

AGENDA

Meeting: Audit and Governance Committee

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

Date: Tuesday 19 September 2023

Time: 2.30 pm

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

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

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

Membership:

Cllr Iain Wallis (Chairman)

Cllr Stuart Wheeler (Vice-Chairman)

Cllr Chuck Berry

Cllr Adrian Foster

Cllr Gavin Grant

Cllr George Jeans

Cllr Antonio Piazza

Cllr Pip Ridout

Cllr Mike Sankey

Cllr Martin Smith

Cllr Howard Greenman

Substitutes:

Cllr Liz Alstrom

Cllr Ernie Clark

Cllr Matthew Dean

Cllr Ross Henning

Cllr Jon Hubbard

Cllr Tom Rounds

Cllr Jo Trigg

Cllr Pauline Church

Recording and Broadcasting Information

Wiltshire Council may record this meeting for live and/or subsequent broadcast. At the start of the meeting, the Chairman will confirm if all or part of the meeting is being recorded. The images and sound recordings may also be used for training purposes within the Council.

By submitting a statement or question for a meeting you are consenting that you may be recorded presenting this and that in any case your name will be made available on the public record. The meeting may also be recorded by the press or members of the public.

Any person or organisation choosing to film, record or broadcast any meeting of the Council, its Cabinet or committees is responsible for any claims or other liability resulting from them so doing and by choosing to film, record or broadcast proceedings they accept that they are required to indemnify the Council, its members and officers in relation to any such claims or liabilities.

Details of the Council's Guidance on the Recording and Webcasting of Meetings is available on request. Our privacy policy can be found [here](#).

Parking

To find car parks by area follow [this link](#). The three Wiltshire Council Hubs where most meetings will be held are as follows:

County Hall, Trowbridge
Bourne Hill, Salisbury
Monkton Park, Chippenham

County Hall and Monkton Park have some limited visitor parking. Please note for meetings at County Hall you will need to log your car's registration details upon your arrival in reception using the tablet provided. If you may be attending a meeting for more than 2 hours, please provide your registration details to the Democratic Services Officer, who will arrange for your stay to be extended.

Public Participation

Please see the agenda list on following pages for details of deadlines for submission of questions and statements for this meeting.

For extended details on meeting procedure, submission and scope of questions and other matters, please consult [Part 4 of the council's constitution](#).

The full constitution can be found at [this link](#).

Our privacy policy is found [here](#).

For assistance on these and other matters please contact the officer named above for details

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 5 - 18*)

To confirm and sign the minutes of the meeting held on 25 July 2023.

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 from the Chairman.

5 **Public Participation**

The Council welcomes contributions from members of the public.

Statements

If you would like to make a statement at this meeting on any item on this agenda, please register to do so at least 10 minutes prior to the meeting. Up to 3 speakers are permitted to speak for up to 3 minutes each on any agenda item. Please contact the officer named on the front of the agenda for any further clarification.

Questions

To receive any questions from members of the public or members of the Council received in accordance with the constitution.

Those wishing to ask questions are required to give notice of any such questions in writing to the officer named on the front of this agenda no later than 5pm on Tuesday 12 September 2023 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 Thursday 14 September 2023. Please contact the officer named on the front of this agenda for further advice. Questions may be asked without notice if the Chairman decides that the matter is urgent.

Details of any questions received will be circulated to Committee members prior to the meeting and made available at the meeting and on the Council's website.

6 **Accounts and Audit Update** (*Pages 19 - 28*)

To receive an Accounts and Audit update.

7 **Stone Circle Annual Governance Update** *(Pages 29 - 36)*

To receive the annual Stone Circle governance update.

8 **Service update on S106 financial controls audit** *(Pages 37 - 46)*

To receive an update on the S106 financial controls audit.

9 **Forward Work Programme** *(Pages 47 - 50)*

To note the Forward Work Programme

10 **Date of Next Meeting**

To note that the next regular meeting of the Committee will be held on 22 November 2023.

11 **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

None

Audit and Governance Committee

MINUTES OF THE AUDIT AND GOVERNANCE COMMITTEE MEETING HELD ON 25 JULY 2023 AT KENNET ROOM - COUNTY HALL, BYTHESEA ROAD, TROWBRIDGE, BA14 8JN.

Present:

Cllr Iain Wallis (Chairman), Cllr Stuart Wheeler (Vice-Chairman), Cllr Chuck Berry, Cllr Gavin Grant, Cllr Howard Greenman, Cllr Pip Ridout, Cllr Martin Smith, Cllr Ross Henning (Substitute - Part II) and Cllr Pauline Church (Substitute - Part II)

Also Present:

Cllr Nick Botterill

26 Apologies and Membership Update

The Chairman, Cllr Iain Wallis, noted that at Full Council on 16 May 2023, the annual appointment of committees took place. Cllr Mark Connolly, the former Chairman of the Audit and Governance Committee stood down from the committee and Cllr Wallis was appointed to the committee as the new Chairman.

The Chairman also highlighted that since publication of the agenda, at Full Council on 18 July, the committee membership was updated again. Cllr Edward Kirk was no longer on the committee and was replaced by Cllr Howard Greenman. The Chairman welcomed Cllr Greenman to the committee.

Apologies for absence had been received from:

- Cllr Adrian Foster, who was substituted by Cllr Ross Henning
- Cllr Mike Sankey, who was substituted by Cllr Pauline Church

27 Minutes of the Previous Meeting

The Part I (public) minutes of the last meeting held on 26 April 2023 were presented for consideration and it was,

Resolved:

To approve and sign the Part I (public) minutes as a true and correct record.

28 Declarations of Interests

There were no declarations of interest.

29 **Chairman's Announcements**

There were no formal announcements, however the Chairman reminded Members that following the meeting here would be a brief training session from SWAP on the 'AuditBoard' internal audit portal.

30 **Public Participation**

There were no public questions or statements received.

31 **Internal Audit Reports**

Sally White (SWAP) presented the Internal Audit update.

The SWAP representative highlighted some key points in the report. SWAP had offered a reasonable audit opinion on work to date. One limited assurance opinion had been issued regarding Section 106 (S106) Financial Controls. An agreed action plan was in place to improve internal control around this key area of income.

Regular review was being maintained on the three previously reported significant corporate risks, which were Pension Fund Key Controls, ICT Network Boundary Defences and the Pension Payroll Reconciliation Project.

There were still some gaps in internal audit coverage, but these had reduced and SWAP were working with senior managers to close the remaining gaps.

The new 'AuditBoard' portal where Members could check the internal audit rolling work plan was highlighted, and it was hoped that Members would visit this regularly to keep up to date with internal audit work.

SWAP were working with relevant directorates regarding overdue priority 1 and 2 actions, to confirm that actions were being properly implemented and they hoped to demonstrate an improvement in the figures. SWAP were continuing to roll out Cifas, which had been successful at other local authorities.

In response to questions on the S106 audit, it was stated that SWAP thought the £125,000 that was not raised sat within the £3.45 million for the 7 applications which SWAP looked at. The approximately two thirds of the £3.45 million that had been collected was thought to be by value, not volume. It was thought that the elements looked at were the Wiltshire Council elements and not the total which would include contributions due to parish councils. Further details could be given when the service came to Audit and Governance Committee, it was confirmed that they would attend the September meeting.

In relation to the level of samples taken, it was explained that they had intended to look at 14 S106 agreements, however there were issues with the first 7 which were looked at and therefore they stopped at that point. This was a standard internal audit approach as control weaknesses had been identified. The service would then check all agreements.

In response to further questions, it was clarified that strategic risks were identified by management, by the strategic risk process and register. Internal audit looked at risks from that and any highlighted by directors. Some Members felt that the delays to the audits and accounts should be included as a strategic risk. Some also felt that strategic risk should be looked at in terms of value, for example to look at adult social care as that was where a lot of the council's budget was spent.

SWAP highlighted that the training session on the 'AuditBoard' would help to show how the internal audit rolling plan was put together, for example by risk, the corporate plan and SWAP's top 10 risks and recommended areas of coverage. Members would be able to access this at any time.

Members queried the risk 'Lack of capacity in the social care market' as the opinion given was 'Non opinion audit'. SWAP explained that a lot of their work was assurance focused, but some work was advisory. The advisory work gave non opinion audits. However, those did feed into the annual opinion.

At the conclusion of the debate it was,

Resolved:

To note the Internal Audit Activity progress report, July 2023.

32 **Annual Governance Statement 2022/23**

David Bowater, Senior Corporate Support Manager, presented the draft Annual Governance Statement (AGS) 2022/23.

The officer explained that the draft AGS 2022/23 had been prepared in line with the Local Code of Corporate Governance and following advice from the Chartered Institute of Public Finance and Accountancy (CIPFA).

The government had recently released draft statutory guidance on the Best Value Duty for local authorities, which had been developed in response to interventions at other authorities. This set out what it saw as a well functioning council. One measure was an AGS, prepared in line with the CIPFA / SOLACE framework, so Wiltshire Council was already meeting that element of the guidance.

Senior officers met regularly to deliver meaningful review through the AGS and would also respond to the consultation on the Best Value Duty guidance.

Any improvement actions identified in last year's AGS which were still amber rated were rolled forward to this year's AGS, so that the Committee could monitor the actions. Comments from the Committee and from the external auditor would be reflected in the final draft of the AGS which would be brought back to the Committee for formal approval when the Statement of Accounts were considered.

Maria Doherty, Head of Democracy, Governance and Customer Services spoke to paragraph 13 of the report (page 28 of the agenda) and the yellow highlighted section in Principle G of the AGS (page 40 of the agenda). This section had been left incomplete as the letter from the Local Government and Social Care Ombudsman (LGSCO) had yet to be received at the time of agenda publication. A copy of the letter had now been received, which would be presented to the Standards Committee for consideration. A summary of the key findings was given. The percentage of complaints upheld (of those the Ombudsman chose to investigate) was 58%, with the average for a similar council at 72%. Compliance with Ombudsman recommendations was 100%, whereas in similar councils the average was 99%. With regard to satisfactory remedies provided prior to Ombudsman involvement, the figure was 6% as opposed to 13% in similar councils. This would be looked into further.

Perry Holmes, Director Legal and Governance and Monitoring Officer, spoke to paragraph 10 of the report (page 27 of the agenda) regarding the Monitoring Officer comments included within the AGS (page 39 and 40 of the AGS). As Monitoring Officer, he had a statutory duty to report any illegality by the council, he had chosen to report on this within the AGS.

The first comment was regarding the placement of two children in unregistered provision. Unregistered provision was when a child who was being provided with some form of 'care' was living somewhere that was not registered with Ofsted. There were very good reasons why those decisions were made by the Director of Children's services in her statutory role. In response to questions it was confirmed that the two children were still in the unregistered provision. There was a full audit trail of all decisions involved, strong controls in place to mitigate risks and the provider had now applied to Ofsted to become registered. Escalation protocols in relation to these decisions and across the council were explained.

The other Monitoring Officer comment within the AGS was in relation to the non-completion of accounts. The Council had a technical legal duty to make documents supporting their audited accounts available during the first 10 working days of June each year. The Council had been unable to do this due to the delays in signing off the accounts. However, the website had been updated to make the position clear to residents.

The Chairman, seconded by Cllr Chuck Berry, proposed that the Committee consider the draft AGS as at appendix 1 of the report.

During debate, Members welcomed the transparency in relation to the Monitoring Officer comments. Further questions were asked around governance and whether political group rules were subject to oversight. The Monitoring Officer explained that the rules for political groups were for politicians, so officers would not get involved. However, senior officers did liaise with senior members of the political groups and had open debate, so there were good relationships and influence.

Members queried how Wiltshire Council compared to other authorities in relation to the 2 issues commented on by the Monitoring Officer, and what sort of incidents other authorities reported on. It was explained that 2 children in unregistered provision was low, with some councils having 20 children in unregistered provision. In regard to the accounts, many authorities had outstanding accounts, some with accounts older than ours outstanding. The Monitoring Officer explained that other authorities sometimes reported on investments in commercial properties or other investments which had not gone to plan. Reference was made to Stone Circle (Wiltshire Council's commercial housing development company) and the Monitoring Officer confirmed that the governance around that was good. This was also reported on annually to the Committee.

Members highlighted that they felt the tone in the draft AGS regarding the accounts was somewhat different to those included in the next agenda item.

The process regarding the AGS was clarified. At this stage the document stood on its own, however, final sign off and approval of the AGS would occur when the Statement of Accounts came to the committee. Any comments from the auditors and committee could be reflected in the final version, and the committee would be able to assess it at that point.

The significant corporate risks identified by SWAP and reported on to the Committee and within the AGS were queried as to whether there as any illegality. It was confirmed that there had not been and that you could not include all details on every risk within the AGS. The Committee had oversight of those risks due to SWAP's regular reporting and the updates received from service areas.

Questions were asked surrounding the governance of lower tiers of local government (city, town and parish councils). It was confirmed that these were their own entities and were responsible for their own governance and compliance. Those entities were also audited by external auditors. It was,

Resolved:

To consider the Draft Annual Governance Statement 2022/23 at appendix 1 to the report.

33 **Accounts and Audit Update**

Lizzie Watkin, Director of Finance and Deputy Section 151 Officer, presented the Accounts and Audit update.

The officer highlighted the brief covering report, which explained the reasons for the agenda item. Alongside the covering report there was an update report from the external auditors, and the management response to the issues raised in the report. The Committee had previously had sight of both the external auditors report and the management response, but in order to ensure full transparency they would be discussed at the meeting.

It was stated that the Committee had received many reports and progress updates on the status of the 2019/20 accounts. Everyone involved was disappointed in the progress made.

On 1 March 2022, a report was brought to the Committee requesting delegation be given to the Section 151 Officer in conjunction with the Chairman of the Audit and Governance Committee to approve the final Statement of Accounts 2019/20 and the Letter of Representation for those accounts, following completion of the audit. At that time, it had been thought that there may be a few minor changes, however since then significant further work had been undertaken. Whilst all material issues had been addressed, there were significant technical accounting aspects, many of which went back to 2015/16 which had required unpicking. Many of the errors and misstatements identified related to asset and lease accounting, these did not affect cash flow, reserves, usable funds or the provision of services to the public. Wiltshire Council had set a balanced budget for the next three years and the latest Outturn report detailed a significant increase in the delivery of savings.

Wiltshire Council were not alone, nationally there was significant stress within the sector in fulfilling auditing requirements, with many audit opinions outstanding across councils.

The delays to the completion of audits and accounts did however have a cost to the taxpayer, as there was a significant amount of extra work for the Council, which had to be resourced and the costs for the external auditors would also increase.

Details were given regarding a statement from Lee Rowley MP and the Department for Levelling Up, Housing and Communities [plans](#) to 'reset' the audit system to clear the backlog of outstanding audits and prevent a recurrence. The officer would provide a briefing note to the Committee which would summarise the aspects involved.

In terms of whether the situation was a strategic risk, as mentioned by Members earlier in the meeting, it was explained that usually companies had a set of accounts which people read and lenders looked at to see if they could borrow. However, as a local authority, the council tended to borrow from government backed schemes so that did not really apply. All borrowing was controlled by the Treasury Management Strategy, which was sound. As highlighted in the Annual Governance Statement (AGS) the Council were not complying with the timelines for publication of the accounts, however, details regarding the delays were publicly available.

The officer pondered the question of how to bring the outstanding accounts to a close. It may be that there would be changes to the work to be done and the opinions that were given. Consideration would also need to be given to how to draw things to a conclusion with a value for money approach.

Ian Howse, Deloitte, was in agreement with the officer in terms of there being a national issue. He had attended the meeting with Lee Rowley MP and agreed that there seemed to be little value in signing off accounts that were now two or three years old. There needed to be a solution to focus on more current accounts that were of interest to the reader. There was broad agreement on what had led to this point, however there was a gap between what they as the external auditors were looking for and to what the Council was used to providing, alongside questions as to what the Councils systems were capable of producing.

Local authority accounts were looked at using International Financial Reporting Standards (IFRS), which did not really align with how local authorities worked as they were not profit making organisations. Mr Howse felt that the current Enterprise Resource System (ERP) called SAP, was not fit for purpose.

Mr Howse also stated that the team at Wiltshire Council now contained experienced financial staff who were trying to put right many years of errors which was very difficult. Deloitte had undertaken sample testing, which contained many errors and when they tried to correct these, more errors became apparent. They were concerned that things might get missed. This was why Deloitte would like the Letter of Representation. At the present time, they would find it difficult to give an opinion under the IFRS, so this may result in a disclaimer opinion. This would mean that they could not give an opinion on the accounts. Mr Howse hoped that the accounts could be concluded prior to any government changes to the system, which could take a long time. There would be issues if they also had to disclaim on the 2020/21 and 2021/22 accounts. However, those were old sets of accounts. Deloitte also wanted to conclude matters with the least cost to the taxpayer and in a timely manner.

The Chairman, seconded by Cllr Pip Ridout proposed that the Audit and Governance Committee noted the update on the Accounts and Audit position for the outstanding accounts. The Committee then debated the matter.

Many Members stated their disappointment at the situation. Members queried identifying assets and registering them on the asset register, and what value there was in regurgitating information that was many years old. They also queried the replacement of the ERP system and whether the Committee could get an update on that.

Mr Howse explained that regarding the assets the values had been reconciled, however there was a very complex set of rules regarding how you account for changes in value. Those entries and how you moved them through the reserves was where the complexity and errors were occurring. You needed historical records of what had happened. In terms of recording value for the assets, it was the cost to replace them which was recorded, not the actual value of the asset. So, there was a lot of work to determine this for assets which would likely never be sold.

The officer explained that this area of work was heavily regulated, and the issues went back many years. It was the historical cumulative balances that

caused the issues. It was stated that it would be lovely to start with a clean sheet, however they were not allowed to do that, which forced them into a complex space. Regulations changed over time, so you then may not have enough details regarding historical matters. They were trying to find a reasonable approach which gave true and fair accounts.

The officer stated that the ERP was critical to support the financial control environment. SWAP was involved in reviewing the programme management to replace the ERP (Evolve) to ensure that it was rigorous, and a scrutiny task group was also looking at the matter. Members could attend the scrutiny task group if interested. The Chairman also highlighted that the task group was reporting to the Overview and Management Scrutiny Committee the next day, so Members could attend that meeting if they wished.

The officer explained that it was very difficult reporting from the asset management system which they had been using. There was a new system, the CIPFA asset management system, so all in year accounting was correct. The team had been upskilled, with advice and support from agency staff. The new ERP was also much more rigorous. Once the 2019/20 accounts were signed off, they would be in a much stronger position.

Members stated that they had a sense of *déjà vu*, with issues with the accounts rumbling on for many years and serious issues which needed to be addressed. They felt that there must be a way in which a line could be drawn under the situation so that the Council could proceed, so long as processes had been improved and we were not continuing to make the same mistakes. Some felt that we were going round and round the houses, with no light at the end of the tunnel, other than using a large amount of taxpayers money to recruit a large team to bring things to a close. Members felt that a way to resolve the situation must be found. Members also highlighted that the situation within the finance team had not been good, and it was not until Lizzie Watkin and Andy Brown, Corporate Director Resources, Deputy Chief Executive and Section 151 Officer, had been recruited that the situation started to stabilise. Great strides and improvements had been made under their watch.

The officer stated that the external auditors and officers had been having similar conversations regarding how we could bring these accounts to a close and ensure that the next ones were sound. It was stressed that we should have a set of 2019/20 accounts which were free from material errors, there was a judgement to be made in terms of materiality. The external auditors had to give an opinion. The 2019/20 accounts would be almost impossible for lay people to understand as they were so complex. The external auditors may need to issue a disclaimer opinion. That could mean that we needed to have opening balances audited as well as closing balances, which would be difficult practically.

Cllr Nick Botterill, Cabinet Member with responsibility for Finance, stated that he appreciated full accuracy and having accurate accounts, however this situation had to get to a stage where they could move on.

Members queried the Letter of Representation and if that could help resolve issues. The officer stated that a lot of work had been done towards that, but the external auditors were unsure if we could meet an assurance position to give the representations. Management however, felt that we were close to a point where we could give assurance. They had to be pragmatic to get all the outstanding accounts to a position where they could move forwards. The external auditors would change in the next round (2023/24), so the situation had to be resolved by then. It was explained that due to all the issues and extra work undertaken since the Committee had given delegation regarding signing off the 2019/20 accounts, that the delegation would not be used, and the Statement of Accounts 2019/20 would come back to the Committee.

Members highlighted the robustly challenging statements in Deloitte's report, and questioned what Deloitte's position was now. Mr Howse stated that he had been slightly surprised that Council would proceed to the Letter of Representation so they would need to consider that. If it was a robust and evidenced piece of work than they may not have to issue a disclaimer. That may create more work for everyone. However, the accounts would be qualified regardless due to the previous (2018/19) accounts qualification. Regarding last year's Letter of Representation, Deloitte felt that more work could have been done to determine what leases existed. This made them slightly sceptical. Although not a legal expert, Mr Howse did not think there were any legal consequences for those that signed the Letter of Representation.

Members sought details on the impact of a disclaimer opinion, be it reputational, financial or other consequences.

Mr Howse explained that disclaimer opinions were rare. He highlighted another local authority which may get one, and that this had generated a lot of publicity. It would be reputationally damaging to the Council. However, there was no real penalty or financial consequences. In terms of officer and auditor time, if they could not give an opinion on the accounts, then how could you give assurance on the opening balances of the next set of accounts. So, there was usually about a three year impact of a disclaimer opinion.

The officer stated that these were aspects which needed to be considered. In terms of treasury work, they would need to disclose the opinion and it could have an adverse impact. However, the 2018/19 accounts had been qualified and that had not had any adverse impact, so it was not expected that there would be an adverse knock-on effect.

Members questioned what the next step was and when the Committee would know the decisions made.

Mr Howse highlighted that the backstop position was 31 December 2023 for the 2019/20 accounts. If they and the Council could not agree by that date, that would be the end point where intervention was made and they were told what to do. He hoped that would not happen. This may not be resolved by the September meeting of the Committee, but it was hoped it would be for the one

after that. There may still be more work to do, even if a disclaimer opinion was issued.

The officer stated that the complexity was one of the drivers of the crisis. Officers hoped that the regulations would change. Otherwise, even when the backlog was cleared, they may end up in the same position again. The whole regulatory framework needed changing.

Members further debated the matter, points raised included whether the audit system had been properly maintained; whether there were enough people working on it; whether things had to be correct to the penny; where the line was to resolve the situation; general agreement that a line had to be drawn somewhere; the ongoing impact; and from some, a sense of horror at the situation.

Addressing these points, the officer stated that in terms of the adequacy of Council resources, the erosion of technical resource had been an issue which had now been addressed. External resources had also been brought in, dedicated resources assigned, and training been provided. This included career graded posts so that we could grow our own experts. It was quite a journey, and the Council were now starting to see significant progress and were developing the right culture.

The officer explained that in terms of materiality, there was about £18 - 19 million pounds on a billion-pound balance sheet, that is what made a difference in terms of decision making. Cash had to be correct to the penny. The right time needed to be spent on the right things. Materially the accounts were sound. The Council had to make value for money based decisions. Asset accounting did not really make any difference, as no business decisions were made on the value of assets in the statement of accounts.

It was further explained that each auditor always had a slightly different approach. It was hoped that all outstanding accounts, including the 2022/23 accounts could be completed with Deloitte and passed to the new auditor.

Members made further comments in defence of both our staff and the external auditors. They felt that the problem was being caused by central government in terms of the regulations. The level of detail required may be necessary for a private company but was inappropriate for a local authority. We knew how much money we had, we knew what our assets were, we were clear on our money balances and day to day accounts and therefore were financially sound as a council.

The officer responded that we were very different to the private sector as the Council were not about making a profit. We required resilience and the financial stability to deliver services to residents. Proportionate financial reporting was required. However, we did have to take responsibility for what had happened and had to correct errors.

Mr Howse stated that the IFRS was made for international private companies. Along with those regulations were hundreds of pages of CIPFA codes which were also very complicated. Trying to apply systems not designed for local government to local government accounts was very difficult. This situation had been brewing for a long time but had now come to a head.

Members discussed the situation further and also highlighted the section within the Deloitte report called looking ahead to the 2021/22 and 2022/23 audits, which contained a serious of statements and Members suggested a working group of the Committee could be created to look at those.

In response to the comments, the officer explained that they did not feel it was appropriate for internal audit to review the accounts or Statement of Accounts. The internal finance team now in place was adequate to address what needed to be undertaken now. There was support from Cabinet and they were overspending in this area to address the deficiency and weaknesses. Hopefully in a couple of years the agency resource would no longer be required. Those working on the technical accounting aspects would go on annual training. It was explained that there was a plan based upon the issues raised in Deloitte's report and the majority of actions had already been undertaken. Officers were happy to report on the action plan to the Committee at regular intervals.

Members questioned Deloitte as to whether there was a disconnect with Wiltshire Council and if they were re-writing the report now, its contents would be different. In response Mr Howse stated that Deloitte recognised that additional resources had been put in place. Their concern was that the team may be able to deal with business as usual but they were unsure if they had the capacity to complete the extra work required to get the accounts completed quickly, which would also require Deloitte to deploy additional resources. They would be concerned if we tried to complete 3 sets of accounts in one year. However, that was his opinion and officers had a different professional view.

The officer stated that there was a slight disagreement in terms of resources. The Council may need extra capacity at peak times. However, they did not want to see significant change, as this could lead to a lack of control and give more room for errors.

Members asked the Chairman if he felt a task group was required, to which he responded that at the moment he felt that regular reports on this matter should be added to the Forward Work Plan for the Committee, so that they could seek assurance.

At the conclusion of the debate, various Members suggested amendments to the motion proposed, all of which were accepted as friendly amendments by the proposer and seconder. It was,

Resolved:

- **To note the update on the Accounts and Audit position for the outstanding accounts.**

- To note the concerns expressed by the External Auditors in their submission and the detailed written and verbal response given by officers.
- To request that regular updates were given to the Committee on the progress being made to alleviate the concerns and to draw to a conclusion all the outstanding accounts.

34 **Forward Work Programme**

The Forward Work Plan for the Committee was presented for consideration, and it was,

Resolved:

To note the FWP and to add to the plan regular updates for the Committee on Accounts and Audit progress.

35 **Date of Next Meeting**

It was announced that the next regular meeting of the Committee would be held on 19 September 2023 at 2.30pm.

36 **Urgent Items**

There were no urgent items.

37 **Exclusion of the Press and Public**

The Committee considered whether or not to hold the next item in closed session and it was,

Resolved:

To agree that in accordance with Section 100A(4) of the Local Government Act 1972 to exclude the public from the meeting for the business specified in agenda item number 13 because it was likely that if members of the public were present there would be disclosure to them of exempt information as defined in paragraph 3 of Part I of Schedule 12A to the Act and the public interest in withholding the information outweighed the public interest in disclosing the information to the public.

38 **Minutes of the Previous Meeting**

The Part II (private) minutes of the meeting held on 26 April 2023 were presented for consideration and it was,

Resolved:

To approve and sign the Part II (private) minutes as a true and correct record.

(Duration of meeting: 2.30 - 5.00 pm)

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

Press enquiries to Communications, direct line 01225 713114 or email
communications@wiltshire.gov.uk

This page is intentionally left blank

Wiltshire Council

Audit and Governance Committee

19 September 2023

Subject: Accounts and Audit Update report

Executive Summary

This report is an update on the Accounts and Audit backlog position following a briefing note that updated the committee on a statement released from Lee Rowley MP (parliamentary Under-Secretary for State for Local Government and Building Safety).

Following this statement some proposed 'backstop' dates have been presented to councils and this report sets these out for information for the committee.

Proposal(s)

It is recommended that the Audit & Governance Committee note the update on the Accounts and Audit backstop dates for the outstanding accounts.

Reason for Proposal(s)

The responsible financial officer is required to approve and publish the Statement of Accounts for the Council by the deadlines set out in regulation, or as soon as reasonably practicable after the receipt of the auditor's final findings. Nationally there is a significant backlog in the approval of outstanding Accounts and government and other stakeholders have been working together to find a solution to reset the system and this report provides an update on this work and proposals.

Andy Brown

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

Wiltshire Council

Audit and Governance Committee

19 September 2023

Subject: Accounts and Audit Update report

Purpose of Report

1. This report is an update on the Accounts and Audit backlog position following a briefing note that updated the committee on a statement released from Lee Rowley MP (parliamentary Under-Secretary for State for Local Government and Building Safety) so that those charged with governance are aware of the current proposals being considered.

Relevance to the Council's Business Plan

2. The responsible financial officer, the council's Section 151 Officer, is required to approve and publish the Statement of Accounts for the council by the deadlines set out in regulation, or as soon as reasonably practicable after the receipt of the auditor's final findings. Providing updates to those charged with governance as significant delays exist to achieving this publication is an important element of transparent public reporting.

Background

3. The Audit and Governance Committee have received regular reports that set out the delays the council has faced in approving the 2019/20 Statement of Accounts that had a statutory deadline for approval was 30 November 2020.
4. The delays the council has faced are not unique and nationally in excess of 500 external audit opinions remain outstanding dating back to 2015/16. Government have recognised the need for action in addressing the backlog and a statement was released from Lee Rowley MP (parliamentary Under-Secretary for State for Local Government and Building Safety) that set out a summary of the suggested actions that are being considered. A briefing note was circulated to the committee on 26 July 2023 that set a summary of the topics raised in the statement and is included as Appendix A.

Main Considerations for the Council

5. Following the release of the statement, council officers joined a call with the Department for Levelling Up, Housing and Communities that set out deadline dates for conclusion of the outstanding accounts, referred to as 'backstop dates' and included in the table below.

Statement of Accounts year	Proposed backstop date
Up to and including 2019/20	31/12/2023
2020/21 & 2021/22	31/03/2024
2022/23	30/08/2024

6. These backstop dates will ensure that focus is given to the most relevant and recent accounts and provide a mechanism to allow the outstanding accounts to draw to conclusion, although debate is on-going on the regulatory capacity for this.

Overview and Scrutiny Engagement

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

Safeguarding Implications

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

Public Health Implications

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

Procurement Implications

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

Equalities Impact of the Proposal

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

Environmental and Climate Change Considerations

12. 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

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

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

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

14. Council officers continue to work with the external auditors to bring the Accounts and Audit process for 2019/20 to conclusion and will progress work required to meet the 'backstop dates' for the remaining outstanding Accounts.

Financial Implications

15. The continuing external audit process exposes the council to on-going costs associated with the use of specialist, experienced agency staff to manage the continuing audit queries and process and additional audit fees as a result of the continuing audit and will continue to incur additional costs and liabilities until the audit concludes.
16. There are no direct financial implications as a result of the non-publication or late signing off of the council's accounts.

Legal Implications

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

Workforce Implications

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

Options Considered

19. Accounts will be concluded in line with guidance and regulation set by Government and other regulators. We await final confirmation of this and there are no other options to consider.

Conclusions

20. It is recommended that Audit and Governance Committee note the contents of this report and its appendix.

Andy Brown

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

Report Author: Lizzie Watkin, Director of Finance and Deputy S151 Officer,
lizzie.watkin@wiltshire.gov.uk, 01225 7130656

08/09/2023

Appendices

Appendix A – Accounts and Audit backlog statement – Briefing Note July 2023

Background Papers

None

This page is intentionally left blank

APPENDIX A - Subject: Accounts and Audit backlog statement - Briefing Note July 2023

Wiltshire Council

Audit & Governance Committee

July 2023

Subject: Accounts and Audit backlog statement - Briefing Note

Purpose of Report

To keep the Audit & Governance Committee abreast of the ongoing cross-system work and the statement released from Lee Rowley MP (Parliamentary Under-Secretary of State for Local Government and Building Safety), associated with the significant national backlog of audit opinions.

Background

1. Following Sir Tony Redmond's Independent *Review of local financial reporting and audit* DLUHC implemented a range of measures to improve timeliness and the wider audit system. In addition, in December 2021 DLUHC published a further package of measures to improve local audit delays. These measures have not had the intended impact and significant issues and delays are still seen in the system nationally.
2. As the committee are aware there are significant delays in the accounts and audit processes for Wiltshire Council, with the 2019/20 Accounts still not approved. The position of significant delay in accounts and audit processes is seen across many councils nationally with only 27% of 2021/22 complete and approximately 520 opinions outstanding dating back to 2015/16.
3. This position is clearly unacceptable and there is consensus across the system that there is now no alternative but to take collective action to resolve the backlog. Auditors, Section 151 Officers, regulators, government departments and other key stakeholders have been working together to find a solution to reset the system. A statement has been issued by Lee Rowley MP that sets out a summary of the suggested actions that are being considered. The following paragraphs contain a summary of the main topics raised in the statement.
4. The National Audit Office (NAO) and DLUHC intend in issuing a series of statutory deadlines for account preparers and auditors to clear the backlog of delayed audits for financial years 2015/16 to present.

5. Deadlines set may result in qualifications and disclaimers of opinion in the short term for a number of councils. Further detailed work is required to identify and mitigate unintended consequences of these measures. Where a disclaimer of opinion is issued there will be a need to audit opening balances of the subsequent set of accounts.
6. Government is seeking to ensure that the work to clear the backlog takes place in a limited window of time.
7. Auditors' statutory duty to report on Value for Money (VFM) and other powers remain a high priority.
8. The NAO are considering the development of a replacement Code of Audit Practice to give effect the changes.
9. DLUHC are considering whether legislative change is needed to mirror proposed changes in the Code of Audit Practice and to address knock-on effects, such as the impact on opening balances.
10. The Chartered Institute of Public Finance and Accountancy (CIPFA) will issue guidance to support accounts preparers to follow amended regulations and the amended statutory deadlines. CIPFA will also set out how Section 151 Officers should approach their responsibilities to certify the accounts in light of potential qualifications or disclaimers which may result from these proposals.
11. The Financial Reporting Council (FRC) will be required to publish guidance on its regulatory approach to Major Local Audits (MLAs), which cover the audits for councils and would work with the NAO on the development of guidance to assist with the application of standards for these audits, including the need to meet the statutory dates.
12. Under these proposals the FRC intends not to undertake routine audit quality reviews and inspections of MLAs for the historic audits up to the end of the 2021/22 financial year.

Next Steps

13. As can be seen in the above paragraphs significant amount of work is required to change the regulatory environment for the proposals to be enacted and have an impact. DLUHC will continue to engage with Section 151 Officers and the wider sector over the summer as proposals are further developed.
14. Section 151 Officers will be expected to work with their Audit & Governance committees to ensure approval of the accounts work and any backlog can be managed effectively.
15. For the council this will potentially include the 4 sets of accounts that remain outstanding (2019/20-2022/23), and work will be required to deliver to the statutory dates and to ensure accounts are approved to allow for audit

opinions to be issued. What is not clear at this stage is what the new statutory dates will be nor is it clear which accounts will be affected. It is also not clear on which accounts will not be affected by the statutory dates and become the accounts which will be published and audited in the usual way, with no disclaimer opinion.

16. Officers will need to continue to work with the current external auditors, Deloitte to ensure we deliver to any new requirements set out and to effectively support the transfer of work and hand-over to the new auditors, Grant Thornton, who will audit the 2023/24 Statement of Accounts.
17. Longer term change is required to address the underlying issues and challenges to prevent a recurrence of backlogs in the future. This will include addressing workforce issues and ensuring proportionate financial reporting requirements, auditing and regulatory requirements are in place. As further updates are received officers will assess the impact and further briefings and reports will be presented to the committee.

Andy Brown
Corporate Director Resources and Deputy Chief Executive (S151 Officer)

Briefing note author:

Lizzie Watkin, Director of Finance & Deputy S151 Officer
Email: lizzie.watkin@wiltshire.gov.uk
Tel: 01225 713056

July 2023

This page is intentionally left blank

Wiltshire Council

Audit & Governance Committee

19 September 2023

Subject: The Governance of the Stone Circle Companies

Cabinet Member: Councillor Richard Clewer, Leader of the Council

Key Decision: Non-Key

Executive Summary

This report asks the Audit & Governance Committee to note the updates to the governance arrangements for the Stone Circle companies that have been implemented and are in progress since the previous report to the committee in September 2022 and to provide any additional commentary and suggestions as they see fit.

Proposal(s)

The Audit & Governance Committee is asked to:

1. Note the updates to governance arrangements for the Stone Circle companies since the previous report to the committee in September 2022.
2. To comment and make suggestions on future governance for the Stone Circle companies as they see fit.

Reason for Proposal(s)

The Audit & Governance Committee amongst other roles has responsibilities “to monitor and review the effective development and operation of corporate governance, risk and performance management and internal control, and to receive progress reports as required;”

Following a governance review of the Stone Circle Companies which was presented to Cabinet in September 2021, it was agreed that each year the governance arrangements should be presented to Audit & Governance Committee.

Terence Herbert
Chief Executive

Wiltshire Council

Audit & Governance Committee

19 September 2023

Subject: The Governance of the Stone Circle Companies

Cabinet Member: Councillor Richard Clewer, Leader of the Council

Key Decision: Non-Key

Purpose of Report

1. The purpose of the report is to present the governance arrangements for the Stone Circle companies.

Relevance to the Council's Business Plan

2. The proposals in the report directly support the Council's business plan to Grow the economy by facilitating the provision of affordable homes and developing new housing on public land.

Background

3. The Cabinet received a governance review in September 2021 setting out some recommendations based on best practice at the time for the governance of the Stone Circle companies.
4. The Cabinet agreed the recommendations of the review including the establishment of a Shareholder Group to undertake the matters between the Council as shareholder and the companies reserved to the Council in the Shareholder Agreement.
5. After the completion of the governance review and the implementation of some recommendations, Local Partnerships, a joint venture between the Local Government Association and HM Treasury, published a useful toolkit "Local Authority Company Review Guidance." Officers noted that Wiltshire's governance review had broadly followed the advice in the Local Partnerships guide.

Main Considerations for the Committee

6. The Cabinet received a governance review of the Stone Circle companies which made seven recommendations. The recommendations are set out below and Table 1 shows the progress made to date.

Recommendation 1 (R1) a Business Plan with greater detail including market analysis, risks, sensitivity, performance, and forecasting should be produced by the companies especially Stone Circle Housing and Stone Circle Development.

Recommendation 2 (R2) There should be quarterly performance reporting by

the companies to the Council in the order Corporate Leadership Team (CLT), an appropriate Task Group or Scrutiny Select Committee and then Cabinet (through the Shareholder Group).

Recommendation 3 (R3) create a Shareholder Group as a sub-Committee of Cabinet with the Leader as Chair with two other Cabinet Members as members with the option to co-opt external commercial expertise to enable the Shareholder Group (after consideration of performance reporting by CLT and Scrutiny) to conduct its role on behalf of the shareholder.

Recommendation 4 (R4) to amend the articles of the company to introduce a three year term for the Chair.

Recommendation 5 (R5) review the appointments to the Board. Now is the time to focus on delivery and therefore the current appointments, although assisting in set-up and initial trading activity, should be amended over a 12-month transitional period. This should include replacing the elected Members on the company Boards, with the advent of the Shareholder Group which will carry out a scrutiny and challenge function, expanding the membership of nonexecutive appointments with specific housing sector commercial experience and increasing the general non-executive membership to the Housing and Development companies by two. The Director of Housing and Commercial Development also be appointed to the companies.

Recommendation 6 (R6) request the company to develop and implement an appropriate staffing structure for the companies, to oversee the operations and to drive commercial delivery at pace. This structure could be resourced incrementally and phased against specific trading data.

Recommendation 7 (R7) annual presentation of governance arrangements to the Audit & Governance Committee.

No	Recommendation	Status	Details
1	Business plan update	In progress	Business Plan for 2023/2024 presented to Shareholder Group 27 June 2023 in previous format, Business Plan for 2024/2025 will be produced in line with the recommendation.
2	Quarterly performance reporting	In progress	Reporting from Stone Circle to be included in the quarterly reports to Cabinet
3	Shareholder Group	Complete	Meetings held on 7 November 2022 and 27 June 2023. Future meetings to be diarised to be held a minimum of 3 times per year.
4	Chairman's term	Complete	Amendment made 25 November 2021

5	Board appointments	Complete	Director of Housing & Commercial Development replaced with Director of Finance. Non- executive director appointments made 6 July 2023.
6	Company staffing	Complete	Housing Manager started 30 May 2022 and Construction and Development Manager started 1 August 2022
7	Audit & Governance	Complete	Report presented 19 September 2023

Table 1 – updated progress against the seven governance recommendations

Progress against recommendations

7. Five of the seven recommendations are complete. The Shareholder Group has now met on four occasions and is undertaking its role of holding the Companies to account to deliver their business plans. The Articles of Association have been amended to introduce a maximum three year term of office for the Chairman. The recruitment of additional non-executive directors has taken place with a new director being appointed to each of the Boards of Stone Circle Housing Company and Stone Circle Development Company with effect from 6 July 2023.
8. The provision of quarterly reports has not progressed whilst the other linked recommendations were completed but discussions with the Companies are ongoing with quarterly reporting anticipated to start during the current financial year, 2023/24. The reporting on the value of loans issued and held with the companies will be through the Treasury management reporting to Cabinet, thereby transparently reporting on the Councils exposure and risk on debt.
9. The Companies appointed a Housing Manager who started on 30 May 2022 and a Construction and Development Manager who started on 1 August 2022. Both are directly employed by Stone Circle Housing Company. Stone Circle Housing Company has also now appointed an Administrator to support the Housing Manager.
10. When Cabinet approved the Stone Circle governance arrangements it was provided with a diagram setting out the roles and responsibilities of the various parts of the Council which is set out at Appendix 1 for the Committee's assistance. Below is a reminder for the Committee of the activity of the two active subsidiary companies.

Stone Circle Housing Company

11. The business rational for Stone Circle Housing Company is to purchase and rent properties to enable renters to access the market at rental levels that are

somewhere between Local Housing Allowance levels (those rent levels paid by tenants in our council housing stock) and the private sector market rate.

12. At the September Board meeting it was reported that the portfolio currently contains 123 properties, with an additional 40 properties under offer. The company is on track to meet the annual acquisition target for the first time. Once the 2023/24 target has been met, the company will work on the shortfall from previous years.

Stone Circle Development Company

13. The business rationale for Stone Circle development company is to purchase and develop council owned land for sale or rental.
14. The company achieved planning permission for the site at Priestly Grove site, Calne (9 units) which is due to start onsite in late 2023. The sites at Ashton Street, Trowbridge (48 units) and Tisbury Sports Centre (13 units) have received planning permission subject to conditions and s106 agreements being finalized. The site at Ashton Street, Trowbridge has been confirmed as unviable by the Company, and this will be taken forward by the Council as 100% AH once the s106 and decision notice have been finalized. The site at Cherry Orchard, Marlborough (24 units) is expected to be presented at the October planning committee. Feasibility works are being carried out on two other sites.

Stone Circle Holding Company

15. Stone Circle Holding Company acts as a holding company for Stone Circle Housing Company and Stone Circle Development Company and all costs are recharged and thus captured in the Stone Circle Housing Company and Stone Circle Development Company activities. At this stage a third subsidiary, Stone Circle Energy, has not started trading.

Overview and Scrutiny Engagement

16. This report has not been considered by financial planning task group.

Safeguarding Implications

17. There are no safeguarding implications stemming from this report.

Public Health Implications

18. There are no public health implications as a direct result of this report.

Procurement Implications

19. There are no procurement implications as a direct result of this report.

Equalities Impact of the Proposal

20. There are no equality impact implications stemming from this report.

Environmental and Climate Change Considerations

21. Stone Circle Housing Company has committed to improving the EPC rating of the properties it purchases where viable. The Company will work towards having an EPC value of at least C, for all its properties (where exemptions are not required) by 2026. A planned maintenance program will be developed to review legacy properties which require energy improvements prior to this date.
22. Stone Circle Development Company's proposed schemes are electric-only. There are ongoing discussions about the sustainability aspirations of the Company and how the credentials can be improved on future sites. The Company will build homes for life which minimize the carbon footprint where possible. All schemes are designed in line with current Building Regulations and energy requirements.

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

23. If the Audit & Governance Committee does not consider the governance arrangements for the Stone Circle companies an element of the Council's approach to following best practice in relation to its council companies will be missed.
24. There may be financial and reputational risks to the council if the governance of the Stone Circle companies is not kept under review.

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

25. The roles and responsibilities for Wiltshire Council's companies includes the Shareholder Group, the Boards of the companies including non-executive directors with industry knowledge and expertise, Overview & Scrutiny Management Committee and Audit & Governance Committee in providing a wholistic overview of activity and progress. This framework mitigates the financial and reputational risks to the Council of the Stone Circle companies.

Financial Implications

26. The purpose of this report is to present governance arrangements for review and comment. There are no direct financial implications from the decision to note the governance arrangements.
27. The financial basis for the Stone Circle companies is predicated on loans from the Council to the company to finance their activities. In the case of the Housing company, the Council will recover its investment over a significant period through a mixture of company returns and a margin on the borrowing issued. For the Development company the Council will recover its investment for each site at the end of the project as a margin on the borrowing issued and through the return from the profit made from the project.

Legal Implications

28. This report for noting and commentary, does not involve any direct legal implications. The approach being taken to governance at Wiltshire Council is in line with best practice available at this time.
29. The financing arrangements have been structured in accordance with state aid and subsidy control law. The Council will need to continue to monitor interest rates to ensure these requirements continue to be met.
30. The Council needs to continue to ensure that as the companies develop the governance arrangements for the companies are robust, transparent and fit for purpose.

Workforce Implications

31. There are no direct workforce implications stemming from this report.

Options Considered

32. The options available to the Audit & Governance committee are to note or not the report and to comment or not on the governance arrangements in place and being completed.

Conclusions

33. This report presents an update on the governance arrangements for the Stone Circle companies for noting and commentary by the Committee.

Report Author:

Perry Holmes, Director of Legal & Governance / Monitoring Officer
Amy Williams, Principal Solicitor (Commercial) and Company
Secretary to the Stone Circle companies

Date of report 19 September 2023

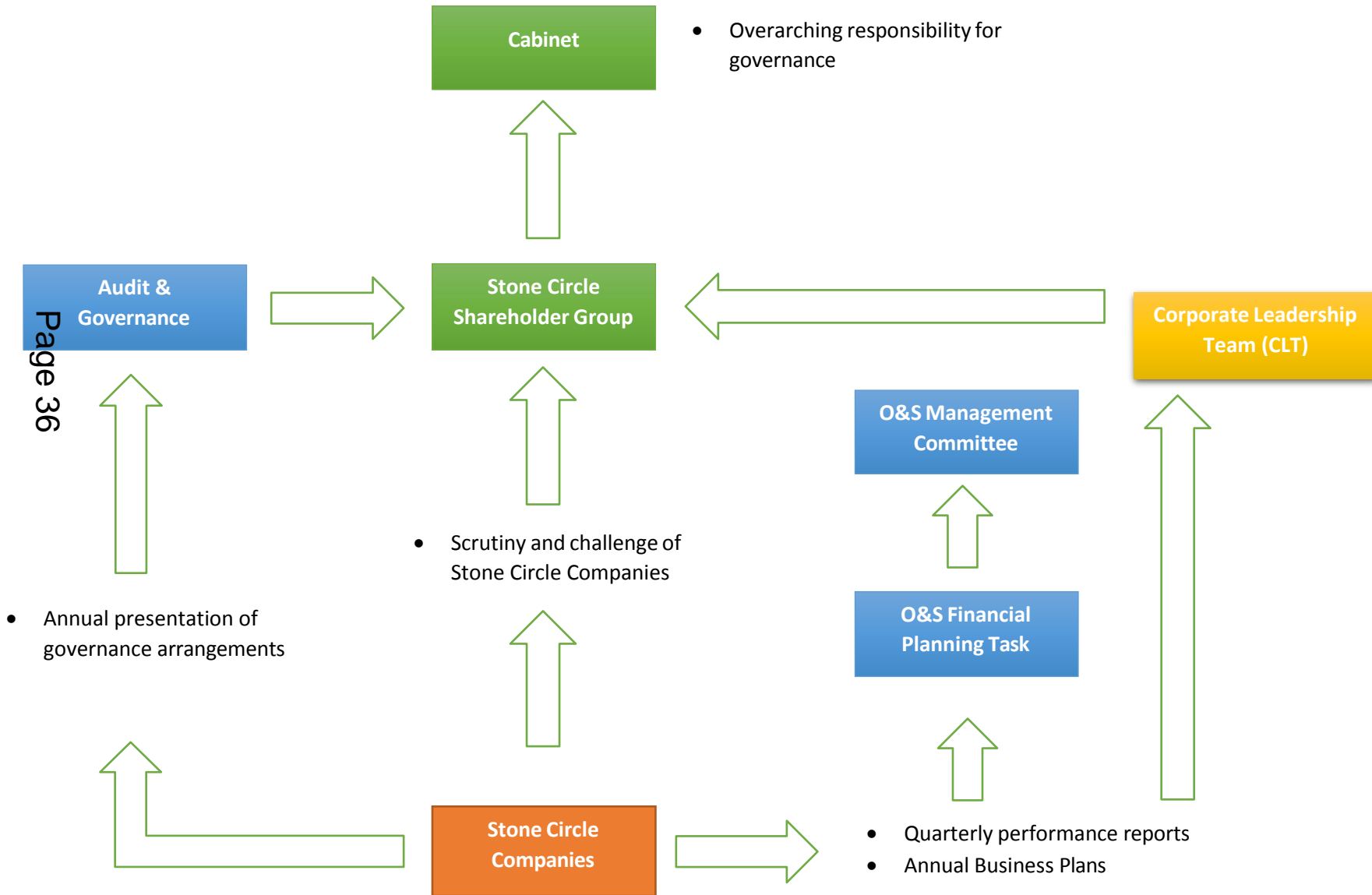
Appendices

Appendix 1 Stone Circle governance diagram

Background Papers

None

Stone Circle Governance Diagram



Section 106 Financial Control Audit Report May 2023

Purpose of Report

1. The purpose of this report is to provide an update to the Audit and Governance Committee about the findings of the May 2023 Section 106 Audit and progress that has been made implementing the recommendations.

Relevance to the council's Business Plan

2. This report directly supports the council's Business plan, specifically Thriving Economy, Resilient Society and Sustainable Environment. The importance of securing development in Wiltshire, and the resulting funding for infrastructure is fundamental in delivering outcomes in these areas and providing sustainable growth in Wiltshire.

Background

3. In early 2023, an audit was undertaken on the risks and controls in place in relation to Section 106 (S106) payments. This included a review of the following:
 - Evaluation of the guidance that defines how and when S106 agreements should be applied.
 - Evaluation of the recording of S106 agreements in the new Arcus planning system.
 - Evaluation of the monitoring of financial triggers and how funding is received, including the timely application of indexations to contributions, and;
 - Evaluation of the reporting produced for management and Members.

Community Infrastructure Levy (CIL) payments were not included in this review.

A previous audit on the collection of S106 money and the CIL conducted in late 2019 gave a 'reasonable' assurance. Most of the areas reviewed were found to be adequately controlled. Generally, risks are well managed, but some systems required the introduction or improvement of internal controls to ensure the achievement of objectives.

In April 2021, the Planning Directorate implemented a new ICT system, called Arcus, to provide back-office support and functionality to the planning, building control and local land charges services. However, the S106 monitoring element was not ready when the Arcus system went live, and subsequently the team have needed to use a manual method to monitoring S106 agreements, at the same time as re-entering S106 data into the Arcus system. At the time of this audit, this work was not completed. As at September 2023, the data on Arcus is backdated to 2015, allowing reporting on commitments on these agreements. This data entry is ongoing, with historical agreements being added.

The timing of this audit was unfortunate given the move to the new ICT system and work required to input data and configure. However, it has been useful to identify ways to configure the system to improvement monitoring overall.

Whilst work is ongoing with the ICT supplier (Arcus) to develop the Section 106 monitoring functionality, there has been significant progress made since the audit, specifically in areas of reporting, dashboards and financial calculations.

The audit reviewed a sample of Section 106 agreements and identified some areas of improvement. The final audit report had 13 actions; two are priority 1; four are priority 2 and seven are priority 3.

Main Considerations

4. This report provides an update which describes how the actions and improvements will be implemented, and progress made already in respect of delivery against the Improvement Plan.

5. Finding 1 – Tracking of S106 Contributions in Arcus

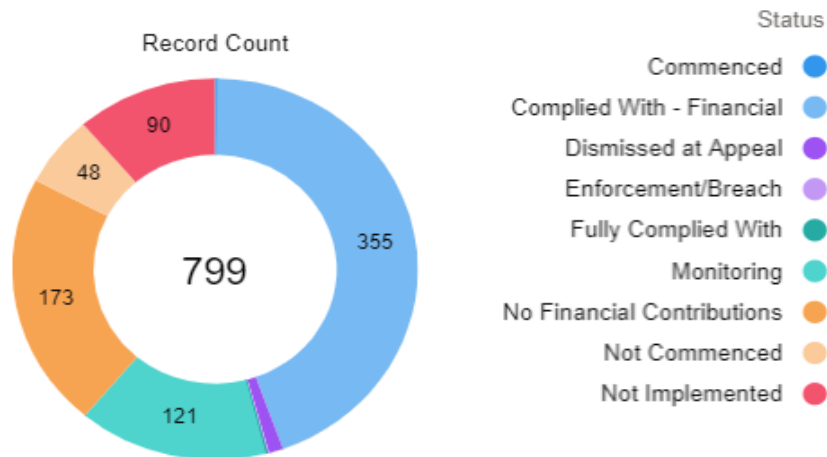
“We will ensure that the data held within Arcus is complete and accurate to allow for appropriate monitoring. We will determine whether all data needs to be filtered through the S106 team or whether service areas are responsible for inputting the data in Arcus”

The following actions have already been implemented:

- Additional resources have been allocated to S106 monitoring. Training is being undertaken and additional checks are in place to ensure accuracy.
- Additional monitoring reports have been created including:
 - S106 Money Owed – showing all financial obligations, owed by developers, described by the different types of infrastructure (quarterly)
 - S106 Status Report – showing the status that each S106 agreement has reached i.e. commenced, complied with (quarterly)
 - S106 Monitoring Report - Showing, by service area, the amount of contribution due, the amount paid, the date by which the contribution is to be spent. (quarterly)
 - S106 Clauses – showing where there are S106 agreements in place, but the triggers have not yet been met (quarterly)
 - S106 Not Commenced Report – showing agreements that have not yet had a commencement date. This is cross referenced with Building Control reports on commencements (quarterly)
 - Commencement Notice Report – Showing commencement notices for CIL liable developments received by the council, this is cross checked with S106 agreement as commencement of development triggers some of the S106 contributions. (weekly)
- Below shows an example of the dashboard that is available to view as a live dashboard on Arcus and is updated regularly:

S106 Status Report

52
25



- Developers have been written to, reminding them of their obligation to notify the S106 monitoring team when trigger points have been reached, along with instructions on how to notify us. An email will be sent to each developer on completion of all new S106 agreements.
- The council's Legal services are currently advising on whether the council can invoice a housebuilder in relation to the case identified in the audit with a surcharge for lack of notification.
- Improving communication with the Town and Parish councils on S106 agreements will be beneficial for the community and will assist with the monitoring of agreements. Each new agreement will be shared with the Town and Parish councils, and they will be encouraged to inform the council when trigger points may have been reached.

There are a number of actions which are in the process of being implemented:

- Development of a policy setting out how the council will monitor Section 106 monies. This will detail all reports that are being generated, nominate responsible persons in each service area such as Highways, Education, Housing etc. and set out clear expectations for monitoring across the authority.
- Improved two-way communication with finance and service areas regarding income and spending. This will include producing a quarterly report showing S106 income received. Service areas will also be required to provide a quarterly return setting out S106 spend. This approach is currently being piloted by Education and will be rolled out to all teams by January 2024.
- Undertake a full review of how data is recorded across the authority to achieve 'one version of the truth'. Currently all new S106 agreements are entered into Arcus when they are issued. The information will then be verified by a second member of the team. This will solve any data quality errors. Some service areas also maintain their own records, which was identified as a risk as errors were found, and databases unsupported. Arcus provides an opportunity for this to be used across the authority but there are financial implications for additional licenses. There is also a risk if multiple people have the ability to edit records that errors could be made. Undertaking a full review of how teams are using the information will allow an informed decision to be made over who has access to Arcus and how the data is used. This particular action is also linked to finding 4.

6. Finding 2 – S106 Policies and Guidance Action

“We will review the ‘Wiltshire Council Community Infrastructure Levy, Revised Wiltshire Obligations Supplementary Planning Document’ to ensure it reflects that latest version of the NPPF”

- This area of work is carried out by the council’s Spatial Planning service and the priority over recent months has been completing the draft Local Plan Review and preparing for Regulation 19 consultation in the autumn. There is a commitment to look at the S106 SPD being reviewed alongside the Local Plan Review (i.e. throughout 2024).

“We will coordinate the review / creation of a suite of guidance documents for S106 contributions that reflect the current structure of Wiltshire Council and the latest version of the NPPF. This will also document the process for tracking and monitoring S106 contributions in Arcus. This will require coordination across all service areas and as such timescales will be dependent on service area availability.

- The commitment for when guidance is updated rests with different council services, and this will need to be assessed according to work demands and other considerations. This work will be programmed into the improvement plan, with a completion date of 31 Dec 2024.

7. Finding 3 – Internal Control and Oversight Action

“Review the support provided to the S106 Monitoring Officer to ensure monitoring activity is undertaken in a timely manner, enhance the accuracy of the work and reduce the opportunity for inaccuracies, errors or omissions by re-distributing the administration of monitoring S106 contributions throughout the S106 and CIL Monitoring team.”

The following actions have already been implemented:

- Additional resource (0.5 FTE) has been allocated to Section 106 monitoring and training is being undertaken with all the team to provide resilience and timely monitoring.
- All service areas have been asked to use the team email address (CILandS106@wiltshire.gov.uk) and all responses are sent from this inbox to achieve transparency across the team.
- All S106 invoices have text directing queries to the CILandS106 email address.

There are a number of actions which are in the process of being implemented:

- Review of invoice creation in the new finance system (Oracle) to allow adequate separation of duties for accuracy. Proposed go live is 6th November 2023.
- Regular meetings with Finance to review income, monitoring and service allocation.

“In response to this audit, we have started a review of S106 contributions; we will complete the review of S106 contributions and the details of Appendix 2 and take action to invoice any outstanding contributions”

The following actions have already been implemented:

- A quarterly 'trigger met' report has been developed which ensures that invoices are raised on time. This has been in place since July 2023 and financial payments relating to all S106 agreements are now invoiced where appropriate.
- The council's Legal services are currently advising on whether an invoice can be issued to a housebuilder for the case identified in the audit with a surcharge for lack of notification (17/08959/FUL).

8. Finding 4 – Data Security and Training Action

“We will use Arcus for the tracking of S106 contributions across the council. Where management determine that they wish to continue using spreadsheets to track these payments, we will coordinate a review of access to spreadsheets and databases to enable varying levels of access, such as ‘view-only’ or ‘edit’, to ensure that only those with the appropriate authorisation can access or edit the data.”

- This action is linked to finding 1. A full review will be undertaken of all the data sources used across the council. The aim is for Arcus to be the primary source of information, with other services either using the system, or providing the S106 monitoring team with data and regular reports being issued.

9. Finding 5 – Evidence of Spend in Line with S106 Agreement Action

“We will coordinate with the service areas to determine the level of confirmation of spend required to evidence completed projects / works. For example, where Waste S106 contributions specify a particular outcome, create a memo or delivery note and store this in Arcus to evidence that the outcome stipulated in the S106 agreement has occurred (eg X number of bins were installed at X location on X date).”

There are a number of actions which are in the process of being implemented:

- A review will be undertaken to determine how to gather evidence to demonstrate completed works. This is an unusual recommendation as most other local authorities do not have a procedure in place to check that works have been completed, other than where works are required to the council's land or property (e.g. roads or schools). Beyond this, discussions will be held with service areas over what completion monitoring is reasonable and proportionate. This will be linked to the review of data sources discussed above in findings 1 and 4.

10. Finding 6 – Responsibility for S106 Contributions Action

“We will review the current S106 monitoring, management and spend within service areas. We will undertake a cost-benefit analysis of the following options:

- *Ensuring the management of S106 contributions sits within the most appropriate service area; where service areas are identified as receiving S106 contributions, an officer will be assigned responsibility for the management of these contributions, with the expectations of the role clearly defined; and*
- *Creation of a central S106 team responsible for monitoring and management of S106 contributions, including monitoring of spend.”*

There are a number of actions which are in the process of being implemented:

- A review will be undertaken of all the data sources used across council services. Working with each service area, an agreed approach will be adopted to ensure consistent monitoring and recording is in place. The aim is for Arcus to be the primary source, with services either using the system, or providing the S106 monitoring team with data and regular reports being issued.
- The adoption of a policy setting out how the council will monitor Section 106 monies will enable a transparent process with clear expectations for monitoring.

11. Finding 7 – Indexation Action

“We will introduce a system of peer review to check the indexation calculations prior to sending to the developer and ensure this is recorded in Arcus. Appropriate records of the indexation calculations and developer correspondence will be maintained.”

- Completed. A new indexation spreadsheet/calculator has been created. All indexation calculations for each developer contribution are sent to the developer and saved in Arcus. Peer review is undertaken prior to calculations being forwarded to developers.

12. Finding 8 – Correspondence via Central S106 Email Address Action

“We will direct all enquiries on invoices to the S106 and CIL central email address to enable all team members to access emails, promoting transparency and resilience within the team.”

- Completed. All service areas have been asked to use the team email address (CILandS106@wiltshire.gov.uk) and all responses are sent from this inbox to achieve transparency across the team.

13. Finding 9 – Claiming for Lack of Notification of Triggers Action

“We will liaise with Legal to determine if the £1000 failure to notify of a trigger clause should be included in every S106 agreement. We will review all S106 agreements that contain this clause to ensure claims are made where developers have not notified Wiltshire Council of triggers being met in a timely manner and create a system of monitoring, with service areas, going forwards.”

- Completed. Legal services have confirmed that this clause is routinely added to all agreements and that the penalty would be a maximum of £1000 per time (i.e. per trigger missed). In the case highlighted in the audit, legal advice is being sought on the justification to charge and the appropriate fee to recover costs.

“We will identify the potential sources of data held within the council that will enable us to monitor the trigger points in the most efficient manner, for example, by using PowerBI to collate and analyse pertinent data.”

- This will form part of the data source review mentioned above.

14. Finding 10 - Reporting Action

“We will discuss the frequency of reporting on the collection and spending of S106 monies with members and SMT to determine a more regular reporting pattern. To facilitate this, we will ensure all relevant information is stored in Arcus to allow S106

and Community Infrastructure Levy Monitoring Officer to update the RAG spreadsheet in a timely and efficient manner.”

- Reports can be requested at any time. The below shows an example of the data that is proposed to be shared with councillors on request. Arcus has the ability to produce a lot of data in different ways. This can also be provided at a parish level and will be communicated to the town and parish councils at the next training/awareness session.

Planning Obligation: Planning Application	Planning Obligation: Planning Address	Planning Obligation: Planning Proposal	Full Amount	Planning Obligation: Date Signed	Description	Planning Obligation: Total Amount Paid	Progress
19/05898/OUT	Land off Park Road, Malmesbury, SN16 0QW	Outline application for up to 50 residential units, internal road, parking, open space and associated works, with all matters reserved other than access.	£238	21/07/2022	The Owner shall pay the Air Quality contribution prior to CoD		Trigger Not Met
19/05898/OUT	Land off Park Road, Malmesbury, SN16 0QW	Outline application for up to 50 residential units, internal road, parking, open space and associated works, with all matters reserved other than access.	£70,088	21/07/2022	The owner shall pay the Early Years contribution prior to CoD		Trigger Not Met
19/05898/OUT	Land off Park Road, Malmesbury, SN16 0QW	Outline application for up to 50 residential units, internal road, parking, open space and associated works, with all matters reserved other than access.	£7,200	21/07/2022	The Owner shall pay the Open Space & Play contribution prior to CoD		Trigger Not Met
19/05898/OUT	Land off Park Road, Malmesbury, SN16 0QW	Outline application for up to 50 residential units, internal road, parking, open space and associated works, with all matters reserved other than access.	£206,338	21/07/2022	The Owner shall pay the primary Education contribution prior to CoD		Trigger Not Met
19/05898/OUT	Land off Park Road, Malmesbury, SN16 0QW	Outline application for up to 50 residential units, internal road, parking, open space and associated works, with all matters reserved other than access.	£183,520	21/07/2022	The owner shall pay the Secondary Education contribution prior to CoD		Trigger Not Met

Overview and Scrutiny Engagement

15. No engagement has taken place in with overview and scrutiny.

Safeguarding Implications

16. There are no safeguarding implications.

Public Health Implications

17. The built and natural environment is a key environmental determinant of health and wellbeing. Therefore, planning for sustainable development to meet the employment, housing and infrastructure needs of communities helps foster their well-being. Well planned development and good place shaping supports the health and wellbeing of local communities. The design of a neighbourhood can contribute to the health and well-being of the people living there.

Creating a more unified and resilient planning service will positively contribute to good place shaping decisions.

Procurement Implications

18. There are no procurement implications.

Equalities Impact of the Proposal

19. There are no known equalities impacts arising direction from this report. As changes are made to the service, any equalities impacts will be assessed and mitigated.

Environmental and Climate Change Considerations

20. This report has no direct implications for energy consumption, carbon emissions or associated environmental risk management. As changes are made to the service, any environmental implications impacts will be considered and mitigated.

Workforce Implications

21. The purpose of this report is to update the Audit and Governance Committee on the progress made following the Section 106 Audit May 2023. Additional resource has been allocated from within the existing structure and will be considered as a permanent change in the forthcoming restructure of the wider planning service. Any future changes made to the service will be made in accordance with the council's established policies and procedures having regard to HR advice.

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

22. This report is to update and therefore there is no decision required.

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

23. This report is to update and therefore there is no decision required.

Financial Implications

24. All money collected by Section 106 agreement is allocated to specific projects based on planning policy. Failure to collect Section 106 monies or spend in accordance with the agreed timescale could result in a loss of infrastructure in Wiltshire.

Legal Implications

25. There are no legal implications.

Options Considered

26. There are no proposals as result of this paper as it provides an update from the Commercial and Procurement Team to the Audit and Governance Committee.

Nic Thomas, Director for Planning

nic.thomas@wiltshire.gov.uk

01225 713283 x13283

Report Author: Sally Canter, Head of Building Control and Planning Technical Support,
sally.canter@wiltshire.gov.uk 01249 706630

22 August 2023

Background Papers

Section 106 Financial Control Final Report May 2023

This page is intentionally left blank

Audit and Governance Committee
Proposed Forward Work Plan 2023/24

Please note that the FWP is a dynamic document, updated on a regular basis as required

Meeting Date	Item	Responsible Officer	Draft Report Deadline	Publication Deadline
Wed 22 November 2023 10.30am	Statement of Accounts 2019/20	Lizzie Watkin/ Andy Brown/ Deloitte	8 Nov 2023	14 Nov 2023
	Internal Audit Update Report	SWAP		
	Independent Co-opted Members on the Audit and Governance Committee - TBC	Lizzie Watkin / Perry Holmes/ Tara Hunt		
	Anti-fraud risk update	Lizzie Watkin		
	Whistle blowing activity update – TBC	Perry Holmes / Maria Doherty / Jo Madeley		

Audit and Governance Committee
Proposed Forward Work Plan 2023/24

Please note that the FWP is a dynamic document, updated on a regular basis as required

Meeting Date	Item	Responsible Officer	Draft Report Deadline	Publication Deadline
Wed 7 Feb 2024 2.30pm	Statement of Accounts 2020/21	Lizzie Watkin/ Andy Brown/ Deloitte	24 Jan 2024	30 Jan 2024
	Statement of Accounts 2021/22	Lizzie Watkin/ Andy Brown/ Deloitte		
	Internal Audit Update Report	SWAP		
	Governance update on AGS 2022/23 actions	Perry Holmes/Maria Doherty/David Bowater		
	Corporate Risk Management -:TBC <ul style="list-style-type: none"> • Performance and Risk Management Policy • Appetite for Risk • Corporate Risk update 	Catherine Pink		

Audit and Governance Committee
Proposed Forward Work Plan 2023/24

Please note that the FWP is a dynamic document, updated on a regular basis as required

Meeting Date	Item	Responsible Officer	Draft Report Deadline	Publication Deadline
23 April 2024 Date TBC	Internal Audit Update Report	SWAP	9 April 2024	15 April 2024
	Introduction to new auditors and External Audit Plans 2023/24	Grant Thornton		
	Accounting Policies 2023/24	Lizzie Watkin / Sally Self		
	Policy updates: <ul style="list-style-type: none"> • Anti-Fraud Corruption and Bribery • Anti-Tax Evasion • Whistleblowing • Anti-Money Laundering 	Lizzie Watkin / Perry Holmes / Maria Doherty / Jo Madeley		

Audit and Governance Committee
Proposed Forward Work Plan 2023/24

Please note that the FWP is a dynamic document, updated on a regular basis as required

Meeting Date	Item	Responsible Officer	Draft Report Deadline	Publication Deadline
24 July 2024 Date TBC	Statement of Accounts 2022/23 - TBC	Lizzie Watkin/ Andy Brown/ Deloitte	10 July 2024	16 July 2024
	Internal Audit Update Report	SWAP		