshire Council

Draft Annual Report and Statement of Accounts

2019/2020

Contents

Leader's introduction

2019/20 has been a challenging but successful year as the Council delivered against our Business Plan. Despite funding pressures and significant levels of demand, the Council has made strong progress in its priorities.

The ambitious Business Plan underpinned by the financial plan sets out four priorities for Wiltshire:

- Growing the economy
- Strong communities
- Protecting those who are most vulnerable
- An innovative and effective Council

Over the last 12 months we have delivered on these priorities and we are proud of our staff, services and what we have achieved together.

The Business Plan builds on the hard work and direction we have set out over the last decade. We are delivering change today in readiness for the next decade.

2019/20 has been another challenging year financially, yet I am delighted that the Statement of Accounts that follow show yet again we have delivered our budget and this year we have succeeded in returning £0.356 million to the General Fund Reserve.

This has been achieved whilst delivering £27 million of in year saving proposals in the face of £45 million of growth in demand for critical services.

We have continued to make big decisions to ensure the County of Wiltshire is prepared for the future, for example:

- Continuation of the adult social care transformation programme, including the transition to a new case management system;
- Continuation of the families and children's service transformation programme, working with strategic partners, with an aim of significantly improving the chances of all our children living safely, healthily and happily in their own families and communities; and
- Successful implementation of the first phase of a new children's case management system for children's social care and SEN.

The political uncertainties around the United Kingdom's departure from the European Union remained during the year and the question mark over local authority funding posed by the Government's delayed fair funding review lead to future financial uncertainties. At the end of the financial year unprecedented uncertainty was faced with the arrival of the Covid-19 pandemic. I am proud of the initial response the Council made to this and the support given to our communities in such unprecedented times.

The outcomes of funding changes and the impact of recovery from the Covid-19 emergency in the future is not yet known but it will change the Council and how services are delivered and will impact on the Council's finances. However, the Council remains absolutely committed to deliver its priorities and on delivering vital services for its communities, residents and businesses.

I would like to take this opportunity to thank all of our staff who have worked throughout the year to deliver quality services within a challenging budget and working as whilst providing value for money.

Cllr Philip Whitehead
Leader of Wiltshire Council 26 Aug 2020

Wiltshire Council
Where everybody matters

Director of Finance's 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 by nearly £130 million 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 2019/20, the Council has had another successful year financially. In setting the 2019/20 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 delivery quality public services.

Towards the end of the year the Council responded to the Covid-19 emergency which placed pressure on service delivery across the Council and also gave rise to significant financial uncertainties. Due to the timing of the emergency there is little impact in terms of the financial performance and financial position of the Council however the impact on the global economy results in some areas of the financial statements (such as valuations of some assets) which will contain uncertainty.

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.

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 2019/20 Statement of Accounts.

Andy Brown
Interim Corporate Director for Resources
Wiltshire Council
26 August 2020

2019/20 Financial and Performance Review

Overall Financial Outturn

The financial statements report a minor underspend for 2019/20. 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 the year 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 £000	2018/2019 £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 2019/20 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:

Delivery of the Capital Programme

	31 March 2020 £000	31 March 2019 £000
Long-Term Assets	1,204,569	1,180,096
Current Assets	158,902	168,727
Current Liabilities	(143,519)	(113,038)
Net Pension Liability	(491,733)	(613,750)
Other Long-Term liabilities	(448,999)	(458,710)
Net Assets	**279,220**	**163,325**
Financed by:		
Usable Reserves	(128,399)	(146,365)
Unusable Reserves	(150,821)	(16,960)
Total Reserves	**(279,220)**	**(163,325)**

The Council's 2019/20 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.

2019/20 Financial and Performance Review (cont'd)

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 million of Council property is expected to be sold in 2020/21. 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 2019/20. The average long-term borrowing rate was 3.75%; and the return on short term investments was 0.90%

At the end of 2019/20 the Council had £339 million of outstanding borrowing. That is £6 million less than as at 31 March 2019. In order 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.

As such the increase to the pension deficit to £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 £4.506 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 2019/20 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.

General Fund & 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.

2019/20 Financial and Performance Review (cont'd)

Financial & activity / performance

In setting the 2019/20 budget the Council received no funding from government through general support grant (revenue support grant). This meant in 2019/20 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 2018/19.

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 2019/20 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. There is uncertainty moving forwards and the changes required in service delivery are being assessed alongside addressing the financial position of the Council and the on-going pressures that are forecast. The Council continues to focus on the delivery of efficient and effective public services for its residents.

Rounding

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

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 2019/20

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 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.

Behaving with integrity

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.

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.

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.

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.

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.

Engaging with citizens and service users

Public engagement plays a key part in the decision-making process, across the full range of the Councils 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

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.

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.

Engaging with institutional stakeholders

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.

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

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.

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.

Sustainable economic, social and environmental benefits

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

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

Determining and planning interventions

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.

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.

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.

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.

Optimising achievement of intended outcomes

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

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

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.

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.

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

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.

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 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.

Robust internal control and strong public financial management

Wiltshire's section 151 Officer or **Chief Finance Office**r 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 Brexit, 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.

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 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. Details of this conclusion and opinion can be found in the auditor's ISA 260 reports.

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 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 completion of the Audit.]

Andy Brown
Director, Finance & Procurement (Chief Financial Officer/Section 151 Officer)
Wiltshire Council
TBA 2021

Approval of the Statement of Accounts

[This statement added and be signed following the completion of the Audit.]

Councillor Richard Britton
Chairman of the Audit Committee
TBA 2021

Independent Auditors' Report to the Members of Wiltshire Council

[This will be added following the completion of the Audit.]

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*		
General Fund Services		**Expenditure £000**	**Income £000**	**Net Expenditure £000**	**Expenditure £000**	**Income £000**	**Net Expenditure £000**
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		207,061	(174,688)	**32,373**	202,038	(175,984)	**26,054**
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		89,530	(20,234)	**69,296**	87,729	(19,893)	**67,836**
Housing & Commercial Development		33,872	(12,115)	**21,757**	39,229	(11,861)	**27,368**
Communities & Neighbourhood		46,321	(13,735)	**32,586**	50,027	(14,095)	**35,932**
Finance		97,460	(89,298)	**8,162**	108,057	(100,819)	**7,238**
Corporate Directors & Members		3,926	(248)	**3,678**	3,302	(33)	**3,269**
Corporate		13,209	(14,287)	**(1,078)**	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		**953,384**	**(521,534)**	**431,850**	**930,682**	**(510,332)**	**420,350**
Other Operating Expenditure	**Note 3**			**32,829**			**46,012**
Financing and Investment Income and Expenditure	**Note 4**			**24,842**			**22,859**
Taxation and Non-specific Grant Income	**Note 5**			**(439,867)**			**(468,287)**
(Surplus)/ Deficit on the Provision of Services				**49,654**			**20,934**
(Surplus) or deficit on revaluation of Property, Plant and Equipment Assets	**Note 36**			**(6,619)**			**(25,794)**
Actuarial (Gains)/Losses on Pension Assets /Liabilities	**Note 49**			**(158,930)**			**34,485**
Other Comprehensive Income and Expenditure				**(165,549)**			**8,691**
Total Comprehensive Income and Expenditure				**(115,895)**			**29,625**

* 2018/19 amounts have been restated to reflect the departmental restructure that occurred in 2019/20.

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)**	(16,960)	**(163,325)**
Total Comprehensive Income and Expenditure	54,760	(5,106)	0	0	0	**49,654**	(165,549)	**(115,895)**
Adjustments between accounting basis and funding basis under regulations (note 14)	(41,789)	8,529	842	(7,430)	8,160	**(31,688)**	31,688	**0**
Net (Increase)/Decrease in 2019/20	12,971	3,423	842	(7,430)	8,160	**17,966**	(133,861)	**(115,895)**
Balance at 31 March 2020	**(39,372)**	**(10,144)**	**(11,128)**	**(12,169)**	**(55,586)**	**(128,399)**	**(150,821)**	**(279,220)**
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)**
Total Comprehensive Income and Expenditure	24,073	(3,139)	0	0	0	**20,934**	8,691	**29,625**
Adjustments between accounting basis and funding basis under regulations (note 14)	(22,985)	7,523	1,027	(3,140)	(9,749)	**(27,324)**	27,324	**0**
Net (Increase)/Decrease in 2018/19	1,088	4,384	1,027	(3,140)	(9,749)	**(6,390)**	36,015	**29,625**
Balance at 31 March 2019	**(52,343)**	**(13,567)**	**(11,970)**	**(4,739)**	**(63,746)**	**(146,365)**	**(16,960)**	**(163,325)**

* 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.

** The allocation of the 2018/19 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 at 31 March 2019.

Balance Sheet

This statement summarises the Council's assets and liabilities as at 31 March for the years 2020 and 2019.

	NOTES	31 March 2020 £000	£000	31 March 2019 £000
Property, Plant and Equipment	**15**			
Council Dwellings & Garages		267,388		273,168
Other Land and Buildings		338,990		355,028
Vehicles, Plant, Furniture and Equipment		68,681		66,484
Infrastructure		410,393		388,208
Community Assets		4,377		6,061
Assets Under Construction		63,360		50,673
Surplus Assets Not Held for Sale		4,550		8,634
			1,157,739	**1,148,256**
Investment Properties	**23**	23,099		23,452
Intangible Assets	**24**	14,244		1,985
Long Term Debtors	**26 & 30**	9,487		6,403
			46,830	31,840
Total Long Term Assets			**1,204,569**	**1,180,096**
Current Assets				
Short Term Investments	**30**	79,820		102,277
Assets Held for Sale	**25**	8,477		8,427
Inventories		775		789
Short Term Debtors	**26 & 30**	60,884		50,531
Cash and Cash Equivalents	**27 & 30**	8,946		6,703
Total Current Assets			**158,902**	**168,727**
Current Liabilities				
Short Term Creditors	**28 & 30**	(128,492)		(95,689)
Short Term Borrowing	**30**	(6,726)		(10,172)
Short Term PFI Creditors	**22 & 30**	(3,795)		(3,581)
Provisions	**29**	(4,506)		(3,596)
Total Current Liabilities			**(143,519)**	**(113,038)**
Long Term Liabilities				
Long Term PFI Creditors	**22 & 30**	(65,021)		(68,814)
Long Term Borrowing	**30**	(332,669)		(335,029)
Other Long Term Liabilities	**30**	(2,067)		(2,241)
Pension Fund Liability	**38**	(491,733)		(613,750)
Planning Deposits	**28**	(49,242)		(52,626)
Total Long Term Liabilities			**(940,732)**	**(1,072,460)**
Net Assets			**279,220**	**163,325**
Financed by				
Usable Reserves	**31**		(128,399)	(146,365)
Unusable Reserves	**35**		(150,821)	(16,960)
Total Reserves			**(279,220)**	**(163,325)**

Andy Brown
Director, Finance & Procurement (Section 151 Officer)
28 August 2020

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		49,654	20,934
Adjustments to net surplus or deficit on the provision of services for non-cash movements	**39**	(129,715)	(135,593)
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		**(11,415)**	**(10,530)**
Investing Activities	**40**	(3,299)	22,794
Financing Activities	**41**	12,471	(10,273)
Net decrease or (increase) in cash and cash equivalents		**(2,243)**	**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**	**8,946**	**6,703**

* 2018/19 amounts have been restated to accurately reflect the breakdown of cash flows between operating, investing and financing activities

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. 2018/2019 comparators have been realigned to reflect the new management structure for 2019/20.

	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	29,164	32,373	(92)	26,146	26,054
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	54,102	15,194	69,296	50,850	16,986	67,836
Housing & Commercial Development	17,474	4,283	21,757	17,105	10,263	27,368
Communities & Neighbourhood	25,445	7,141	32,586	24,025	11,907	35,932
Finance	6,935	1,227	8,162	6,401	837	7,238
Corporate Directors & Members	3,538	140	3,678	3,192	77	3,269
Corporate	7,761	(8,839)	(1,078)	17,507	(12,495)	5,012
Net Cost of Services General Fund	**369,733**	**65,937**	**435,670**	**357,734**	**66,492**	**424,226**
Housing Revenue Account (HRA)	(12)	(3,808)	(3,820)	877	(4,753)	**(3,876)**
Transfer from Earmarked Reserves	(13,327)	13,327	0	(3,245)	3,245	**0**
Earmarked Reserves - transfer to General Fund	13,327	(13,327)	0	3,245	(3,245)	**0**
Net Cost of Service	**369,721**	**62,129**	**431,850**	**358,611**	**61,739**	**420,350**
Other Operating Expenditure	21,702	11,127	**32,829**	19,804	26,208	**46,012**
Financing and Investment Income and Expenditure	9,758	15,084	**24,842**	9,327	13,531	**22,858**
Taxation and non-specific grant income	(384,787)	(55,080)	**(439,867)**	(382,270)	(86,016)	**(468,286)**
(Surplus)/ Deficit on the Provision of Services	**16,394**	**33,260**	**49,654**	**5,472**	**15,462**	**20,934**
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)**		

* 2018/19 amounts have been restated to reflect the departmental restructure in 2019/20

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 2019/20 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 2019/20 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 2019/20 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, '2019/20 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	645,727	625,536
Depreciation, amortisation and impairment	40,012	48,396
Interest payments	12,618	12,328
Precept and levies	21,702	19,804
Loss on disposal of assets	9,894	25,291
Total Expenditure	**1,011,843**	**1,001,468**
Income		
Fees, charges and other service income	(521,534)	(510,332)
Interest and investment income	(874)	(960)
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	(30,708)	(42,766)
Other grants and contributions	(52,764)	(88,096)
Total Income	**(962,189)**	**(980,534)**
(Surplus) / Deficit on the Provision of Services	**49,654**	**20,934**

* 2018/19 amounts have been restated so the Surplus / Deficit on the Provision of Services total equals the total in the Comprehensive Income and Expenditure Statement

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 2019/20 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**

* 2019/20 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

Note 4 Financing and Investment Income and Expenditure

	2019/2020 £000	2018/2019 Restated* £000
Interest Payable and Similar Charges	12,618	12,328
Interest and Investment Income	(874)	(960)
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	**24,842**	**22,859**

* 2018/19 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

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	(30,708)	(34,720)
Formula Grant	0	(8,046)
Business Rates Retention Scheme	(63,185)	(56,695)
Capital Grants and Contributions	(52,764)	(88,096)
Total	**(439,867)**	**(468,287)**

* 2018/19 has been restated to eliminate the entry 'additional reserves contribution' £1.8m and correctly classify this as a reserve movement in the Movement in Reserves 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)
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	**(141,972)**	**(186,606)**
Credited to Services		
Dedicated Schools Grant	(178,567)	(180,474)
Public Health Grant	(16,903)	(17,361)
Pupil Premium Grant	(7,362)	(7,454)
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)
Salilsbury Recovery	(150)	(3,149)
Other Grants	(71,529)	(62,216)
Other Contributions	(3,625)	(1,836)
Donations	(861)	(895)
Covid Grant	(11,578)	0
Total	**(304,401)**	**(287,857)**
Total Grants, Contributions & Donations	**(446,373)**	**(474,463)**

* 2018/19 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
Revenue 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 Department for Education, the Dedicated Schools Grant ("DSG"). An element of DSG is recouped by the Department to fund academy schools in the Council's area. DSG is ringfenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance (England) Regulations 2013. The Schools Budget includes elements for a range of educational services provided on a Council-wide basis and for the Individual Schools Budget, which is divided into a budget share for each maintained school.

Details of the deployment of DSG receivable for 2019/20 and 2018/2019 are as follows:

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

* 2018/19 amounts have been restated to align the amounts to the amended format of the disclosure note.

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 £000	2018/2019 £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 CCG	0	0
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 £000	2018/2019 £000
Wiltshire CCG BCF Contribution	(33,016)	(31,776)
Wiltshire Council BCF Contribution	(5,348)	(8,943)
Disabled Facilities Grant	(3,273)	0
Improved Better Care Fund	(8,118)	(9,626)
Winter Pressures Grant	(1,823)	0
Total Income and Grants	**(51,578)**	**(50,345)**

Note 9 Members' Allowances

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

	2019/2020 £000	2018/2019 £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 No. Employees	2018/2019 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 £	Expense Allowances £	Compensation for loss of Office £	Benefits in Kind £	Total Remuneration excluding pension contributions 2019/2020 £	Employers Pension Contributions £	Total Remuneration including pension contributions 2019/2020 £
Executive Director Adult Care, Public Health, Digital - Carlton Brand (Subnote A)	159,084	0	0	120,727	0	279,811	25675	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 £	Expense Allowances £	Compensation for loss of Office £	Benefits in Kind £	Total Remuneration excluding pension contributions 2018/2019 £	Employers Pension Contributions £	Total Remuneration including pension contributions 2018/2019 £
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 £	Expense Allowances £	Compensation for loss of Office £	Benefits in Kind £	Total Remuneration excluding pension contributions 2019/2020 £	Employers Pension Contributions £	Total Remuneration including pension contributions 2019/2020 £
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	Expense Allowances	Compensation for loss of Office	Benefits in Kind	Total Remuneration excluding pension contributions 2018/2019	Employers Pension Contributions	Total Remuneration including pension contributions 2018/2019
	£	£	£	£	£	£	£	£
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 note 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**

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 2019/20 the Council charged the fund £1.818 million (£1.478 million in 2018/19) 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		
General Fund Services	**Adjustments for Capital Purposes (Note 13a) £000**	**Net change for the Pension Adjustments (Note 13b) £000**	**Other Differences (Note 13c) £000**	**Total Adjustments £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	26,300	2,555	309	**29,164**
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	14,000	1,184	10	**15,194**
Housing & Commercial Development	3,484	792	7	**4,283**
Communities & Neighbourhood	4,978	2,137	26	**7,141**
Finance	133	1,089	5	**1,227**
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	**40,012**	**21,912**	**205**	**62,129**
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	**(1,539)**	**36,913**	**(2,114)**	**33,260**

	2018/2019 Restated*			
	Adjustments for Capital Purposes (Note 13a)	Net change for the Pension Adjustments (Note 13b)	Other Differences (Note 13c)	Total Adjustments
General Fund Services	**£000**	**£000**	**£000**	**£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	24,859	1,840	(553)	**26,146**
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	16,125	922	(61)	**16,986**
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	**48,396**	**13,940**	**(598)**	**61,739**
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	**(14,448)**	**28,429**	**1,480**	**15,462**

* 2018/19 amounts have been restated to reflect the departmental restructure that took place in 2019/20

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**	**Housing Revenue Account**	**Capital Receipts Reserve**	**Major Repairs Reserve**	**Capital Grants Unapplied**	**Total Unusable Reserves**
	£000	**£000**	**£000**	**£000**	**£000**	**£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	(23,435)	(12,232)				**35,667**
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	(22,158)					**22,158**
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	14,369					**(14,369)**
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	3					**(3)**
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	**(41,789)**	**8,529**	**842**	**(7,430)**	**8,160**	**31,688**

2018/2019 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	(24,616)	(12,153)				**36,769**
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	(17,842)					**17,842**
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	14,339					**(14,339)**
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	**(22,985)**	**7,523**	**1,027**	**(3,140)**	**(9,749)**	**27,324**

BALANCE SHEET NOTES RELATING TO CAPITAL

Note 15 Property, Plant and Equipment ("PPE")

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

Property, Plant and Equipment 2019/20	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
Cost or Valuation								
Opening Balance 1 April 2019	273,936	449,739	151,564	474,838	6,757	50,673	8,935	**1,416,442**
Additions	7,578	11,271	6,469	922	0	52,903	0	**79,143**
Derecognition - Disposals	(1,538)	(21,207)	(182)	0	(698)	0	(125)	**(23,750)**
Revaluation increases/ (decreases) recognised in Revaluation reserve	(11,565)	20,329	(3,086)	0	(943)	10	0	**4,745**
Revaluation increases/ (decreases) recognised in Surplus/ Deficit on provision of services	(174)	(41,180)	10	0	(215)	0	0	**(41,559)**
Category Adjustments & other movements	4	6,381	886	29,088	36	(40,288)	(4,259)	**(8,152)**
At 31 March 2020	**268,241**	**425,333**	**155,661**	**504,848**	**4,937**	**63,298**	**4,551**	**1,426,869**
Depreciation and Impairments								
Opening Balance 1 April 2019	(768)	(94,711)	(85,080)	(86,630)	(696)	0	(301)	**(268,186)**
Depreciation	(5,701)	(11,820)	(10,321)	(7,825)	0	0	0	**(35,667)**
Accumulated depreciation written back on derecognition of assets	0	5,200	0	0	10	0	0	**5,210**
Revaluation losses/Impairment recognised in the surplus/deficit on provision	83	30,684	(28)	0	23	62	0	**30,824**
Revaluation losses/Impairment recognised in the revaluation reserve	5,533	(15,696)	8,449	0	103	0	0	**(1,611)**
Category Adjustments & other movements	0	0	0	0	0	0	300	**300**
At 31 March 2020	**(853)**	**(86,343)**	**(86,980)**	**(94,455)**	**(560)**	**62**	**(1)**	**(269,130)**
Net Book Value at 31 March 2020	**267,388**	**338,990**	**68,681**	**410,393**	**4,377**	**63,360**	**4,550**	**1,157,739**
Net Book Value at 31 March 2019	**273,168**	**355,028**	**66,484**	**388,208**	**6,061**	**50,673**	**8,634**	**1,148,256**

Property, Plant and Equipment 2018/19	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
Cost or Valuation								
Opening Balance 1 April 2018	308,500	464,328	225,137	436,386	6,856	62,806	9,890	**1,513,903**
Additions	8,810	21,855	7,211	9,095	0	36,140	1	**83,112**
Derecognition - Disposals	(1,989)	(25,007)	(12,566)	0	(99)	0	(1,100)	**(40,761)**
Revaluation increases/ (decreases) recognised in Revaluation reserve	(34,875)	(17,607)	(88,883)	0	0	0	123	**(141,242)**
Revaluation increases/ (decreases) recognised in Surplus/ Deficit on provision of services	(17,957)	(252)	19,696	0	0	0	0	**1,487**
Category Adjustments & other movements	11,447	6,422	969	29,357	0	(48,273)	21	**(57)**
At 31 March 2019	**273,936**	**449,739**	**151,564**	**474,838**	**6,757**	**50,673**	**8,935**	**1,416,442**
Depreciation and Impairments								
Opening Balance 1 April 2018	(37,677)	(109,693)	(150,144)	(78,892)	(696)	0	0	**(377,102)**
Depreciation	(5,659)	(12,333)	(11,016)	(7,738)	0	0	0	**(36,746)**
Accumulated depreciation written back on derecognition of assets	0	4,273	1,239	0	0	0		**5,512**
Revaluation losses/Impairment recognised in the surplus/deficit on provision	14,236	(19,852)	(21,312)	0	0	0	0	**(26,928)**
Revaluation losses/Impairment recognised in the revaluation reserve	28,332	42,523	96,153	0	0	0	28	**167,036**
Category Adjustments & other movements	0	371	0	0	0	0	(329)	**42**
At 31 March 2019	**(768)**	**(94,711)**	**(85,080)**	**(86,630)**	**(696)**	**0**	**(301)**	**(268,186)**
Net Book Value at 31 March 2019	**273,168**	**355,028**	**66,484**	**388,208**	**6,061**	**50,673**	**8,634**	**1,148,256**
Net Book Value at 31 March 2018	**270,823**	**354,635**	**74,993**	**357,494**	**6,160**	**62,806**	**9,890**	**1,136,801**

Capital Commitments
At 31 March 2020, the Council had entered into contracts for the construction and enhancement of property, plant and equipment in 2020/21 and future years. The significant commitments are as follows:

Capital Commitments	As at 31 March 2020 £000	As at 31 March 2019 £000
Campuses	4,252	1,459
Economic Development	5,626	829
Education	8,967	11,732
Highways	8,848	10,150
Housing	27,816	16,683
ICT	1,205	600
Other	432	123
Property	1,718	1,027
Ultrafast Broadband	2,638	3,000
Total	**61,502**	**45,603**

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 2019/20 is £35.677 million (£36.746 million in 2018/19).

Note 17 Capital Expenditure and Capital Financing

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

	31 March 2020		31 March 2019 Restated*
	£000	£000	£000
Opening Capital Financing Requirement		**546,851**	**564,154**
Capital Investment			
Plant Property & equipment Assets	79,143		87,254
Plant Property & equipment PFI Assets	0		(14)
Investment Properties	101		27
Intangible assets	8,560		1,184
Revenue Expenditure Funded from Capital under Statute	22,158		17,842
Flexible use of capital receipts to fund transformation expenditure - transfer of expenditure	1,580		0
		111,542	**106,293**
Sources of Finance			
Government Grants		(60,924)	(78,345)
Major Repairs Reserve		(4,802)	(9,013)
Capital Receipts		(7,694)	(11,602)
Assets purchased through Revenue (inc HRA)		(4,257)	(5,487)
Minimum Revenue Provision		(10,776)	(10,727)
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		**558,347**	**546,851**
Explanation of Movements in the Year			
Increase / (decrease) in underlying need to borrow		11,496	(17,303)
Increase / (decrease) in Capital Financing Requirement		**11,496**	**(17,303)**

* 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.

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 2019/20 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 2019/20.

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		3,603	31,632	410,393		63,350		508,978
Valued at current value in:								
2019/2020	264,923	112,843	37,049		4,356	10	4,550	423,731
2018/2019		140,001						140,001
2017/2018	2,465	71,244						73,709
2016/2017		4,895			21			4,916
2015/2016		6,404						6,404
Book Value at 31 March 2020	**267,388**	**338,990**	**68,681**	**410,393**	**4,377**	**63,360**	**4,550**	**1,157,739**

Schools Assets

During the 2019/20 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
- 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:

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

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

- **Village lock-ups**
  Village lock-ups are historic buildings that were used for the temporary detention of people in England and Wales. 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 been valued for insurance purposes in the past with values individually not exceeding £1,500 per item. The total value of these items is not material, nor is there a benefit to the user of the 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 been investigated and it is felt the cost of obtaining valuations far exceeds the benefit to the users in all these cases. Therefore these items are disclosed in this note only.

Note 21 Leases

Finance leases
A finance lease is a lease that transfers substantially all the risks and rewards of ownership of an asset to the lessee. The Council had no finance leases in 2019/20.

Operating leases
An operating lease is a lease that is not a finance lease (see above) and includes vehicles and other equipment particularly in schools. The Council had no operating leases in 2019/20.

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

Note 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	Monkton Park Modified PFI £000	Housing PFI £000	Total Long term contracts £000
Balance outstanding at 1 April 2019	(24,476)	(4,997)	(42,922)	**(72,395)**
Payments during the year to reduce capital liability	1,133	497	1,949	**3,579**
Liability outstanding 31 March 2020	**(23,343)**	**(4,500)**	**(40,973)**	**(68,816)**
Split:				
Due within 1 year	(1,225)	(530)	(2,040)	**(3,795)**
Due in over 1 year	(22,118)	(3,970)	(38,933)	**(65,021)**
Liability outstanding 31 March 2020	**(23,343)**	**(4,500)**	**(40,973)**	**(68,816)**

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). These are included in the non-current assets in the Balance Sheet with an associated 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:

				2019/2020	2018/2019
	Liability	Interest	Service charges	Total	Total
Period	**£000**	**£000**	**£000**	**£000**	**£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)**

Monkton Park Offices Modified PFI Scheme

North Wiltshire District Council entered into a long-term contract for the provision and management of Monkton Park offices. This contract is for a period of 25 years from the year 2000. The full PFI contract was modified in January 2011. Therefore 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.

The expenditure payable from 12 January 2011 onwards is the amount required for capital and interest only.

Period	Liability £000	Interest £000	2019/2020 Total £000	2018/2019 Total £000
Within 1 years	(530)	(1,093)	**(1,623)**	(1,556)
Within 2-5 years	(2,488)	(4,593)	**(7,081)**	(6,785)
Within 6-10 years	(1,482)	(2,441)	**(3,923)**	(5,737)
Total	**(4,500)**	**(8,128)**	**(12,627)**	**(14,078)**

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 Total £000	2018/2019 £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

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**

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
	31 March 2020 £000	31 March 2019 £000	Amortisation Period
Adults & Children's Case Management System	2,953	1,514	5 - 4 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 £000	2018/2019 £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.

Short Term Debtors

	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	32,905	27,051
Payments in Advance	7,378	6,720
Gross Debtors	81,940	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 expcted credit losses	(21,056)	(22,412)

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	14,804	15,270
Total Cash and Cash Equivalents	**8,946**	**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	(80,670)	(57,874)
Receipts in Advance	(24,452)	(14,085)
Accumulated Absences	(6,336)	(5,916)
Total Short Term Creditors	**(128,492)**	**(95,689)**

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	0	(34)	(1,853)	(978)	**(2,865)**
Amounts used in year	0	0	1,884	71	**1,955**
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.

	Long Term		Short Term	
Categories of Financial Assets	**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				
Accrued interest			8,946	6,703
Total Cash and Cash Equivalents			**8,946**	**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**	**106,914**	**124,771**

	Long Term		Short Term	
[1] ***Debtors Reconciliation to Balance Sheet***	**2019/2020 £000**	**2018/2019 £000**	**2019/2020 £000**	**2018/2019 £000**
Included in Financial Assets	9,487	6,403	18,148	15,791
Debtors that do not meet the definition of a financial asset:				
Statutory Debtors			35,358	28,020
Prepayments			7,378	6,720
Total Debtors	**9,487**	**6,403**	**60,884**	**50,531**

Categories of Financial Liabilities	Long Term 2019/2020 £000	Long Term 2018/2019 £000	Short Term 2019/2020 £000	Short Term 2018/2019 £000
Financial Liabilities				
Borrowings				
Loans at Amortised Cost:				
Principal sum borrowed	(332,669)	(335,029)	(4,555)	(8,310)
Accrued interest			(2,171)	(1,862)
Total Borrowings	**(332,669)**	**(335,029)**	**(6,726)**	**(10,172)**
Finance Lease Liabilities				
PFI Liabilities at amortised cost	(65,021)	(68,814)	(3,795)	(3,581)
Total Finance Lease Liabilities	**(65,021)**	**(68,814)**	**(3,795)**	**(3,581)**
Creditors				
Liabilities at amortised cost			(39,617)	(54,083)
Included in Creditors[2]	**0**	**0**	**(39,617)**	**(54,083)**
Total Financial Liabilities	**(397,690)**	**(403,843)**	**(50,138)**	**(67,836)**

[2] *Creditors Reconciliation to Balance Sheet*	Long Term 2019/2020 £000	Long Term 2018/2019 £000	Short Term 2019/2020 £000	Short Term 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)	(64,423)	(27,521)
Income in Advance			(24,452)	(14,085)
Total Creditors	**(51,309)**	**(54,867)**	**(128,492)**	**(95,689)**

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.

	2019/20		
Financial instrument items of income, expenditure and gains/ losses recognised in the CIES	**Financial Liabilities: Amortised Cost £000**	**Financial Assets: Amortised Cost £000**	**Total £000**
Interest Expense	12,618		12,618
Interest Payable and Similar Charges	**12,618**	**0**	**12,618**
Interest Income		(874)	(874)
Interest and Investment Income	**0**	**(874)**	**(874)**
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	**12,615**	**(874)**	**11,741**
Recognised in Other Comprehensive Income	**0**	**0**	**0**
Net (Gain) / Loss for the Year	**12,615**	**(874)**	**11,741**

	2018/19		
Financial instrument items of income, expenditure and gains/ losses recognised in the CIES	**Financial Liabilities: Amortised Cost £000**	**Financial Assets: Amortised Cost £000**	**Total £000**
Interest Expense	12,328		12,328
Interest Payable and Similar Charges	**12,328**	**0**	**12,328**
Interest Income		(960)	(960)
Interest and Investment Income	**0**	**(960)**	**(960)**
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**	**(960)**	**11,366**
Recognised in Other Comprehensive Income	**0**	**0**	**0**
Net (Gain) / Loss for the Year	**12,326**	**(960)**	**11,366**

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.

	2018/19			2019/20	
Earmarked Reserves	**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**		**2018/2019**
	£000	**£000**	**£000**
Amounts Receivable in year			
Disposal of land and buildings	(14,649)		(14,737)
Other capital receipts - mortgages	(204)		(269)
Other capital receipts			(421)
Housing Pooled Capital Receipt	(1,233)		(875)
		(16,086)	**(16,302)**
Amounts applied to finance new capital investment in year			
Capital receipts utilised	7,695		11,602
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
		16,928	**17,329**
Movement in Year		**842**	**1,027**
Balance at 1 April		(11,970)	(12,997)
Balance at 31 March		**(11,128)**	**(11,970)**

Note 35 Unusable Reserves

Reserve	Note	2019/2020 £000	2018/2019 £000
Revaluation Reserve	36	(289,374)	(308,687)
Capital Adjustment Account	37	(356,125)	(326,878)
Financial Instruments Adjustment Account		949	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		**(150,821)**	**(16,960)**

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 £000
Balance at 1 April	**(308,687)**	**(306,098)**
Upward revaluation of assets	(26,432)	(47,127)
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)**	**(25,794)**
Difference between fair value depreciation and historic cost depreciation	12,019	12,162
Accumulated gains on assets sold or scrapped	13,914	11,043
Net amount transferred to the Capital Adjustment Account	**25,933**	**23,205**
Balance at 31 March	**(289,374)**	**(308,687)**

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 £000**
Balance 1 April	**(326,878)**	**(300,818)**
Reversal of items relating to capital expenditure debited or credited to the comprehensive		
Charges for depreciation of non-current assets	35,667	36,769
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	22,158	17,842
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	
	96,646	**121,697**
Adjusting amounts written out of Revaluation Reserve	(25,933)	(23,205)
Net written out amount of the cost of non-current assets consumed in the year	**70,713**	**98,492**
Capital financing applied in the year		
Use of capital receipts reserve to finance new capital expenditure	(7,694)	(11,602)
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	(14,369)	(14,339)
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)
Balance at 31 March	**(356,125)**	**(326,878)**

Note 38 Pension Fund Liability

The 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.

	Period ended 31 March 2020			Period ended 31 March 2019		
	Assets Obligations £000	Liabilities £000	Net (liability)/ asset £000	Assets Obligations £000	Liabilities £000	Net (liability)/ asset £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 £000	2018/2019 Restated* £000
Depreciation	(35,667)	(36,769)
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	(29,250)	(3,831)
(Increase) / decrease in provisions	(910)	421
Increase / (decrease) in debtors	8,995	5,263
Movement in pension liability	(36,913)	(28,429)
Carrying amount of non-current assets sold or de-recognised	(25,775)	(41,324)
Other non-cash items charged to the SODPOS	0	54
Adjustments for Non-Cash Movements	**(129,715)**	**(135,593)**

* 2018/19 amounts have been restated to accurately reflect the breakdown of cash flows between operating, investing and financing activities

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 £000	2018/2019 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**

* 2018/19 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 £000
Interest Received	(874)	(960)
Interest Payable	12,618	12,328

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	(52,764)	(88,096)
Net cash flows from investing activities	**(3,299)**	**22,794**

* 2018/19 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)**

* 2018/19 amounts have been restated to accurately reflect the breakdown of cash flows between operating, investing and financing activities

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 and, since this could result in positive, negative or no movement in the net pension liability, no prediction can be made currently of the possible accounting impact.

IFRS16 Leases
This standard will require local authorities that are lessees to recognise most leases on their balance sheets as right-of-use assets with corresponding lease liabilities rather than expense the rental charge through the Comprehensive Income and Expenditure Statement. CIPFA/LASAAC have deferred implementation of IFRS16 for local government to 1 April 2021.

An estimated impact of this standard will need to be reported in the 2020/21 Statement of Accounts, so the Council is continuing to assess the potential impact. Whilst this review is continuing, it is currently not possible to estimate the likely impact, but it not expected that there will be a material impact on the financial statements.

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.

Note 43 Critical Judgements in applying accounting policies

In applying the Accounting Policies set out in the Notes to the Accounts 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 uncertainly 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**
  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 valuation. 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 valuations would result in reductions to the Revaluation Reserve and/or 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. 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 £81.9 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 will be considered and authorised by the Chief Financial Officer of Wiltshire Council on 28 August 2020. It is anticipated that the final audited version of these Statement of Accounts will be considered for approval by the Audit and Governance Committee at its meeting in April 2021.

Note 46 Events after the Balance Sheet Date

The Statement of Accounts were authorised by the Chief Financial Officer on 28 August 2020. 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 2019/20.

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.

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 three 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 2019/20 the Council paid £12.04 million (£9.58 million in 2018/2019) to the Department for Education and Skills 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 2019/20 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	31 March 2019
	% per annum	% 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 Quoted Prices in Active Markets £000	31 March 2020 Prices not quoted in Active Markets £000	31 March 2020 Total £000	%	31 March 2019 Quoted Prices in Active Markets £000	31 March 2019 Prices not quoted in Active Markets £000	31 March 2019 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 2020/21 are as follows:

Period Ending 31 March 2021	Assets £000	Obligations £000	Net (Liability)/Asset £000	Net (Liability)/Asset % 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 £000
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 2018/2019 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 2019/20 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**

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 2019/20 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 addresses 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 2019/20):

	Approved Minimum Limits	Approved Maximum Limits	Actual 31 March 2020 £000s	%	Actual 31 March 2019 £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%**

<u>Market Risk – Interest Rate Risk</u>

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 Carrying Amount £000	31 March 2020 Fair Value £000	31 March 2019 Carrying Amount £000	31 March 2019 Fair Value £000
Long Term Borrowing:				
Non-PWLB (Market)	(62,960)	(89,033)	(61,325)	(92,311)
PWLB	(269,709)	(318,629)	(273,704)	(334,191)
Total Long Term Borrowing	**(332,669)**	**(407,662)**	**(335,029)**	**(426,502)**
Short Term Borrowing:				
Non-PWLB (Market)	(1,212)	(1,714)	(656)	(987)
PWLB	(5,514)	(6,514)	(9,516)	(11,619)
Total Short Term Borrowing	**(6,726)**	**(8,228)**	**(10,172)**	**(12,606)**
Total Borrowing Value	**(339,395)**	**(415,890)**	**(345,201)**	**(439,108)**
Short Term Creditors	(128,492)	(128,492)	(95,689)	(95,689)
Long Term Creditors	(2,067)	(2,067)	(2,241)	(2,241)
Total Financial Liabilities	**(469,954)**	**(546,449)**	**(443,131)**	**(537,038)**

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

Financial Liabilities	31 March 2020 Carrying Amount £000	31 March 2020 Fair Value £000	31 March 2019 Carrying Amount £000	31 March 2019 Fair Value £000
Long Term Borrowing:				
Non-PWLB (Market)	(62,960)	(138,099)	(61,325)	(114,363)
PWLB	(269,709)	(419,712)	(273,704)	(381,550)
Total Long Term Borrowing	**(332,669)**	**(557,811)**	**(335,029)**	**(495,913)**
Short Term Borrowing:				
Non-PWLB (Market)	(1,212)	(2,658)	(656)	(1,223)
PWLB	(5,514)	(8,581)	(9,516)	(13,266)
Total Short Term Borrowing	**(6,726)**	**(11,239)**	**(10,172)**	**(14,489)**
Total Borrowing Value	**(339,395)**	**(569,050)**	**(345,201)**	**(510,402)**
Short Term Creditors	(128,492)	(128,492)	(95,689)	(95,689)
Long Term Creditors	(2,067)	(2,067)	(2,241)	(2,241)
Total Financial Liabilities	**(130,559)**	**(130,559)**	**(97,930)**	**(97,930)**

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 Carrying Amount £000	31 March 2020 Fair Value £000	31 March 2019 Carrying Amount £000	31 March 2019 Fair Value £000
Loans and Receivables:				
Cash and Cash Equivalents	8,946	8,946	6,703	6,703
Short Term investment	79,820	79,820	102,277	102,277
Total Loans and Receivables	**88,766**	**88,766**	**108,980**	**108,980**
Short Term Debtors	60,884	47,133	50,531	39,421
Long Term Debtors	9,487	9,487	6,403	6,403
Total Financial Assets	**159,137**	**145,386**	**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 £000	Valuation technique used to measure fair value	Unobservable inputs	Sensitivity
Main Portfolio	23,099,000	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.

Notes to Accounts 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, they 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;
- Dwellings – fair value, determined using the basis of existing use value for social housing ("EUV-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.

Loans and receivables

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, expect 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 ay 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:

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

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

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

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

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

xix. Exceptional Items

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

xx. Cash and Cash Equivalents

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

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

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

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

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

xxii. Events after the Balance Sheet Date

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

Two types of events can be identified:

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

a) in the principal market for the asset or liability; or

b) 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 Receiveable			(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 2018/19 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 Account1	(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 2018/19 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 (Structures) £000	Council Dwellings (Services) £000	Council Dwellings (Land) £000	Other Property (Garages) £000	Total £000
Net Book Value 1 April 2019	168,489	32,663	102,129	2,550	**305,831**
Additions in Year	7,578	2,276	0	0	**9,854**
Disposals	(1,538)	(182)	0	0	**(1,720)**
Revaluations	(4,013)	3,643	(2,110)	0	**(2,480)**
Depreciation	(5,616)	(6,530)	0	(85)	**(12,231)**
Category Adjustments	4	0	0	0	**4**
Balance of Net Book Value at 31 March 2020	**164,904**	**31,870**	**100,019**	**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 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 2018/19 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 below.

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	2	**621**			**621**		
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**

	NOTE	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 2019/20 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 2018/19) and the small business rates relief multiplier was 49.1p (48.0p in 2018/19).

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

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. 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 it's 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 dwelllings.

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 vatable goods and services.

Deloitte.

Wiltshire Council

Wiltshire Council

Update report to the Audit and Governance Committee on the 31 March 2020 audit

Contents

Partner introduction

The key messages in this report:

I have pleasure in presenting our update report to the Audit and Governance Committee for the 2020 audit. I would like to draw your attention to the key message of this paper:

Audit Progress

As the Audit and Governance Committee is already aware, the 2019/20 audit has not progressed in line with the original timeframes. As part of our report we are providing an update on Quality Indicators which have an impact on the execution of our audit. These can be found from page 5. Recently, the new Chief Accountant and Strategic Finance Accountant have made progress in resolving some of the issues which originally impacted on the timeframe for completing the audit. Unfortunately, as the audit was not completed within the originally agreed timeframe, or revised timeframe, it becomes a challenge for the audit team to allocate resource to progress the audit to completion.

We are committed to working with the Council to help ensure that the 2020/21 audit process is undertaken within the expected timeframes. In March 2021, we facilitated a Workshop for the Council's finance staff to discuss various topics (such as the audit process, the different elements of our audit work and good practice) and set out our expectations in terms of the quality of working papers and the timeliness of receiving responses.

We are separately presenting our Audit Plan for 2020/21 to the Audit and Governance Committee, and would like to note that progress on the 2020/21 audit has been satisfactory. The Council has produced a very detailed closedown timetable for the 2020/21 accounts, and we have aligned our audit work plan to this. We will check in regularly with the Chief Accountant to determine whether the closedown is progressing in line with the timetable.

In terms of concluding on the 2019/20 audit, whilst the majority of our audit fieldwork has been completed, this still needs to undergo our full review processes and until the point that the work is fully reviewed we cannot conclude on our audit. As such, the conclusions reached to date should be taken as draft and are still subject to change. Progress with our review process is expected to be slow over the coming month due to other client commitments, and we don't anticipate being able to complete our review process and reporting any earlier than mid-July.

Ian Howse
Lead audit partner

Responsibilities of the Audit and Governance Committee

Helping you fulfil your responsibilities

As a result of regulatory change in recent years, the role of the Audit and Governance Committee has significantly expanded. We set out here a summary of the core areas of Audit and Governance Committee responsibility to provide a reference in respect of these broader responsibilities.

Why do we interact with the Audit and Governance Committee?

- To communicate audit scope
- To provide timely and relevant observations
- To provide additional information to help you fulfil your broader responsibilities

Oversight of external audit

- At the start of each annual audit cycle, ensure that the scope of the external audit is appropriate.

Integrity of reporting

- Impact assessment of key judgements and level of management challenge.
- Review of external audit findings, key judgements, level of misstatements.
- Assess the quality of the internal team, their incentives and the need for supplementary skillsets.
- Assess the completeness of disclosures, including consistency with disclosures on business model and strategy and, where requested by the Council, provide advice in respect of the fair, balanced and understandable statement.
- Assess and advise on the appropriateness of the Annual Governance Statement, including conclusion on value for money.

Internal controls and risks

- Review the internal control and risk management systems
- Explain what actions have been, or are being taken to remedy any significant failings or weaknesses.

Oversight of internal audit

- Consider annually whether the scope of the internal audit programme is adequate.
- 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 that are raised by staff in connection with improprieties.

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.

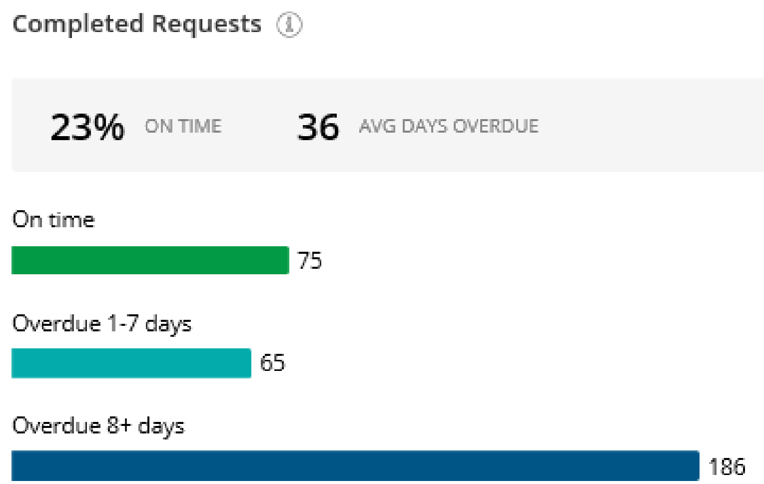
Area	Grading	Reason
Adherence to deliverables timetable	!	Our audit was initially planned based on a 31 May 2020 deadline for receiving draft accounts. In April, as a result of the Pandemic, we agreed a later deadline of 30 June to receive the draft accounts and rearranged our audit staffing accordingly. Management raised concerns at the beginning of June around the 30 June 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, but that we would start the audit in July, 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 in early June. As at 22 July, we had not received any information on approximately half of the areas we had planned to audit in July. We were updated at the end of July that management were aiming to now have the draft accounts produced for early-mid August. On 18 August we were informed that the draft accounts would not be ready until 24 August. The first set of draft accounts received were dated 28 August 2020.

! Significant impact on the audit   ! Moderate impact on the audit   No issues noted

Quality indicators (continued)

Impact on the execution of our audit

Area	Grading	Reason
Adherence to deliverables timetable (continued)	!	The timeframes to receive information to support the audit has not been sufficient. We use a site called Deloitte Connect to upload and receive responses to audit requests. Connect provides 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.

We note that more recently, the response time for audit requests has improved significantly. As at 14 April 2021 there was only one outstanding request which was recently added to Connect.

Quality indicators (continued)

Impact on the execution of our audit

Area	Grading	Reason
Access to finance team	!	We've continued to develop a good relationship with the Finance Team. The Chief Accountant leaving the Council early in the audit, in August 2020, did, understandably, have a big impact on the 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). The Council has since recruited a new Chief Accountant whose focus is on the 2020/21 audit and progress with our planning and interim audit has been very pleasing. The Council also brought in a Strategic Finance Accountant in January 2021, currently in role until the end of September 2021, who is supporting the completion of the 2019/20 audit. We've noticed a significant improvement in the audit process following the introduction of these two members of staff, especially in terms of the timeliness of responses to audit queries and requests, but also in the quality of responses being provided.
Quality and accuracy of management accounting papers	!	Some of the information provided as part of the audit has been poor, and there have been instances where the impact of this on the audit has been significant. At the same time we recognise that there have been certain areas where the information provided has been satisfactory. 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. This is 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.

Quality indicators (continued)

Impact on the execution of our audit

Area	Grading	Reason
Quality of draft financial statements	!	The first draft version of the financial statements received were well below the level of quality we would expect, which is reflected by the various errors noted later in this report. In addition, we have also received various versions of the draft financial statements and are currently on version 4. For versions 1 – 3 there was no record maintained of the changes made to the accounts and the reasons for these. Version 4 of the accounts was provided to us in mid-February following a thorough review by the Strategic Finance Accountant and contained a significant number of changes. This was accompanied by a tracker noting the changes made and supporting working papers. We would expect the draft accounts 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. Further, 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 by no tracking document being maintained.
Control deficiencies identified	!	We have not placed any reliance on controls as part of our audit, however deficiencies in controls have had a significant impact on our audit. For example, the issue identified around segregation of duties in journal postings, and our inability to identify a mitigating control, has been factored into the considerations on performance materiality level for our audit. A full list of control deficiencies can be found from page 16.

Quality indicators (continued)

Impact on the execution of our audit

Area	Grading	Reason
Volume and magnitude of identified errors	!	The volume of errors identified within the draft accounts well exceeds our expectations. These are set out further within this report. Having a robust review and quality assurance process for the draft accounts should improve this significantly.

Our audit explained

We tailor our audit to your business and your strategy

Identify changes in your business and environment

In our planning report we identified the key changes in your business and articulated how these impacted our audit approach.

Scoping

Our planning report set out the scoping of our audit. We are completing our audit in line with our audit plan.

Other findings

As well as our updates on the significant risks we are required to report to you our observations on the internal control environment as well as any other findings from the audit.

Determine materiality

When planning our audit we set our materiality at £17m based on 1.7% of total 18/19 expenditure. This figure has been updated based on the 2019/20 draft accounts resulting in a materiality level of £17.4m. We report to you in this paper all misstatements above £874k.

Significant risk assessment

In our planning report we explained our risk assessment process and detailed the significant risks we have identified on this engagement. We report our findings to date on these risks in this report.

Update on significant risk areas

We draw to the Audit and Governance Committee’s attention to our updates on the significant audit risks.

Our audit report

Our audit report will be drafted once our audit has concluded.

Significant risks

Risk 1 – Property Valuation

Risk identified

The Council holds a significant amount of property assets. 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.

Furthermore 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 could materially affect the value of the Council's assets as at year end.

There is therefore a risk that that the 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

We have tested 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 are reviewing 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 have used our valuation specialists, Deloitte Real Estate, to support our review and challenge the appropriateness of the Council's assumptions on its asset values. This review identified areas for improvement which will be communicated to management in due course.

We are testing a sample of revalued assets and determine whether the movement has been recorded correctly in the accounts.

We will provide an update to the Audit and Governance Committee once our work on this significant risk is fully complete and fully reviewed. 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 COVID19 on market transaction volumes. This material uncertainty has been disclosed in the Financial Statements and we expect to refer to it in our opinion.

Significant risks

Risk 2 – 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.
Our response	We obtained an understanding of the design, and tested the implementation, of the key controls in place to ensure the completeness of accruals; and We are performing focused testing in relation to the completeness of accruals through testing of post-year end invoices received and payments made. We will provide an update to the Audit and Governance Committee once our work on this significant risk is fully complete and fully reviewed.

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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 valuation of the Scheme relies on a number of assumptions, including actuarial assumptions, and actuarial methodology which results in the Council’s overall 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 also 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 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. We will provide an update to the Audit and Governance Committee once our work on this significant risk is fully complete and fully reviewed.

Significant risks

Risk 4 – Management Override of Controls

Risk identified	In accordance with ISA 240 (UK and Ireland) 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 and the Council’s property valuations) 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.
Our response	We tested 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; and, We have not identified any significant transactions that are outside of the normal course of business for the Council, or that otherwise appear to be unusual, given our understanding of the entity and its environment. We will provide an update to the Audit and Governance Committee once our work on this significant risk is fully complete and fully reviewed.

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 April 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.

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Your control environment and findings

Control deficiencies and areas for management focus

Observation	Severity	Deloitte recommendation	Management response and remediation plan
There were numerous errors within the first three sets of draft accounts presented for audit. Our work on version four is ongoing.	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.
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 valuer's.	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 (continued)

Control deficiencies and areas for management focus

Observation	Severity	Deloitte recommendation	Management response and remediation plan
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 us due to be implemented during 2022/23 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 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. 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.

Your control environment and findings (continued)

Control deficiencies and areas for management focus

Observation	Severity	Deloitte recommendation	Management response and remediation plan
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, 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. 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.	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 process for budget managers to undertake a review and investigation of their budget reports is formalised and an audit trail is maintained.	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.

Your control environment and findings (continued)

Control deficiencies and areas for management focus

Observation	Severity	Deloitte recommendation	Management response and remediation plan
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 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. 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.	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.	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.

Your control environment and findings (continued)

Control deficiencies and areas for management focus

Observation	Severity	Deloitte recommendation	Management response and remediation plan
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 additional 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.
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 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.

Your control environment and findings (continued)

Control deficiencies and areas for management focus

Observation	Severity	Deloitte recommendation	Management response and remediation plan
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.
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.
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.

Your control environment and findings (continued)

Control deficiencies and areas for management focus

Observation	Severity	Deloitte recommendation	Management response and remediation plan
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 isn't significant, we've only looked a this one invoice as part of our D&I 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.

Your control environment and findings (continued)

Control deficiencies and areas for management focus

Observation	Severity	Deloitte recommendation	Management response and remediation plan
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.
The reconciliation between Asset Manager and valuers 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.
The Council's valuer does not provided 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. Our work on the impact of this is ongoing.	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 (continued)

Control deficiencies and areas for management focus

Observation	Severity	Deloitte recommendation	Management response and remediation plan
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.
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. Our work in relation to disposals is ongoing including considerations on the impact of this point.	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.

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 and 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:

- An update our audit work.
- 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 and 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 | 20 April 2021

Appendices

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) prior year retained earnings £m	Debit/ (credit) OCI/Equity £m
Misstatements identified in current year					
Academy cash balances	[1]		(0.323)		0.323
Pension liability - Goodwin	[2]	3	(3)		3
PFI/loan understatement	[3]	*	*	*	*
Aggregation of misstatements individually < £xm					
Total		**3**	**(3.323)**		(3.323)

[1] On inspection of the School's cash breakdown, we identified 4 balances relating to Academy's which should not be recognised by the Council.

[2] Although the Employer is aware of the Goodwin case, we understand that it has not been reflected in the DBO; 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 DBO, i.e. around £3m.

[3] This misstatement relates to the Monkton Park PFI contract which was revised in January 2011 to become a long term loan with Barclays bank. In addition, investigation by the Strategic Finance Accountant has identified that the outstanding liability is approximately £4m understated. For the 2019/20 accounts, this is still being shown as a PFI, rather than a loan, and the liability has not been restated. Management intend to correct this for the 2020/21 accounts given that the balance is not material. We will be completing audit work to confirm the value of the understatement and the resulting accounting entries needed to correct the error.

Audit adjustments

Corrected misstatements

The following misstatements have been identified up to the date of this report which have been corrected by management. We nonetheless 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) prior year retained earnings £m	Debit/ (credit) OCI/Equity £m
Cash Flow Statement	[1]				
HRA – Repairs and Maintenance	[2]	(1.457)			1.457
Total		**(1.457)**			**1.457**

[1] We identified errors in the prior year 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 three versions of the draft accounts did not include the movement on PFI contracts for 2018/19 of £3,351k in note 41.

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. We are undertaking our audit testing on the current version of the Cash Flow Statement and will report any further misstatements identified.

[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.

Audit adjustments

Disclosures

Disclosure misstatements

The following corrected disclosure misstatements have been identified up to the date of this report. We note that some of these are yet to be amended in the accounts, but management have agreed to these amendments.

Disclosure misstatement identified
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 which yet to be completely reviewed (including a review by our technical team looking at the presentation of the restatement).
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 2020 and therefore we consider this an adjusting post balance sheet event and the disclosure in the financial statements should be amended to remove the reference to a contingent liability.
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.
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.
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. Our work on this restated note is ongoing.

Audit adjustments

Disclosures

Disclosure misstatements

The following corrected disclosure misstatements have been identified up to the date of this report.

Disclosure misstatement identified
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.
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 hadn't been updated from 2017/18 and this meant the other services expense line was wrong too as it is formula driven. The Council have then restated the 2018/19 comparators and our work in relation to this re-statement is ongoing.
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.
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 actuaries 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 pensions: as per note 38 - (£46,996k) as per actuaries report - £3,534k. This is yet to be updated in the accounts.
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.

Audit adjustments

Disclosures

Disclosure misstatements

The following corrected disclosure misstatements have been identified up to the date of this report.

Disclosure misstatement identified
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 isn't a required disclosure so should be removed. This is yet to be amended but has been agreed to be corrected.
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 4 of the accounts.
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 Financial Statements.

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 are not aware of any fraud or suspected fraud that affects the entity.

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.

Audit work performed:

In our planning we identified the completeness of accrued expenditure and management override of controls as significant audit risks.

During course of our audit, we have not identified any further risks relating to fraud.

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 and our objectivity is not compromised.
Fees	Details of proposed fees for audit services performed for the period have been presented separately in the appendix.
Non-audit services	In our opinion there are no inconsistencies between the FRC's Ethical Standard and the Council's policy for 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, senior managers and affiliates, and have not supplied any services to other known connected parties.

Independence and fees

The professional fees expected to be charged by Deloitte for the period from 1st April 2019 to 31st March 2020 are as follows:

	Current year £'000
Financial statement audit including Whole of Government and procedures in respect of Value for Money assessment	129
Total fees	129

We note that the fee above represents the scale fee for the audit of £129k. A revision to the fee (increasing this to £155k) was proposed by the Audit Partner to Management in March 2021 due to Covid-19 factors, the scale of the Wiltshire Council audit and additional costs linked to performance (reflecting the quality of working papers etc). Discussions on this revised fee are yet to take place, and further discussions will be required in relation to overruns for 2019/20. Any overruns or changes to the scale fee will also need to be agreed with PSAA.

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Wiltshire Council
Where everybody matters

Planning report to the Audit and Governance Committee for the year ending 31 March 2021

Contents

Partner introduction

The key messages in this report

Audit quality is our number one priority. We plan our audit to focus on audit quality and have set the following audit quality objectives for this audit:

- A robust challenge of the key judgements taken in the preparation of the financial statements.
- A strong understanding of your internal control environment.
- A well planned and delivered audit that raises findings early with those charged with governance.

I have pleasure in presenting our planning report to the Audit and Governance Committee for the audit of the 2020/21 financial statements. I would like to draw your attention to the key messages of this paper:

Audit Plan	We have developed this plan in collaboration with the Council to ensure that we provide an effective audit service that meets your expectations and focuses on the most significant areas of importance and risk to the Council. Our basis for calculating materiality remains in line with our prior year audit. We note that a separate Audit Plan will be produced in relation to the Pension Scheme.
Key risks	The significant risks for financial accounts audit have been identified as: Property Valuation; Completeness of Accrued Expenditure; Valuation of the Council's share of the Wiltshire Pension Fund Net Liability; and Management Override of Controls. At this stage, we have not identified any risks of significant weaknesses in relation to our work on the Council's Value for Money arrangements, although we note that our initial risk assessment is still in progress. Our risk assessment process is ongoing and should we identify any significant risks as part of our ongoing procedures, or risks of significant weaknesses in Value for Money arrangements we will inform the Audit and Governance Committee.
Regulatory	The National Audit Office has issued a revised Code of Audit Practice for 2020/21, including a significantly revised approach to "Value for Money" work. This requires a wider scope of underlying work, and introduces narrative reporting for all bodies in a new public "Annual Auditor's Report". The audit approach reflects changes to International Standards on Auditing (UK) on management estimates (ISA (UK) 540), and Practice Note 10, effective for this year.
Prior Year	The audit of the 2019/20 financial statements is ongoing due to a number of issues identified in the draft accounts by the Council and Deloitte. A separate update report on the 2019/20 audit has been provided to the Committee.

Responsibilities of the Audit and Governance Committee

Helping you fulfil your responsibilities

As a result of regulatory change in recent years, the role of the Audit and Governance Committee has significantly expanded. We set out here a summary of the core areas of Audit and Governance Committee responsibility to provide a reference in respect of these broader responsibilities.

Why do we interact with the Audit and Governance Committee?

- To communicate audit scope
- To provide timely and relevant observations
- To provide additional information to help you fulfil your broader responsibilities

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Oversight of external audit

- At the start of each annual audit cycle, ensure that the scope of the external audit is appropriate.

Integrity of reporting

- Impact assessment of key judgements and level of management challenge.
- Review of external audit findings, key judgements, level of misstatements.
- Assess the quality of the internal team, their incentives and the need for supplementary skillsets.
- Assess the completeness of disclosures, including consistency with disclosures on business model and strategy and, where requested by the Council, provide advice in respect of the fair, balanced and understandable statement.
- Assess and advise on the appropriateness of the Annual Governance Statement, including conclusion on value for money.

Internal controls and risks

- Review the internal control and risk management systems
- Explain what actions have been, or are being taken to remedy any significant failings or weaknesses.

Oversight of internal audit

- Consider annually whether the scope of the internal audit programme is adequate.
- 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 that are raised by staff in connection with improprieties.

Our audit explained

We tailor our audit to your business and your strategy

Identify changes in your business and environment

We have spent time with management understanding the current year matters, especially the impact of Covid-19, and prepared our risk assessment for the audit, we will continue to keep this under review throughout the audit process.

Scoping

We anticipate our scope to be in line with the Code of Audit Practice issued by the NAO.

More detail is given on page 6.

In our final report

In our final report to you we will conclude on the significant risks identified in this paper and report to you our other findings.

- Identify changes in your business and environment
- Determine materiality
- Scoping
- Significant risk assessment
- Conclude on significant risk areas
- Other findings
- Our audit report

Determine materiality

We have determined a materiality of £17.2m. This is based on 1.7% of total expenditure per the 2019/20 accounts. We will report to you any misstatements above £0.861m. We will report to you misstatements below this threshold if we consider them to be material by nature. We note that our materiality calculation will be updated during the final audit based on total expenditure per the 2020/21 accounts.

Significant risk assessment

We have identified significant audit risks in relation to the Council which are in line with the prior year. More detail is given on page 13 to 18.

Quality and Independence

We confirm all Deloitte network firms and engagement team members are independent of Wiltshire Council. We take our independence and the quality of the audit work we perform very seriously. Audit quality is our number one priority.

Scope of work and approach

Scope: we have three key areas of responsibility under the Audit Code

Financial statements

We will conduct our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISA (UK and Ireland)") as adopted by the UK Auditing Practices Board ("APB") and Code of Audit Practice issued by the National Audit Office ("NAO"). The Council will prepare its accounts under the Code of Practice on Local Authority Accounting ("the Code") issued by CIPFA and LASAAC.

We are also required to issue a separate assurance report to the NAO on the Council's separate return required for the purposes of its audit of the Whole of Government Accounts and departmental accounts.

Annual Governance Statement

We are required to consider the completeness of the disclosures in the Annual Governance Statement in meeting the relevant requirements and identify any inconsistencies between the disclosures and the information that we are aware of from our work on the financial statements and other work.

As part of our work we will review the annual report and compare with other available information to ensure there are no material inconsistencies. We will also review any reports from other relevant regulatory bodies and any related action plans developed by the Council.

Value for Money (VFM) conclusion

We are required to satisfy ourselves that the Council has made proper arrangements for securing financial resilience and economy, efficiency and effectiveness in its use of resources.

The updated Code of Audit Practice changes the approach of external audit work away from the auditor performing a risk assessment, and then only performing further work if a significant risk were identified, to specifying procedures that will need to be undertaken in each of three areas:

- Financial sustainability;
- Governance and Improving economy; and
- Efficiency and effectiveness.

This will require a minimum level of work at every local public body, with additional risk based work where relevant.

Scope of work and approach

Our approach

Liaison with internal audit

The Auditing Standards Board's version of ISA (UK and Ireland) 610 "Using the work of internal auditors" prohibits use of internal audit to provide "direct assistance" to the audit. Our approach to the use of the work of Internal Audit has been designed to be compatible with these requirements.

We will review their reports and meet with them to discuss their work where necessary. We will review the work plan for internal audit, and where they have identified specific material deficiencies in the control environment we consider adjusting our testing so that the audit risk is covered by our work.

Using these discussions to inform our risk assessment, we can work together with internal audit, where necessary, to develop an approach that avoids inefficiencies and overlaps, therefore avoiding any unnecessary duplication of audit requirements on the Council's staff.

Approach to controls testing

Our risk assessment procedures will include obtaining an understanding of controls considered to be 'relevant to the audit'. This involves evaluating the design of the controls and determining whether they have been implemented ("D & I").

The results of our work in obtaining an understanding of controls will be collated and the impact on the extent of substantive audit testing required will be considered.

Promoting high quality reporting to stakeholders

We view the audit role as going beyond reactively checking compliance with requirements: we seek to provide advice on evolving good practice to promote high quality reporting.

We recommend the Council completes the CIPFA Code checklist during drafting of their financial statements.

We would welcome early discussion on the planned format of the financial statements, and whether there is scope for simplifying or streamlining disclosures, as well as the opportunity to review a skeleton set of financial statements and an early draft of the annual report ahead of the typical reporting timetable to feedback any comments to management.

Value for Money and other reporting

As noted on the previous slide, changes to requirements will require a minimum level of work at every local public body, with additional risk based work where relevant. The National Audit Office (NAO) has recently issued an audit procedures scope and discussions on implementation are ongoing.

We will report by exception any matters we identify that indicate the Governance Statement does not comply with the CIPFA guidance, or is misleading or inconsistent with information of which we are aware from our audit. We are not required to consider, nor will we consider, whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

Continuous communication and reporting

Planned timing of the audit

As the audit plan is executed throughout the year, the results will be analysed continuously and conclusions (preliminary and otherwise) will be drawn. The following sets out the expected timing of our reporting to and communication with you.

Planning	Interim	Year end fieldwork	Reporting activities
• Planning meetings to inform risk assessment; and agree on key judgemental accounting issues. • Document our understanding of the Council and key controls and business cycle processes relating to the financial reporting process reporting. • Review of key Council documents including Cabinet, Council and Audit and Governance Committee minutes. • Planning work for value for money responsibilities.	• Document design and implementation of key controls and update understanding of key business cycles for any changes. • Substantive testing of limited areas within expenditure, payroll, and income.	• Substantive testing of all areas. • Completion of work in support of value for money responsibilities. • Detailed review of annual accounts and report, including Annual Governance Statement. • Review of final internal audit reports and opinion. • Completion of testing on significant audit risks.	• Year-end closing meetings. • Reporting of significant control deficiencies. • Signing audit reports in respect of Financial Statements. • Issuing Annual Audit Letter.
2021 Audit Plan	Verbal update to Audit and Governance Committee	Final report to the Audit and Governance Committee (ISA 260)	Any additional reporting as required
March - April 2021	March – April 2021	June – September 2021	September 2021

Ongoing communication and feedback

Covid-19 pandemic and its impact on our audit

Covid-19 pandemic and its impact on our audit.

Requirements	The Covid-19 pandemic had a significant impact on the 2019/20 audit process, despite impacting relatively late in the year. We would expect there to be guidance as we approach year-end on accounting and disclosure requirements for 2020/21, where the impact has been much more extensive on all organisations. A key element of this will be communicating risks and governance impacts in narrative reporting, consistent with the Financial Reporting Council's guidance to organisations on the importance of communicating the impact of Covid-19 and related uncertainties, including their impact on resilience and going concern assessments. Entity-specific explanations of the current and expected effects of Covid-19 and the Council's plans to mitigate those effects should be included in the narrative reporting (including where relevant the Annual Governance Statement), including in the discussion on Principal Risks and Uncertainties impacting an organisation.
Actions	While there may be greater clarity as we approach year-end, we would expect organisations as part of their reporting to conduct a thorough assessment of the current and potential future effects of the Covid-19 pandemic including: • Consideration of the impact across the Council's operations, including on its income streams, supply chains and cost base, and the consequent impacts on financial position; • The scenarios assumed in making forecasts and on the sensitivities arising should other potential scenarios materialise (including different funding scenarios); and • The effect of events after the reporting date, including the nature of non-adjusting events and an estimate of their financial effect, where possible.

Impact on the Council	Impact on annual report and financial statements	Impact on our audit
We will consider the key impacts on the business such as: • Interruptions to service provision. • Supply chain disruptions. • Unavailability of personnel. • Reductions in income.	We have considered the impact of the outbreak on the annual report and financial statements, discussed further on the next slide including: • Narrative reporting, including disclosures on financial sustainability • Principal risk disclosures • Impact on property, plant and equipment valuations • Impairment of non-current assets • Allowance for expected credit losses • Events after the reporting period and relevant disclosures	We will continue to assess the impact on the audit including: • Resource planning • Timetable of the audit • Impact on our risk assessment • Logistics including meetings with entity personnel.

Covid-19 pandemic and its impact on our audit

Impact on annual report and financial statements	
Impact on property, plant and equipment	The Royal Institute of Chartered Surveyors issued a practice alert, as a result of which valuers identified a material valuation uncertainty at 31 March 2020 for most types of property valuation. This practice alert was withdrawn in September 2020. Valuation reports at March 2020 typically identified a need to consider potential impairments in future periods, and this year's valuations may reflect more significant movements. The Council will need to consider the approach to its valuation (including any changes as a result of the pandemic). The Council will also need to consider whether there are any indications of impairment of assets requiring adjustment at 31 March 2021.
Expected credit losses	The Council will need to consider the level of provision required for expected credit losses under IFRS 9 and whether Covid-19 has had any impact on this.
Accounting for Covid-19 response measures	One of the main elements of the response to Covid-19 which will have specific accounting considerations are the Covid-19 grants that the Council has received. Specific consideration will need to be given as to whether the Council is acting as the principal or agent in relation to the various grants, whether the grants are specific or non-specific and whether any specific conditions attached to the grants have been fulfilled. The Council has prepared an assessment of Covid-19 grant income and the proposed treatment which we will review in due course.
Narrative and other reporting issues	The following areas will need to be considered by the Council: • Narrative reporting as well as the usual reporting requirements will need to cover the effects of the pandemic on services, operations, performance, strategic direction, resources and financial sustainability. • Reporting judgements and estimation uncertainty, the Council will need to report the impact on material transactions including decisions made on the measurements of assets and liabilities.
Events after the reporting period and relevant disclosures	Events are likely to continue to move swiftly, and the Council will need to consider the events after the Reporting Period and whether these events will be adjusting or non-adjusting and make decisions on a transaction by transaction basis.

Materiality

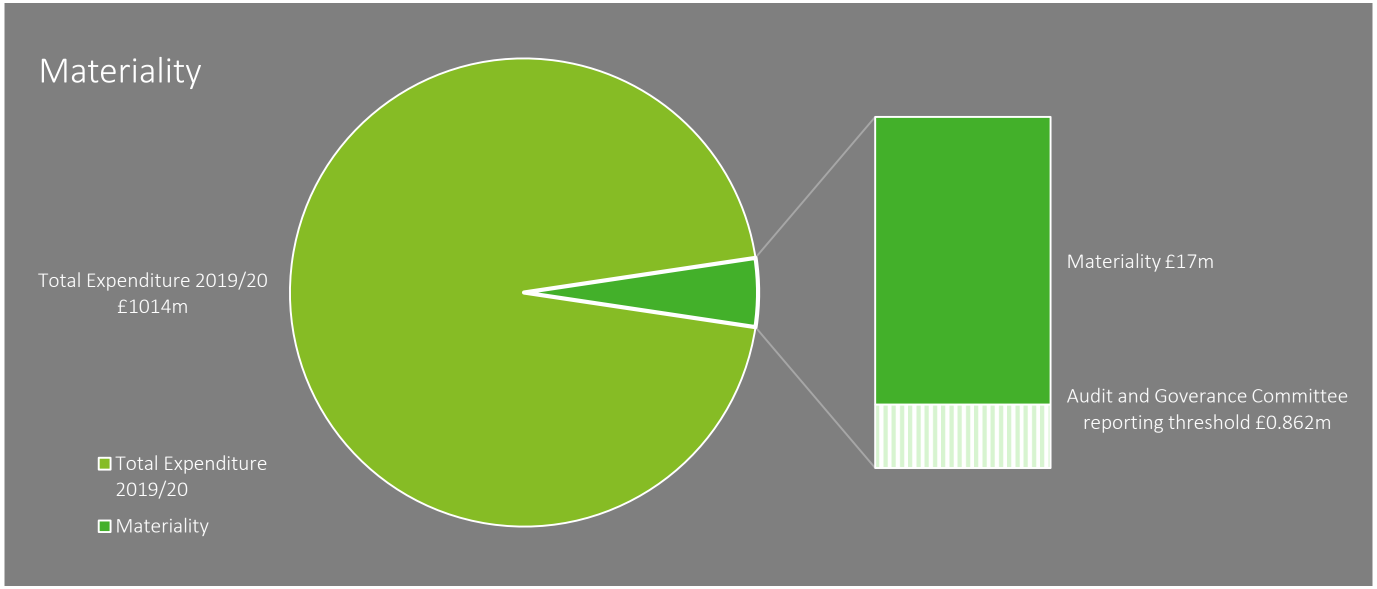
Our approach to materiality

Basis of our materiality benchmark

- The audit partner has determined materiality as £17.2m (£17.4m in 2019/20), based on professional judgement, the requirement of auditing standards and the financial measures most relevant to users of the financial statements.
- We have used 1.7% of total expenditure based on the 2019/20 accounts as the benchmark for determining materiality.

Reporting to those charged with governance

- We will report to you all misstatements found in excess of £0.862m (£0.873m in 2019/20).
- We will report to you misstatements below this threshold if we consider them to be material by nature.



Although materiality is the judgement of the audit partner, the Audit and Governance Committee must satisfy themselves that the level of materiality chosen is appropriate for the scope of the audit.

Significant risks

Our risk assessment process

We consider a number of factors when deciding on the significant audit risks. These factors include:

- the significant risks and uncertainties previously reported in the annual report and financial statements;
- the IAS 1 critical accounting estimates previously reported in the annual report and financial statements;
- our assessment of materiality; and
- the changes that have occurred in the business and the environment it operates in since the last annual report and financial statements.

Principal risk and uncertainties

- Cyber security
- Future levels of funding
- BREXIT
- Covid-19

IAS 1 Critical accounting estimates

- Useful lives of assets
- Fair value (of financial assets and liabilities, e.g. investment properties)
- Provisions
- Pensions liability
- Arrears (bad debt provision)

Changes in your business and environment

No significant changes (excluding the impact of Covid-19 on the Council's operating environment).

Deloitte view

Management must carefully consider the principal risks, uncertainties and accounting estimates of the Council.

The next page summarises the significant risks that we will focus on during our audit. All the risks mentioned in the prior year Audit and Governance Committee report are included as significant risks in this year's audit plan.

Significant risks

Dashboard

Risk	Material	Fraud risk	Planned approach to controls	Level of management judgement	Expected to be included in the Audit and Governance Committee report	Slide no.
Property Valuations	✓	✗	D+I	⚠	✓	14
Completeness of Accrued Expenditure	✓	✓	D+I	⚠	✓	15
Valuation of the Council's share of the Wiltshire Pension Fund Net Liability	✓	✗	D+I	⚠	✓	16
Management Override of Controls	✓	✓	D+I	⚠	✓	17

D+I: Assessing the design and implementation of key controls

Low Level of Judgement ⚠

Medium Level of Judgement ⚠

High Level of Judgement ⚠

Significant risks

Risk 1 – Property Valuation

Risk identified	The Council holds a significant amount of property assets. 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, as at 28 February (one month before year end). As assets are revalued over a 3 year period, there is a risk that the value of assets not revalued in the current year could differ materially to their fair value at year end. Furthermore, we note that the accounting entries required to record property revaluations can be quite complex and are therefore inherently more risky than other accounting entries. Therefore, we have identified a significant risk that the value of property assets could materially differ from the year end fair value as a result of material changes in the value of assets not subject to revaluation in the current year. There is also a risk that the valuations in the accounts may be incorrect if errors are made in processing the relevant accounting entries. This risk has been updated for 20/21 from 19/20 using our knowledge from the prior year audits.
Our response	We will test the design and implementation of key controls in place around 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 test the design and implementation of key controls in place to prevent/identify any errors made in processing the valuation accounting entries; We review and challenge the Council's assessment of whether there have been any material changes in the values of assets revalued as at 28 February; We will review and challenge the Council's assessment of whether there have been any material changes in the value of assets not revalued in the current year; Where appropriate, we will utilise our internal property specialists to support the audit team's assessment as to whether there have been any material changes in property values; We will select a sample of assets not revalued in the current year to determine whether they had been included in the previous two year's revaluations (and therefore covered by the three year valuation cycle); and We will select a sample of revalued assets to determine whether the correct accounting entries have been made.

Significant risks

Risk 2 – 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. In our previous audits we identified that the majority 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 might 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. This significant risk relating to the completeness of accrued expenditure is in line with our significant risk for the 2019/20 audit.
Our response	We will obtain an understanding of the design, and test the implementation, of the key controls in place to ensure the completeness of accruals; and We will perform focused testing in relation to the completeness of accruals through testing of post-year end invoices received and payments made.

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 valuation of the Scheme relies on a number of assumptions, including actuarial assumptions, and actuarial methodology which results in the Council's overall 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 also 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 will obtain an understanding of the design, and test the implementation, of the key controls in place in relation to the review of the assumptions by the Council; We will evaluate the competency, objectivity and independence of Hymans Robertson the actuarial specialist; We will review the methodology and appropriateness of the assumptions used in the valuation, utilising a Deloitte Actuary to provide specialist assessment of the variables used; We will review the pension related disclosures in respect of actuarial assumptions in the financial accounts for consistency with the Actuary's Report.

Significant risks

Risk 4 – Management Override of Controls

Risk identified	In accordance with ISA 240 (UK and Ireland) 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 and the Council's property valuations) 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.
Our response	We will test the design and implementation of key controls in place around journal entries and key management estimates; We will risk assess journals and select items for detailed testing. The journal entries will be selected using computer-assisted profiling based on areas which we consider to be of increased interest; We will review accounting estimates for biases that could result in material misstatements due to fraud; and, We will obtain an understanding of the business rationale of significant transactions that we become aware of that are outside of the normal course of business for the Council, or that otherwise appear to be unusual, given our understanding of the entity and its environment.

Significant risks

Risk 4 – Management Override of Controls Continued

Control Environment

We note that a number of control deficiencies were identified in relation to the risk of management override of controls in the 2018/19 and 2019/20 audits. This included audit findings raised in the ISA260 report relating to the posting of journals, reviews of the general ledger codes and monthly budget management.

We would therefore like to highlight that the same control deficiencies have been identified during the 2020/21 interim audit and emphasise the importance of a strong control environment at the council to minimise the risk of fraud and material misstatement.

Findings

Control	Control Deficiency/Finding
There is segregation of duties when posting journals; a second member of staff is required to approve journals prepared by another staff member.	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.
Due to the lack of segregation of duties highlighted above, we identified the below further controls which would help to mitigate the management override of controls risk.	
On a quarterly basis, a report is 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/Senior Finance Employee 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 in operation 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.
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 is documented. This is presented monthly to the Corporate Leadership Team (CLT) meetings and quarterly to Members.	We have identified that, although budget monitoring occurs at the Council, the control has not been formalised appropriately. We sampled a P6 report to test the implementation of this control, and were unable to obtain the reviewed spreadsheet detailing the investigation of variances, nor evidence of the report being discussed. We were informed that the threshold for budget managers to investigate variances is at their discretion. We were also informed that this control was only operating on a quarterly basis from Q2.
On a monthly basis, the Chief Accountant reviews each balance sheet GL code against the previous month values and investigates the reasons for any unexpected variances (including suspense accounts).	We have identified that no formal evidence could be obtained that this control occurred in the financial year. We were informed that the control did not operate consistently nor regularly throughout the financial year, due to the Chief Accountant leaving in August 2020, and therefore this control was not performed.

Value for Money

Areas of focus

Value for Money

There is a new Code of Audit Practice for 2020/21 onwards. The Code is applicable to NHS Trusts and Foundation Trusts, CCGs, and Local Authorities. This introduced significant changes to the requirements around Value for Money (the arrangements to secure economy, efficiency, and effectiveness in the use of resources). The NAO issued Auditor Guidance Note 03 (AGN03), Value for Money, in October 2020 setting out more detailed guidance on how the new requirements should be implemented. Key features of the requirements include:

For all bodies, the auditor will need to provide a public narrative commentary against the Value for Money criteria in a new “Auditor’s Annual Report” (AAR), to be issued alongside the audit opinion for Local Authorities. This commentary will include a summary against each of the reporting criteria, setting out the work undertaken, and judgements and local context relevant to the findings. This commentary needs to be supported by more extensive work to understand the body’s arrangements to secure economy, efficiency and effectiveness, to support this commentary and to identify whether there are risks of significant weaknesses in arrangements.

If a risk of significant weaknesses is identified, additional work is required to determine whether there are significant weaknesses and to make relevant recommendations if this is the case on a timely basis, which will also be explained in the Auditor’s Annual Report. The AAR will also include follow up on previous recommendations in respect of significant weaknesses and whether they’ve been implemented satisfactorily. The audit opinion will continue to include reporting by exception, though now this will be where the auditor has identified a significant weakness in arrangements rather than an overall conclusion on arrangements. The three criteria that would be considered in Value for Money work are be:

Financial sustainability: How the body plans and manages its resources to ensure it can continue to deliver its services;

Governance: How the body ensures that it makes informed decisions and properly manages its risks; and

Improving economy, efficiency and effectiveness: How the body uses information about its costs and performance to improve the way it manages and delivers its services.

The National Audit Office and the audit firms are continuing to discuss the practical implementation of these new requirements and expectations as to the extent of procedures underpinning these requirements. Expectations in this area are likely to continue to evolve as practical issues emerge in implementation.

We will:

- Undertake VfM planning work under the revised procedures.
- As the detailed impact on scope becomes clearer, we will discuss and agree the impact of the required scope changes with management.
- Our year-end reporting will include our draft findings ahead of issue of the Auditor’s Annual Report.

Reporting hot topics

Increased focus on quality reporting

Deloitte view

The expectations of corporate reporting, reflected in the FRC's monitoring and enforcement priorities, are increasing. While the focus is primarily on corporates, we highlight these areas where improved disclosures would help meet stakeholder expectations.

The potential impacts of Brexit

Depending upon events, organisations may be preparing annual reports against the backdrop of continued uncertainty around the UK's future relationship with the EU. Even with a deal, the future basis of UK-EU trade will affect the longer-term viability period of 3-5 years and a longer consideration of prospects.

ACTION: Depending upon events, we would expect to see annual reports reflecting at least:

- relevant risks and uncertainties, and actions taken to manage those risks; and
- consideration whether any impact on critical accounting judgements and areas of estimation uncertainty.

We will discuss with the Council closer to the time areas where disclosures may be appropriate.

Climate-related risks

The report by the Intergovernmental Panel on Climate Change (IPCC) has made it clear that prompt and decisive action on climate change is required from governments, businesses and individuals alike.

The recommendations of the Taskforce on Climate-related Financial Disclosure (TCFD) are gaining momentum. The government has proposed mandatory TCFD disclosures by 2022, and the FRC is undertaking a major review of how organisations assess and report the impact of climate change. The FRC expects organisations to disclose how they have taken climate change into account in assessing the resilience of the business model, its risks, uncertainties and viability both in immediate and longer term.

Investors are challenging companies that are not factoring the effects of the Paris Climate Agreement into their critical accounting judgements and are not disclosing comprehensively these judgements, assumptions, sensitivities and uncertainties.

ACTION: Clearly articulate how your organisation is addressing climate change e.g.

- whether this is a principal risk and how it is being managed; and
- its impact on the business model, the viability statement and the key assumptions and projections in impairment reviews and valuations (including in assessing remaining asset lives).

Revisions to auditing standards coming into effect

ISA (UK) 540 – Auditing Accounting Estimates and Related Disclosures

Since 2015, the International Auditing and Assurance Standards Board (IAASB) has sought to identify audit issues relating to accounting estimates for financial institutions and other entities. Initially, this focused on the impact of IFRS 9 *Financial Instruments*, because it would fundamentally change the way that banks and other entities account for loan assets and other credit exposures.

However, the IAASB concluded that most, if not all, issues identified for expected credit losses would be equally relevant when auditing other complex accounting estimates. Accordingly, a holistic revision of ISA 540 was undertaken and the new standard takes effect for periods commencing on or after 1 January 2020. For Local Government bodies, this will be March 2021 year ends and later.

We summarise on the next few slides how this will impact our audit.

"There is a clear need to update ISA 540 to support better quality audits of increasingly complex accounting estimates"

FRC letter to the IAASB, July 2017

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Area of change	Impact on our audit	Impact on the officers
Assessment of oversight and governance relating to estimates	In connection with our planning work to understand the entity and its environment, including internal control, we will specifically inquire regarding management's processes, and the oversight and governance of those processes relating to accounting estimates.	You will need to consider the adequacy of your processes and controls over estimates, and documentation thereof.

Revisions to auditing standards coming into effect

ISA (UK) 540 – Auditing Accounting Estimates and Related Disclosures

Area of change	Impact on our audit	Impact on the officers
Identification of inherent risk factors; separate assessment of inherent risk and control risk Objectives-based work effort requirements.	Recognising a spectrum of inherent risk, we will assess risks of material misstatement in estimates with reference not only to estimation uncertainty, but also complexity, subjectivity or other inherent risk factors, and the interrelationship among them. We will specifically assess control risk relating to estimates, which may require us to evaluate the design and determine implementation of an increased number of internal controls. Our subsequent audit procedures will be responsive to this assessment, and designed to obtain evidence around the methods, significant assumptions, data and (where applicable) the selection of a point estimate and related disclosures about estimation uncertainty.	You will need to provide clear documented rationale for (a) the selection and application of the method, assumptions and data in making the accounting estimate, including any changes in the current year, and controls relating to those aspects; and/or (b) the selection of a point estimate and related disclosures for inclusion in the financial statements.
Enhanced "stand back" requirement, to evaluate the audit evidence obtained.	We will specifically design our procedures, to enhance our application of professional scepticism, so that they are not biased towards finding corroborative evidence; our overall evaluation of the evidence obtained will weigh both corroborative and contradictory evidence.	You should expect more challenge of the evidence provided in support of accounting estimates, use of external data sources and your consideration of contradictory evidence.

Revisions to auditing standards coming into effect

ISA (UK) 540 – Auditing Accounting Estimates and Related Disclosures

Area of change	Impact on our audit	Impact on the officers
Enhanced requirements about whether disclosures are "reasonable".	The extant ISA 540 required us to evaluate whether disclosures were "adequate". The change to "reasonable" will involve greater consideration of the overall meaning conveyed through disclosures. For example, where estimation uncertainty associated with an estimate is multiple times materiality, we will consider whether the disclosures appropriately convey the high degree of estimation uncertainty and the range of possible outcomes.	You should expect more challenge on disclosures relating to estimates, particularly for where you have selected a point estimate from a range and those with high estimation uncertainty.
New requirements when communicating with those charged with governance.	In accordance with ISA (UK) 260 and ISA (UK) 265, our communications from the audit have included significant qualitative aspects of your accounting practices and significant deficiencies in internal control. With the revised ISA (UK) 540, these communications will specifically include matters regarding accounting estimates and take into account whether the reasons for our risk assessment relate to estimation uncertainty, or the effects of complexity, subjectivity or other inherent risk factors.	You should expect increased reporting in relation to accounting estimates.

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 establish our respective responsibilities in relation to the financial statements audit, to agree our audit plan and to take the opportunity to ask you questions at the planning stage of our audit. Our report includes:

- Our audit plan, including key audit judgements and the planned scope.

Use of this report

This report has been prepared for the Council, 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.

We welcome the opportunity to discuss our report with you and receive your feedback.

What we don't report

As you will be aware, our audit is 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, the views on internal controls and business risk assessment in our final report should not be taken as comprehensive or as an opinion on effectiveness since they will be based solely on the audit procedures performed in the audit of the financial statements and the other procedures performed in fulfilling our audit plan.

Other relevant communications

We will update you if there are any significant changes to the audit plan.

Deloitte LLP

Cardiff | April 2021

Appendices

Fraud responsibilities and representations

Responsibilities explained

Your 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.

Our responsibilities:

- We are required to obtain representations from your management regarding internal controls, assessment of risk and any known or suspected fraud or misstatement.
- 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.
- As set out in the significant risks section of this document, we have identified the risk of fraud in relation to the completeness of accrued expenditure and management override of controls as key audit risks for your organisation.

Fraud Characteristics:

- Misstatements in the financial statements can arise from either fraud or error. The distinguishing factor between fraud and error is whether the underlying action that results in the misstatement of the financial statements is intentional or unintentional.
- Two types of intentional misstatements are relevant to us as auditors – misstatements resulting from fraudulent financial reporting and misstatements resulting from misappropriation of assets.

We will request the following to be stated in the representation letter signed on behalf of the Council:

- We acknowledge our responsibilities for the design, implementation and maintenance of internal control to prevent and detect fraud and error.
- 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.
- We are not aware of any fraud or suspected fraud / We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the entity or group 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.
- 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.

Fraud responsibilities and representations

Inquiries

We will make the following inquiries regarding fraud:

Management:

- Management's assessment of the risk that the financial statements may be materially misstated due to fraud, including the nature, extent and frequency of such assessments.
- Management's process for identifying and responding to the risks of fraud in the entity.
- Management's communication, if any, to those charged with governance regarding its processes for identifying and responding to the risks of fraud in the entity.
- Management's communication, if any, to employees regarding its views on business practices and ethical behaviour.
- Whether management has knowledge of any actual, suspected or alleged fraud affecting the entity.
- We plan to involve management from outside the finance function in our inquiries.

Internal audit

- Whether internal audit has knowledge of any actual, suspected or alleged fraud affecting the entity, and to obtain its views about the risks of fraud.

Those charged with governance

- How those charged with governance exercise oversight of management's processes for identifying and responding to the risks of fraud in the entity and the internal control that management has established to mitigate these risks.
- Whether those charged with governance have knowledge of any actual, suspected or alleged fraud affecting the entity.
- The views of those charged with governance on the most significant fraud risk factors affecting the entity.

Independence and fees

As part of our obligations under International Standards on Auditing (UK), 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 Wiltshire Council and will reconfirm our independence and objectivity to the Audit and Governance Committee for the year ending 31 March 2021 in our final report to the Audit and Governance Committee .
Fees	There are no non-audit fees.
Non-audit services	In our opinion there are no inconsistencies between the FRC's Ethical Standard and the Council's approach for 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, senior managers and affiliates, and have not supplied any services to other known connected parties.

Independence and fees

The professional fees expected to be charged by Deloitte in the period from 1 April 2020 to 31 March 2021 are as follows:

	Current year £'000
Financial statement audit including Whole of Government and procedures in respect of Value for Money assessment	169
Total audit	169
Audit related assurance services	0
Other assurance services	0
Total assurance services	0
Total non-audit services	0
Total fees	169

We note that the fee above represents an increase to the scale fee for the audit of £129k. The revision to the fee was communicated to management in March 2021 and will still need to be agreed with PSAA.

Our approach to quality

AQR team report and findings

Audit quality remains our number one priority and we have a relentless commitment to it. We continue to invest in and enhance our Audit Quality Monitoring and Measuring programme.

In July 2020 the Financial Reporting Council ("FRC") issued individual reports on each of the seven largest firms, including Deloitte, on Audit Quality Inspections providing a summary of the findings of its Audit Quality Review ("AQR") team for the 2019/20 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.

We are pleased with our results for the inspections of FTSE 350 entities achieving 90% assessed as good or needing limited improvement, which included some of our highest risk audits. Our objective is for 100% of our audits to be assessed as good or needing limited improvement and we know we still have work to do in order to meet this standard. We are however, extremely disappointed one engagement received a rating of significant improvements required during the period. This is viewed very seriously within Deloitte and we have worked with the AQR to agree a comprehensive set of swift and significant firm wide actions.

We are also pleased to see the impact of our previous actions on prior year adjustments is reflected in the results of current year inspections with no findings in this areas. In addition the FRC identified good practice examples including in: risk assessment, group oversight, our comprehensive IFRS9 expected credit loss audit programme and our audit committee reporting.

Embedding a culture of challenge in our audit practice underpins the key pillars of our audit strategy. We invest continually in our firm wide processes and controls, which we seek to develop globally, to underpin consistency in delivering high quality audits whilst ensuring engagement teams exercise professional scepticism through robust challenge.

All the AQR public reports are available on its website. https://www.frc.org.uk/auditors/audit-quality-review/audit-firm-specific-reports

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Audit and Governance Committee

Proposed Forward Work Plan - 2021/2022

Meeting Date	Item	Responsible Officer	Draft Report to CLT	Publication Deadline
21 JULY 2021	Q1 IA Report 2021/2022	SWAP	7 July 2021	13 July 2021
	Consolidated IA outstanding management actions report	SWAP/Andy Brown		
	Redmond Review	Lizzie Watkin		
	Annual Governance Statement 2020/2021	David Bowater/ Perry Holmes/Maria Doherty		
	Pension Assurance on Pension Fund accounts 2020/21	Pension Fund Minutes		
	School Governance Report (TBC)	Helean Hughes (TBC)		

Meeting Date	Item	Responsible Officer	Draft Report to CLT	Publication Deadline
28 SEP 2021 (additional meeting)	Report to those Charged with Governance (ISA 260) 2020/2021	Deloitte	15 Sep 2021	20 Sep 2021
	Statement of Accounts 2020/2021 To include an update on the resolution and qualification issues from the 2018/19 accounts	Lizzie Watkin/ Andy Brown		
	Evolve programme update	Stuart Honeyball		
	Internal Benchmarking Exercise - Self-Assessment on Performance & Effectiveness of the Audit & Governance Committee (TBC)	TBC		

Meeting Date	Item	Responsible Officer	Draft Report to CLT	Publication Deadline
24 NOV 2021	Q2 IA Report 2020/2021	SWAP	10 Nov 2021	16 Nov 2021
	Consolidated IA outstanding management actions report	SWAP/Andy Brown		
	Corporate Governance Update	Perry Holmes/Maria Doherty		
	Reconsideration of Independent members on Audit & Governance	Libby Johnstone/Tara Shannon		
	Private Meeting with External Auditors	Deloitte/Tara Shannon		

Meeting Date	Item	Responsible Officer	Draft Report to CLT	Publication Deadline
9 FEB 2022	Q3 IA Report 2020/2021	SWAP	26 Jan 2022	1 Feb 2022
	Consolidated IA outstanding management actions report	SWAP/Andy Brown		
	Corporate Governance Update	Perry Holmes/Maria Doherty		
	Private Meeting with SWAP	SWAP/Tara		