Wiltshire Council

Where everybody matters

AGENDA

Meeting: **Audit Committee**

Place: **The Kennet Room - County Hall, Trowbridge BA14 8JN**

Date: **Wednesday 26 July 2017**

Time: **10.00 am**

Please direct any enquiries on this Agenda to Becky Holloway, of Democratic Services, County Hall, Bythesea Road, Trowbridge, direct line (01225) 718063 or email becky.holloway@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 Richard Britton (Chairman)
Cllr Tony Deane
Cllr Stewart Dobson (Vice Chairman)
Cllr Mike Hewitt
Cllr Tony Jackson
Cllr Edward Kirk
Cllr Jim Lynch
Cllr Andy Phillips
Cllr Leo Randall
Cllr Ian Thorn
Cllr John Walsh

Substitutes:

Cllr Ian Blair-Pilling
Cllr Anna Cuthbert
Cllr Peter Evans
Cllr Gavin Grant
Cllr Ross Henning
Cllr Ruth Hopkinson
Cllr Jon Hubbard
Cllr Ricky Rogers

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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.

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 7 - 12)*

To confirm and sign the minutes of the meeting held on 24 January 2017.

3 **Declarations of Interests**

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

4 **Chairman's Announcements**

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 Wednesday 19 July 2017** 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 21 July 2017**. 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 **Appointment to the Constitution Focus Group**

The Committee is asked to appoint a member to the Constitution Focus Group, as required under its term of reference.

7 **KPMG - Report to those charged with governance** *(Pages 13 - 54)*

The committee is requested to consider the ISA260 report from external auditors in its receipt of the draft accounts for 2016/17. Based upon that advice, and subject to any issues raised as a result of that consideration, the Audit Committee is requested to delegate the signing of the letter of the management representation letter to the Chairman of the Audit Committee.

8 **Annual Governance Statement** *(Pages 55 - 60)*

The Committee is asked to consider officer reports and to approve the Annual Governance Statement for 2016/17 as set out in Appendix 1 for publication with the Statement of Accounts.

9 **Statement of Accounts** *(Pages 61 - 202)*

The Committee is asked to consider the Statement of Accounts for 2016/17.

10 **Information Governance** *(Pages 203 - 210)*

The committee will receive a progress update on the information governance improvement programme.

11 **Forward Work Programme** *(Pages 211 - 212)*

To note the Forward Work Programme

12 **Date of Next Meeting**

To note that the next regular meeting of the Committee will be held on 9 November 2017.

13 **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

Wiltshire Council
Where everybody matters

AUDIT COMMITTEE

MINUTES OF THE AUDIT COMMITTEE MEETING HELD ON 24 JANUARY 2017 AT THE KENNET ROOM - COUNTY HALL, TROWBRIDGE BA14 8JN.

Present:

Cllr Richard Britton (Vice Chairman), Cllr Rosemary Brown, Cllr Tony Deane (Chairman), Cllr Mike Hewitt, Cllr George Jeans, Cllr Julian Johnson, Cllr Sheila Parker, Cllr David Pollitt and Cllr James Sheppard

1 **Apologies and Membership Changes**

Apologies were received from Cllr Stewart Dobson, Cllr Linda Packard, Dr Carlton Brand, and Mr Robin Townsend.

Cllr Jeans apologised for his non-attendance at previous meetings and sought clarity from Democratic Services as to attendance at future meeting dates.

2 **Minutes of the Previous Meeting**

Resolved:

To agree and sign the minutes of the meeting of the Audit Committee on 26 October 2016 as a true record.

3 **Declarations of Interests**

There were no declarations of interest

4 **Chairman's Announcements**

The Chairman had no announcements to make.

5 **Public Participation**

There were no members of the public in attendance.

6 **SWAP- Internal Audit Update and Quarter 3 report**

Ian Withers, assistant director at SWAP, presented the internal audit update and quarter three report, and tabled an updated programme of future audits. The officer highlighted that the outstanding ICT audit carried over from the previous year’s audit schedule, had now been finalised, and that there were no new risks to report.

In response to questions from members, the following points were made:

That SWAP would continue to chase up the outstanding priority four recommendations and would report back on progress at the next audit committee meeting.

That there was a discrepancy between the number of outstanding priority 4 recommendations in the report and in the schedule of upcoming audits and that SWAP would look into this.

That with regards to the large number of outstanding priority 3 and 4 recommendations relating to schools, targeting of the audit had been specifically at schools experiencing poorer outcomes and that the results had therefore not been unexpected. Michael Hudson (Associate Director for Finance) reported that he was confident that recommendations were all moving forward at an appropriate pace.

The results of the schools audit had been fed back to schools and that the issue would also be taken to the Schools Forum. It was clarified that problems were not purely financial.

The recommendations of the recently completed ICT audit would be reported back to the next Audit committee and that SWAP would make members aware if there were any matters requiring their more urgent attention.

Completion dates for the schedule audits would be included on the next report and updated on Healthy Organisations would be included in the forward work plan.

Audits that had commenced, but not completed prior to the year end, were considered on the `older plan’ whereas those that were planned, but were yet to commence, would be included with the main schedule of works for the new year.

The numbers assigned to recommendations could be used to look up more detailed information on a secure online system and that there would be refresher training on this after the elections.

Resolved:
To note the internal audit report for Q3 2016/17.

To request that an update ‘Healthy Organisations’ be added to the Forward Work Plan.

To request that realistic start and finish dates for the audit be added to the plan.

To request that any issues arising from the IT report be reported to the Committee.

7 **KPMG Grant Certification Report 2015/16**

Adam Bunting, from KPMG, presented the Annual Report on Grants and Returns 2015/16 and explained that the pensions and capital receipts audits had received clean bills of health and that the housing benefits audit report had a `qualified’ certification.

The auditor brought to the committee’s attention page 15 of the report which highlighted key issues including income and rental, overpayments, and the backdating of housing benefits. The number of errors was higher than was desirable but an improvement on the previous year.

In response to questions, the following points were clarified:

That housing benefit fraud was not tested for explicitly but that the strength of the controls in place to mitigate against fraud was considered, including the fraudulent aspects of overpayment.

The responsibility for checking the legitimacy of benefit claims lay with the local authority but that carrying out investigations was now the responsibility of the Department for Work and Pensions.

That fraud was inherent in all systems and that instances in Wiltshire did not automatically reflect a weakness in the systems that were in place.

That audit tests were via a sample of claims and that the level of this was nationally prescribed. Extended sampling could be used where it was deemed necessary to challenge the DWP’s extrapolation of the sample (i.e. if it was felt the first sample did not reflect the wider population). To aid their understanding wider trends, it would be helpful for members to have sight of comparative figures for recent years and not just a comparison with the previous year.

Work had been done locally to train assessors and this had led to a reduction in human errors being made in the claims process.

That the ‘qualified’ classification for the audit was a binary measure used for any report that included anything more than minor adjustments, and that this was common and not a cause of concern. The report had included no recommendations for improvement because the council were already undertaking all necessary actions.

Resolved:
To note the Grant Certification report 2015/16.

To request that a comparison of errors made in housing subsidy claims in the last year be made against previous years and that this be brought to a future meeting of the Audit Committee so that potential long-term trends may be considered.

8 **Information Governance Update Report**

Liz Creedy, Head of Partnerships and Governance, spoke to the written report on the Information Governance review. The officer reported that good progress was being made against the actions that had come from the review, and highlighted the following points: That the council were in the process of moving hard-copy records to Kemble and that this was due to be completed by the end of the financial year which would create savings in storage costs; That an assets register was in development which covered both capital assets and databases; That a review of the information held by Wiltshire Council was due to be completed by September 2017 and that this was linked to the maintenance of their public services certificate; That training in the secure storing of records would be provided to the relevant staff; and that the governance review had included penetration testing and the report from this was being used to tackle areas of concern, 90% of which had since been rectified. The officer reported that it was hoped that all actions would have been completed by the end of April 2017.

In response to questions it was explained and clarified that:

There would now be a single council policy on the maintenance and disposal of records but that records would still be retained for the requisite period of time dictated by statutory guidance and based on their nature.

The details of tests to the Council's IT system were strictly confidential. However, a high-level report would be made available to the audit committee in July.

Independent advice had been taken on the operation of facilities with a view to preventing data breaches.

Freedom of Information requests (FOIs) were being dealt with more efficiently but remained resource intensive.

Wiltshire Council's involvement with the Information Commissioner's Office (ICO) was now completed but that a voluntary update report would be sent to them when all the actions had been completed.

Training on information governance would be included in the induction of new members following the election in May 2017, and that senior members of staff had already received training which would be rolled out to other staff teams through a variety of formats.

A progress report on actions from the inspection would be made to the Audit committee at their meeting in July.

Resolved:

To note the significant steps that have been taken to address and rectify the findings identified by the Information Commissioner's Office (ICO) and that the audit engagement with them is now complete.

To note the continued progress to address the actions identified in the two-year improvement programme, which goes beyond the ICO requirements to fully inculcate a new information governance culture and practices across the organisation, whilst ensuring compliance with statutory legislation.

To request that a high-level update on IT testing be presented to the July Committee meeting, alongside a general update on actions arising in respect of Information Governance.

9 **Forward Work Programme**

Members were reminded of the importance of attending a training event in July.

Resolved:

To consider the quarter 4 internal audit report as part of the yearly report to Committee in July.

10 **Date of Next Meeting**

The next meeting of the Audit Committee would be on 26 April 2017 at 2pm.

11 **Urgent Items**

There were no urgent items.

(Duration of meeting: 2.00 - 3.16 pm)

The Officer who has produced these minutes is Becky Holloway of Democratic Services, direct line (01225) 718063, e-mail becky.holloway@wiltshire.gov.uk

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

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WILTSHIRE COUNCIL

AUDIT COMMITTEE

26 JULY 2017

Subject:	**KPMG: REPORT TO THOSE CHARGED WITH GOVERNANCE (ISA 260) 2016/2017**
Cabinet member:	**Philip Whitehead – Finance**
Key Decision:	**No**

Purpose of Report

1. To present KPMG's "Report to those charged with governance" to the Audit Committee and to invite Members to consider their response. KPMG will attend the meeting of the Audit Committee to present the report and to respond to any queries.

Background

2. This report has been prepared by the Council's external auditor (KPMG) and it summarises the conclusions and key issues arising from the recent audit of the Council's financial statements and their assessment of the Council's arrangements to secure value for money (vfm) in its use of resources.

Main Considerations for the Council

3. The headlines are in the summary of the KPMG report. These are summarised as follows:

   - KPMG anticipates issuing an unqualified audit opinion.

   - KPMG have concluded that the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources. KPMG anticipates issuing an unqualified VFM audit opinion.

   - KPMG identified three audit adjustments to the draft financial statements, two of which relate to technical accounting adjustments and the third is a presentational re-categorisation within short term creditors. These adjustments only affect the presentation of the financial statements and do not affect the General Fund or HRA balances. They have all been adjusted by the Council.

- The adjustments are summarised below. Full details are included in the KPMG report):

  - The first adjustment relates to the re-categorisation of creditor balances between sundry creditors and local authority creditors within the short term creditors note.
  - The second adjustment relates to presentational changes within the Comprehensive Income and Expenditure Statement, Revaluation Reserve and Capital Adjustment Account in relation to movements in the fair value of investment properties.
  - The third adjustment relates to the upwards revaluation of HRA and PFI beacon properties by the Council's external valuer,

<u>Overview and Scrutiny Engagement</u>

4. There is a 30 working day public inspection period where interested parties may come in inspect the accounts.

<u>Safeguarding Implications</u>

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

<u>Public Health Implications</u>

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

<u>Procurement Implications</u>

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

<u>Equalities Impact of the Proposal</u>

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

<u>Environmental and Climate Change Considerations</u>

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

<u>Risk Assessment</u>

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

<u>Financial Implications</u>

11. KPMG's Report to those charged with Governance is relevant to the Council's financial arrangements.

Legal Implications

12. KPMG's Report to those charged with Governance is relevant to the Council's legal arrangements.

Recommendations

13. That the Audit Committee considers the ISA 260 report from external auditors in its receipt of the draft accounts for 2016/2017. Based upon that advice, and subject to any issues raised as a result of that consideration, the Audit Committee delegates the signing of the letter of the management representation letter to the Chairman of the Audit Committee.

Reason for Recommendations

14. To present KPMG's Report to those charged to governance to the Audit Committee and to invite Members to consider their response.

MICHAEL HUDSON
Assocoaite Director, Finance

Report Author: Matthew Tiller – Chief Accountant

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

None.

Appendices:

Appendix A - KPMG Report to Those Charged With Governance (ISA 260) 2016/2017

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External audit report 2016/17

Wiltshire Council

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July 2017

Summary for the Audit Committee

Financial statements

This document summarises the key findings in relation to our 2016-17 external audit at Wiltshire Council ('the Authority'), along with our audit of the Wiltshire Pension Fund.

This report focusses on our on-site work which was completed in March 2017 and July 2017 on the Authority's significant risk areas, as well as other areas of your financial statements. Our interim audit findings are presented on pages 4-9, with the final audit work on pages 10-21.

Subject to all outstanding queries being resolved to our satisfaction we anticipate issuing an unqualified audit opinion on the Authority's financial statements on 26 July 2017 (which is nine weeks before the statutory deadline of 30 September 2017).

We also anticipate issuing an unqualified audit opinion in relation to the Pension Fund's financial statements on 26 July 2017.

We have identified three audit adjustments with a total net value of £33.9 million. See page 16 and appendix 3 for details.

Based on our work, we have raised one recommendation. Details on our recommendations can be found in Appendix 1.

We are now in the completion stage of the audit and anticipate issuing our completion certificate and Annual Audit letter in line with statutory deadlines.

Value for Money

We have completed our risk-based work to consider whether in all significant respects the Authority has proper arrangements to ensure it has taken properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. We have concluded that the Authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

We therefore anticipate issuing an unqualified value for money opinion.

See further details on pages 22-26.

Control Environment (including IT controls)

Your organisational control environment is effective overall.

However, we noted that the controls implemented by the Authority in order to manage the risk of inappropriate super user access to the SAP financial accounts system had ceased operating early in the financial year. Whilst we have not identified any instances of unauthorised access we are unable to place reliance upon the IT controls in operations to prevent such access. As a result, our ability to rely upon SAP automated controls was significantly reduced and additional work was required in relation to our financial statements audit.

In addition, we identified that improvements were required in relation to the access controls over the Northgate revenues and benefits system dataset, with a higher than expected number of users being able to directly edit the data.

We have summarised the outcomes of our IT controls work at page 7 and have issued a separate report to management setting out the full details of our findings and the resulting recommendations. Management have indicated that work is underway to resolve the issues identified.

Acknowledgements

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

We ask the Audit Committee to note this report.

The key contacts in relation to our audit are:

Darren Gilbert
Director
KPMG LLP (UK)

0292 046 8205
darren.gilbert@kpmg.co.uk

Adam Bunting
Manager
KPMG LLP (UK)

0117 905 4470
adam.bunting@kpmg.co.uk

Duncan Laird
Manager – Pension Audit
KPMG LLP (UK)

0117 905 4253
duncan.laird@kpmg.co.uk

Contents

This report is addressed to Wiltshire Council (the Authority) and has been prepared for the sole use of the Authority. We take no responsibility to any member of staff acting in their individual capacities, or to third parties. Public Sector Audit Appointments issued a document entitled Statement of Responsibilities of Auditors and Audited Bodies summarising where the responsibilities of auditors begin and end and what is expected from audited bodies. We draw your attention to this document which is available on Public Sector Audit Appointment's website (www.psaa.co.uk).

External auditors do not act as a substitute for the audited body's own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

We are committed to providing you with a high quality service. If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact Darren Gilbert, the engagement lead to the Authority, who will try to resolve your complaint. If you are dissatisfied with your response please contact the national lead partner for all of KPMG's work under our contract with Public Sector Audit Appointments Limited, Andrew Sayers (on 0207 694 8981, or by email to andrew.sayers@kpmg.co.uk). After this, if you are still dissatisfied with how your complaint has been handled you can access PSAA's complaints procedure by emailing generalenquiries@psaa.co.uk, by telephoning 020 7072 7445 or by writing to Public Sector Audit Appointments Limited, 3rd Floor, Local Government House, Smith Square, London, SW1P 3H.

Section one

Interim Audit

This section summarises the key findings arising from our work completed in March 2017 as part of our interim testing for the 2016/17 Financial Statements.

This covered:

— review of the Authority's general control environment, including gaining an understanding of the Authority's IT systems and testing general IT controls;

— testing of certain controls over the Authority's key financial systems; and

— review of relevant internal audit work which we are seeking to rely upon.

Organisational Control Environment

Your organisational control environment is effective overall. However, there are significant weaknesses over the current IT control environment.

Work performed

Controls operated at an organisational level often have an impact on controls at an operational level and if there were weaknesses this would have implications for our audit.

We obtain an understanding of the Authority's overall control environment and determine if appropriate controls have been implemented. We do not complete detailed testing over all of these controls.

Key Findings

We consider that your organisational controls are generally effective overall. However, there are significant issues identified in the General IT controls over the Authority's financial system (SAP) and the Revenue and Benefits system (Northgate).

Due to the nature of the IT issues identified, we issued a separate detailed report to management outlining their full extent and the resulting recommendations. A summary of the issues has been included on page 7 and in appendix one.

Aspect	Our Assessment	
	2016/17	2015/16
Organisational controls	3	3
Management's philosophy and operating style	3	3
Culture of honesty and ethical behaviour	3	3
Oversight by those charged with governance	3	3
Risk assessment process	3	3
Communications	3	3
Monitoring of controls	3	3
IT control environment (see page 7)	1	2

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

IT Control Environment

We have been unable to rely on automated controls when performing our audit work because of significant deficiencies identified in the operating of the IT control environment relating to the controls over super users. There are improvements required over system access and permissions.

Work performed

The Authority relies on information technology (IT) to support both financial reporting and internal control processes. In order to satisfy ourselves that we can rely on the use of IT, we test controls over access to systems and data, system changes and maintenance, system development and computer operations over the SAP (General Ledger) and Northgate (Revenues & Benefits) environments.

Key Findings

Over recent years we have identified ongoing concerns in relation to the control exercised over SAP super user accounts (those making use of the SAP_ALL access profile), particularly those used by the system provider. During 2015/16 we noted that the Authority had made significant progress in relation to this issue in implementing new controls designed to monitor and control the use of these accounts. However, due to staffing changes in August 2016 the completion of these controls ceased. These accounts enable the user to change system parameters, alter individual transactions and delete the resulting audit trails.

There are also a high number of Northgate accounts which have direct access to the system's underlying database. Whilst we flagged this in our 2015/16 Report to Those charged with Governance, we have clarified the extend of the changes that could be undertaken through these accounts and confirmed that they include the ability to delete underlying data and change reporting functionality without testing or approval.

Due to the sensitive nature of these issues, we have issued a separate report to management detailing the full impact of the IT failures, which management have responded to.

We have therefore been unable to rely on the Authority's IT environment during the year. As a result, we had to undertake specific additional substantive procedures and lower the testing and sensitivity thresholds applied throughout our final audit visit. Consequently, we will be agreeing an additional charge with management to cover the cost of this additional work.

Aspect	Our Assessment	
	2016/17	2015/16
Access to systems and data	❶	❷
System changes and maintenance	❶	❷
Development of new systems and applications	❸	❸
Computer operations and end- user computing	❸	❸

Key:
❶ Significant gaps in the control environment.
❷ Deficiencies in respect of individual controls.
❸ Generally sound control environment.

Review of Internal Audit

Following our assessment of Internal Audit, we were able to place reliance on their work (as per agreed coverage) although an element of top up testing was required.

Background

United Kingdom Public Sector Internal Audit Standards (PSIAS) apply across the whole of the public sector, including local government. These standards are intended to promote further improvement in the professionalism, quality, consistency and effectiveness of internal audit across the public sector. Additional guidance for local authorities is included in the Local Government Application Note on the PSIAS.

Work performed

The scope of the work of your internal auditors and their findings informs our audit risk assessment.

We work with your internal auditors to assess the control framework for certain key financial systems and seek to rely on relevant work they have completed to minimise unnecessary duplication of work. Our audit fee is set on the assumption that we can place full reliance on their work.

Where we intend to rely on internal audit's work in respect of the Authority's key financial systems, auditing standards require us to complete an overall assessment of the internal audit function and to evaluate and test aspects of their work.

The Public Sector Internal Audit Standards define the way in which the internal audit service should undertake its functions. Internal audit completed a self-assessment against the PSIAS in 2015/16.

We reviewed internal audit's work on the key financial systems and re-performed a sample of tests completed by them. We only review internal audit work that has relevance to our audit responsibilities, to effectively scope out other internal audit work from our findings. Our review of internal audit work does not represent an external review against PSIAS, as required at least every five years.

Key findings

Based on the self-assessment performed by internal audit, our assessment of their files, attendance at Audit Committee and regular meetings during the course of the year, we did not identify any significant issues which would prevent us from relying on internal audit's work for 2016/17.

We have, however, identified a number of areas for further development:

- Internal audit have reduced their sample sizes in areas such as Treasury Management and Housing & Council Tax Benefits. In order for us to rely on the work, we have had to perform additional top up testing; and
- Internal audit have relied on prior year evidence in areas where there have not been any previously reported errors. Whilst we have been able to rely on these for 2016/17, additional testing would be required in 2017/18 based on our methodology.

Controls over Key Financial Systems

The controls over the key financial systems are generally sound. However, our testing over controls has been impacted due to the IT control issues identified.

Internal audit have raised a number of recommendations during the year. We have confirmed that these do not have a significant impact on our audit.

Work performed

We review the outcome of internal audit's work on the financial systems to influence our assessment of the overall control environment, which is a key factor when determining the external audit strategy.

We also work with your internal auditors to update our understanding of some of the Authority's key financial processes where these are relevant to our final accounts audit.

Where we have determined that this is the most efficient audit approach to take, we test selected controls that address key risks within these systems. The strength of the control framework informs the substantive testing we complete during our final accounts visit.

Our assessment of a system will not always be in line with the internal auditor's opinion on that system. This is because we are solely interested in whether our audit risks are mitigated through effective controls, i.e. whether the system is likely to produce materially reliable figures for inclusion in the financial statements.

Key Findings

Based on our work, and the work of your internal auditors, in relation to those controls upon which we will place reliance as part of our audit, the key financial systems are generally sound.

However, we were unable to rely on many of the controls as a result of the identified IT weaknesses.

The following ratings are based on the design and implementation of the controls in operation at the Authority. In regards to payroll costs internal audit identified missing starter and leaver forms, with IT not always being informed over a leaver. The Council Tax and NNDR outcome relates to internal audit identifying that better evidencing of credit reviews by management was needed.

Aspect	Our Assessment	
	2016/17	2015/16
Payroll costs	2	2
Cash and cash equivalents	3	2
Housing Benefits	3	3
General Ledger	3	3
Council Tax and NNDR	2	2
Purchases	3	3
HRA	3	3

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

Section two

Financial Statements

We anticipate issuing an unqualified audit opinion on the Authority's 2016/17 financial statements and the Pension Fund by 26 July 2017. We will also report that your Annual Governance Statement complies with the guidance issued by CIPFA/SOLACE (*'Delivering Good Governance in Local Government'*) published in April 2016.

For the year ending 31 March 2017, the Authority is reporting a deficit of £3.6m (post-audit). The impact on the General Fund is a £0.3m increase in the General Fund.

Significant audit risks

Our *External Audit Plan 2016/17* sets out our assessment of the Authority's significant audit risks. We have completed our testing in these areas and set out our evaluation following our work:

Significant audit risks	Work performed
Significant changes in the pension liability due to LGPS Triennial Valuation	**Why is this a risk?** During the year, the Pension Fund has undergone a triennial valuation with an effective date of 31 March 2017 in line with the *Local Government Pension Scheme (Administration) Regulations 2013*. The share of pensions assets and liabilities for each admitted body is determined in detail, and a large volume of data is provided to the actuary to support this triennial valuation. There is a risk that the data provided to the actuary for the valuation exercise is inaccurate and that these inaccuracies affect the actuarial figures in the accounts. Most of the data is provided to the actuary by Wiltshire Council, which administers the Pension Fund. **Our work to address this risk** We have reviewed the process used to submit payroll data to the Pension Fund and have found no issues to note. We have also tested the year-end submission process and other year-end controls. The assumptions used by your actuary have been compared to industry standards, as well as being reviewed by our internal actuarial team. We have also substantively agreed the total figures submitted to the actuary to the ledger with no issues to note. We have also engaged with our colleagues in the Pension Fund audit team to gain assurance over the pension figures. No issues were identified as a result of the above work.

Considerations required by professional standards

Fraud risk of revenue recognition

Professional standards require us to make a rebuttable presumption that the fraud risk from revenue recognition is a significant risk.

In our *External Audit Plan 2016/17* we reported that we do not consider this to be a significant risk for Local Authorities as there is unlikely to be an incentive to fraudulently recognise revenue.

This is still the case. Since we have rebutted this presumed risk, there has been no impact on our audit work.

Management override of controls

Professional standards require us to communicate the fraud risk from management override of controls as significant because management is typically in a unique position to perpetrate fraud because of its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.

Our audit methodology incorporates the risk of management override as a default significant risk. We have not identified any specific additional risks of management override relating to this audit.

In line with our methodology, we carried out appropriate controls testing and substantive procedures, including over journal entries, accounting estimates and significant transactions that are outside the normal course of business, or are otherwise unusual.

There are no matters arising from this work that we need to bring to your attention.

Other areas of audit focus

We identified three areas of audit focus. These are not considered as significant risks as they are less likely to give rise to a material error. Nonetheless these are areas of importance where we carry out substantive audit procedures to ensure that there is no risk of material misstatement.

Other areas of audit focus	Our work to address the areas
Disclosures associated with retrospective restatement of CIES, EFA and MiRS	**Background** CIPFA has introduced changes to the 2016/17 Local Government Accounting Code ("the Code"): — Allowing local authorities to report on the same basis as they are organised by removing the requirement for the Service Reporting Code of Practice (SeRCOP) to be applied to the Comprehensive Income and Expenditure Statement (CIES); and — Introducing an Expenditure and Funding Analysis (EFA) which provides a direct reconciliation between the way local authorities are funded and prepare their budget and the CIES. This analysis is supported by a streamlined Movement in Reserves Statement (MiRS) and replaces the current segmental reporting note. The Authority was required to make a retrospective restatement of its CIES (cost of services) and the MiRS. New disclosure requirements and restatement of accounts require compliance with relevant guidance and correct application of applicable accounting standards. **What we have done** We have obtained an understanding of the methodology used to prepare the revised statements and the prior period restatement We have also agreed figures disclosed to the Authority's general ledger and found no issues to note. Whilst we initially identified three required notes that had not been included in the draft financial statements, these have been incorporated into subsequent drafts.
Valuation of Housing Stock	**Background** The DCLG published revised guidance in relation to the valuation of housing stock. The guidance included revisions to the approved regional discount rates for valuing council housing. **What we have done** We have agreed through the valuation schedules provided by the valuer through to the fixed asset register. The independence and competence of the valuer has been assessed, with the assumptions used compared against DCLG guidelines. We have also performed analytical reviews over expected revaluations. As a result of the above work we identified that the valuer had used the previous social housing adjustment factor, meaning that the value of the Authority's housing stock was materially understated by £34.0 million (including an understatement of £1.6 million in relation to PFI housing assets). The Authority has corrected this in the latest financial statements. As the valuation is undertaken as at 31 March 2017 there is no impact upon the depreciation charged during the year.

Other areas of audit focus (continued)

Other areas of audit focus	Our work to address the areas
3. IT control failures	**Background** Our audit approach is designed to place reliance upon key financial controls in order to reduce the level of substantive testing required and provide audit evidence. Where these controls are automated by way of the Authority's IT systems we are required to undertake testing over the Authority's general IT controls in order to gain assurance that such automated controls can be relied upon throughout the year. **What we have done** As set out on page 7, our testing of general IT controls was undertaken during February 2017 and highlighted significant concerns in relation to the controls operating over super user accounts in SAP (those making use of the SAP_ALL access profile) and the number of users with direct access to the Northgate database. As a result of these issues we were unable to place reliance upon automated and partially automated controls operating within SAP and Northgate. This includes controls around the posting and authorisation of journals. We have reduced the threshold against which we designed our audit procedures and completed additional substantive where we could not rely on controls. Management have informed us that they are already in the process of implementing changes to address the weaknesses identified through our audit.

Judgements

We have considered the level of prudence within key judgements in your 2016/17 financial statements and accounting estimates. We have set out our view below across the following range of judgements.

Subjective areas	2016/17	2015/16	Commentary
Provisions (excluding NDR)	3	3	The provisions balance (excluding NDR) has increased by £0.1million, mainly due to reductions in Legal Claims and Land Charges being offset by three additional provisions recognised during the year. No concerns have been identified as a result of our work.
NDR provisions	2	2	In 2013/14, local authority funding arrangements meant that the Authority became responsible for a proportion of successful rateable value appeals. Wiltshire Council has provided for a fixed 2.5% of outstanding appeals in accounting for the potential liability. The NDR provision has moved to £1.9m from £1.7m, with the 2015/16 provision fully used in the year. The Authority still remains towards the cautious side of the prudence range and is considered to have sufficient provisions in place. Despite this, the Authority may wish to review its Non-Domestic Rates (NDR) provisions to ensure it remains in line with applicable accounting guidance and reflects the most appropriate methodology. In doing so, the Authority could make use of historic data on the level of successful appeals since 2013/14.
PPE: HRA assets	0	3	The Authority continues its use of the beacon methodology in line with the DCLG's *Stock Valuation for Resource Accounting* published in November 2016. The Authority has utilised an external valuation expert to provide valuation estimates. We have reviewed the instructions provided and deem that the valuation exercise is in line with the instructions. The resulting increase of 6.88% is in line with industry standard indices. We have also compared the regional adjustment factor used as part of the Beacon Valuation methodology to the DCLG guidance. The valuer has used the previous regional adjustment factor of 31%, rather than the 35% indicator suggested in the latest DCLG guidance. This has caused a material difference, understating HRA Assets by £32.6 million. This is corrected in the final version of the financial statements, resulting in the final position being within our acceptable range.
PPE: Non HRA Assets	3	3	The Authority has a three year rolling programme of assets to be revalued. In 2016/17, the assets revalued included secondary schools, car parks, public conveniences and cemeteries. There were also other various miscellaneous buildings and new additions that had been revalued during the year. We have assessed the competence of the valuer used and have confirmed that the 3 year rolling programme ensures coverage over the Authority's asset base.
Pension Liability	4	3	The change in pension liability is largely drive by a change in assumptions applied by the actuary, reflecting movements in the changing economic climate. Judgements are complex and numerous. These assumptions have been compared to a PWC review of the actuary, as well as KPMG's own actuarial specialists. The assumptions for RPI Inflation, Salary Increased and Discount rate were within our expectations. The actuary has reduced salary increase rate from 4.2% per annum to 2.7% per annum which is a larger than expected movement. Whilst we believe this is still an acceptable figure, this has meant a more optimistic valuation is used than the prior year.

Proposed opinion and audit differences

Subject to all outstanding queries being resolved to our satisfaction, we anticipate issuing an unqualified audit opinion on the Authority's 2016/17 financial statements following approval of the Statement of Accounts by the Audit Committee on 26 July 2017.

Audit differences

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

The final materiality level for this year's audit was set at £12.0 million. Audit differences below £0.6 million are not considered significant. See Appendix 4 for more information on materiality.

We identified one material misstatement that has been corrected by the authority (see Appendix 3, item 3). We identified a limited number of further issues that have been adjusted by management but they do not have a material effect on the financial statements. These adjusted differences have been set out in Appendix 3.

The tables on the right illustrate the total impact of audit differences on the Authority's movements on the General Fund and HRA for the year and balance sheet as at 31 March 2017.

There is no net impact on the General Fund or HRA as a result of audit adjustments identified. The value of the Authority's assets and unusable reserves as at 31 March 2017 increases by £34.2 million however. This is the result of amendments as a result of the Authority's valuers using the incorrect regional adjustment factor when valuing the Authority's council housing stock.

In addition, we identified a number of presentational adjustments required to ensure that the accounts are compliant with the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 ('the Code'). We understand that the Authority will be addressing these where significant.

Movements on the general fund and HRA 2016/17

£m	Pre-audit	Post-audit	Ref[1]
Surplus/(Deficit) on the provision of services	(2.9)	(3.6)	2 & 3
Adjustments between accounting basis and funding basis under Regulations	10.4	11.1	2 & 3
Transfers (to)/from Earmarked Reserves	(4.5)	(4.5)	
Increase in General Fund and HRA	**3.0**	**3.0**	
Consisting of:			
Increase in General Fund	**0.3**	**0.3**	
Increase in HRA	**2.7**	**2.7**	

Balance sheet as at 31 March 2017

£m	Pre-audit	Post-audit	Ref[1]
Property, plant and equipment	1,059	1,083	3
Other long term assets	36	36	
Current assets	131	131	
Current liabilities	(118)	(118)	1
Long term liabilities	(1,053)	(1,053)	
Net worth	**45**	**79**	
General Fund	(13)	(13)	
HRA Balance	(23)	(23)	
Other usable reserves	(76)	(76)	
Unusable reserves	67	33	3
Total reserves	**(45)**	**(79)**	

[1] See referenced adjustments in Appendix 3.

Annual governance statement

We have reviewed the Authority's 2016/17 Annual Governance Statement and confirmed that:

— It complies with *Delivering Good Governance in Local Government: A Framework published by CIPFA/SOLACE*; and

— It is not misleading or inconsistent with other information we are aware of from our audit of the financial statements.

We have made a number of comments in respect of its format and content which the Authority has agreed to amend where significant.

Narrative report

We have reviewed the Authority's 2016/17 narrative report and have confirmed that it is consistent with the financial statements and our understanding of the Authority.

The Pension Fund

Subject to all outstanding queries being resolved to our satisfaction, we anticipate issuing an unqualified audit opinion on the Pension Fund's 2016/17 financial statements following approval of the Statement of Accounts.

Pension fund audit

Our audit of the Fund also did not identify any material misstatements.

In addition, we identified a small number of presentational adjustments required to ensure that the accounts are compliant with the Code. We understand that the Fund will be addressing these where significant.

Annual report

We have not yet reviewed the Pension Fund Annual Report and as a result are yet to confirm that the financial and non-financial information it contains is not inconsistent with the financial information contained in the audited financial statements.

As we have not yet reviewed the Pension Fund Annual Report but we will withhold our audit certificate until the work on the Annual Report is completed.

Fund account as at 31 March 2017

£m	Pre-audit	Post-audit
Opening net assets of the Fund	1,839	1,839
Contributions	99	99
Benefits	(84)	(84)
Management expenses	(11)	(11)
Return on investments	344	344
Closing net assets of the Fund	**2,187**	**2,187**

Net assets as at 31 March 2017

£m	Pre-audit	Post-audit
Net investments	2,174	2,174
Net current assets	13	13
Net assets of the Fund	**2,187**	**2,187**

Accounts production and audit process

Our audit standards (*ISA 260*) require us to communicate our views on the significant qualitative aspects of the Authority's accounting practices and financial reporting.

We also assessed the Authority's process for preparing the accounts and its support for an efficient audit. The efficient production of the financial statements and good-quality working papers are critical to meeting the tighter deadlines.

KPMG Central

The Authority continues to use KPMG Central, which was first introduced to the audit process in 2014/15. KPMG Central has allowed the team to securely transfer large amounts of data between the Authority and the audit team. KPMG Central aligns to our Accounts Audit Protocol and allows the Authority's Closedown Team to efficiently share requested information. The use of this portal was limited in 2016/17 due to set up issues arising from the migration of the system to SharePoint 2013, although it is expected this will be used in full again for 2017/18.

Accounting practices and financial reporting

The Authority has prepared its accounts in accordance with an earlier deadline than required by statute since 2015/16. As a result, the Authority is well prepared for the changes to statutory deadlines for 2017/18.

We consider the Authority's accounting practices appropriate, except for the way the Authority has accounted for revaluations of investment properties. We have communicated this to management as part of the audit difference raised in appendix 3.

Completeness of draft accounts

We received a complete set of draft accounts on 2 June 2017, far ahead of the statutory deadline.

Quality of supporting working papers

We issued our *Accounts Audit Protocol 2016/17* ("Prepared by Client" request) in January 2017 which outlines our documentation request. This helps the Authority [and the Pension Fund] to provide audit evidence in line with our expectations.

We worked with management to ensure that working paper requirements are understood and aligned to our expectations. We are pleased to report that this has resulted in good-quality working papers with clear audit trails.

Response to audit queries

We expect that where possible, audit enquires have a turnaround time of two working days. We are pleased to report that this was achieved by Officers, including those who are not part of the finance team. As a result of this, all our audit work is expected to be completed within the timescales agreed. At current, the following areas are ongoing:

— Completion of our final assessment of the assumptions used by the actuary;

— Updating our assessment of subsequent events;

— Receipt of the management representation letter; and

— Receipt and review of the final version of the financial statements.

Prior year recommendations

As part of our audit we have specifically followed up the Authority's progress in addressing the recommendations in last years ISA 260 report.

The Authority has implemented all non- IT related recommendations in our ISA 260 Report 2015/16. We will issue a separate report detailing the progress made against previous IT recommendations.

Appendix 2 provides further details.

Completion

We confirm that we have complied with requirements on objectivity and independence in relation to this year's audit of the Authority's 2016/17 financial statements.

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

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

Declaration of independence and objectivity

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

In relation to the audit of the financial statements of Wiltshire Council and Wiltshire Pension Fund for the year ending 31 March 2017, we confirm that there were no relationships between KPMG LLP and Wiltshire Council and the Wiltshire Pension Fund, its directors and senior management and its affiliates that we consider may reasonably be thought to bear on the objectivity and independence of the audit engagement lead and audit staff. We also confirm that we have complied with Ethical Standards and the Public Sector Audit Appointments Ltd requirements in relation to independence and objectivity.

We have provided a detailed declaration in Appendix 5 in accordance with ISA 260.

Management representations

You are required to provide us with representations on specific matters such as your financial standing and whether the transactions within the accounts are legal and unaffected by fraud. We have provided a template to the Michael Hudson for presentation to the Audit Committee. We require a signed copy of your management representations before we issue our audit opinion.

Other matters

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

- Significant difficulties encountered during the audit;
- Significant matters arising from the audit that were discussed, or subject to correspondence with management;
- Other matters, if arising from the audit that, in the auditor's professional judgment, are significant to the oversight of the financial reporting process; and
- Matters specifically required by other auditing standards to be communicated to those charged with governance (e.g. significant deficiencies in internal control; issues relating to fraud, compliance with laws and regulations, subsequent events, non disclosure, related party, public interest reporting, questions/objections, opening balances etc.).

There are no others matters which we wish to draw to your attention in addition to those highlighted in this report or our previous reports relating to the audit of the Authority's 2016/17 financial statements.

Section three

Value for money

Our 2016/17 VFM conclusion considers whether the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

We have concluded that the Authority has made proper arrangements to ensure it took properly-informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

VFM conclusion

The Local Audit and Accountability Act 2014 requires auditors of local government bodies to be satisfied that the authority 'has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources'.

This is supported by the Code of Audit Practice, published by the NAO in April 2015, which requires auditors to 'take into account their knowledge of the relevant local sector as a whole, and the audited body specifically, to identify any risks that, in the auditor's judgement, have the potential to cause the auditor to reach an inappropriate conclusion on the audited body's arrangements.'

Our VFM conclusion considers whether the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

We follow a risk based approach to target audit effort on the areas of greatest audit risk.

1 Identification of significant VFM risks (if any)

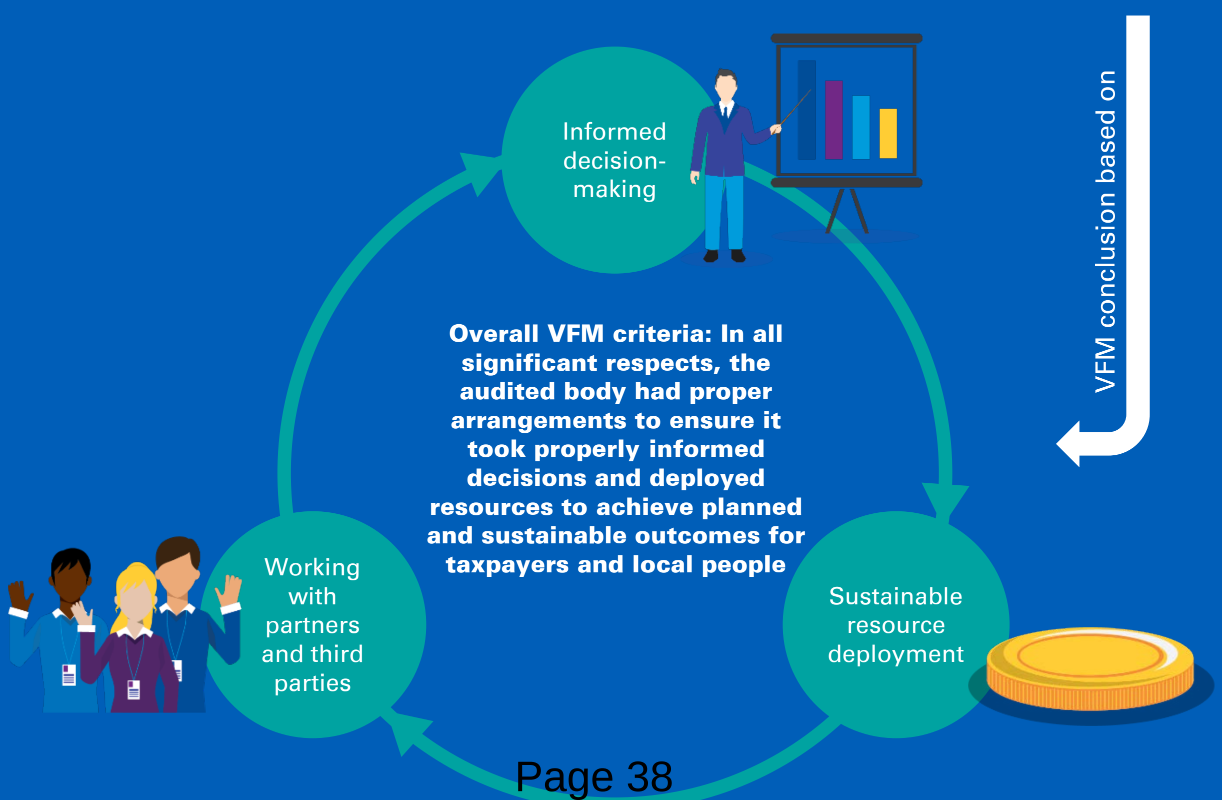
- VFM audit risk assessment
- Financial statements and other audit work

2 Continually re-assess potential VFM risks

- Assessment of work by other review agencies
- Specific local risk-based work

3 VFM conclusion

- **Conclude on arrangements to secure VFM**



VFM conclusion - headline results

The table below summarises our assessment of the significant VFM audit risk identified against the three sub-criteria. This directly feeds into the overall VFM criteria and our value for money opinion.

VFM assessment summary

VFM risk	Informed decision-making	Sustainable resource deployment	Working with partners and third parties
1. Delivery of Savings Plans	✓	✓	✓
Overall summary	✓	✓	✓

In consideration of the above, we have concluded that in 2016/17, the Authority has made proper arrangements to ensure it took properly-informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

In line with the risk-based approach set out on the previous page, and in our External Audit Plan we have :

— assessed the Authority's key business risks which are relevant to our VFM conclusion;

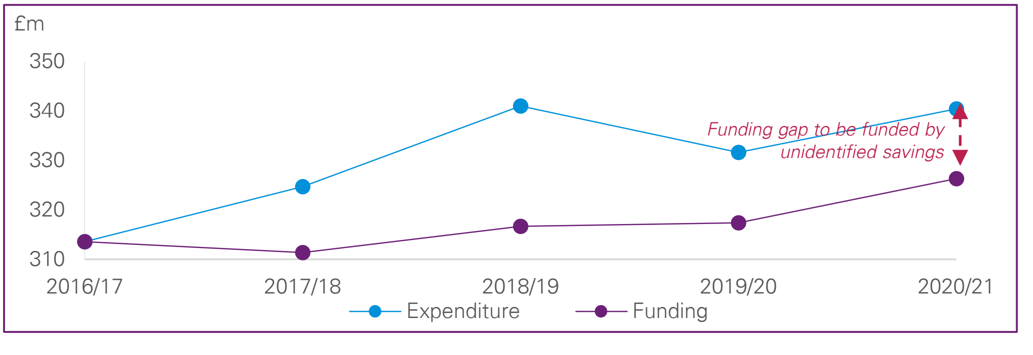
— identified the residual audit risks for our VFM conclusion, taking account of work undertaken in previous years or as part of our financial statements audit; and

— Performed testing over the identified risk areas during our final audit visit.

Further details on the work done and our assessment are provided on the following pages.

Significant VFM risks

We identified one significant VFM risk, as communicated to you in our *2016/17 External Audit Plan*. We are satisfied that external or internal scrutiny provides sufficient assurance that the Authority's current arrangements in relation to these risk areas are adequate.

Significant VFM risks	Work performed
1. Delivery of Savings Plans	**Why is this a risk?** There has been a significant shift in the national outlook over the last 12 months, primarily driven by the outcome of the referendum on 23 June 2016 on the UK's membership of the European Union. Consequently GDP growth forecasts have been revised downwards, which potentially reduces the level of any growth in business rates income. Inflationary pressures, service pressures, and a reduction in the local government finance settlement will impact on the Authority's finances. In October 2016, the Authority published a draft Medium Term Financial Plan (MTFP) 2017/18–2021/22 (which incorporates its Efficiency Plan) that sets out a balanced budget for 2017/18. From 2018/19, the Authority has identified funding gaps; however it is confident that the targets in the Efficiency Plan are sufficient to bridge the forecast gap in the MTFP and are monitored by the management board. The Authority's proposed arrangements include a 2% yearly increase in Council Tax and reducing the number of budget holders to ensure accountability. **Summary of our work** Like most of local government, the Authority faces a challenging future driven by funding reductions and an increase in demand for services. At a local level, this is compounded by the Authority's financial pressures. Post-audit, the Authority is reporting an overall £3.6 million deficit on its Provision of Services in 2016/17 after the increase of £4.5 million to the Earmarked reserves. This enabled the General Fund balance to return an additional £0.3 million for 31 March 2017. The Authority's MTFP details a balanced budget for 2017/18 including savings of £13.3 million in year, which have been partly identified. However, the MTFP details the increasingly difficult financial challenges faced each year, resulting in the need for ever rising savings which have yet to be identified, up to £24.3 million by 2018/19. We have reviewed the Medium Term Financial Plan and assessed its reasonableness. Whilst it is believed that the plan is broadly suitable, it will be challenging to deliver the transformational change needed to meet future savings targets. However, the Authority has continued to achieve savings targets for 2016/17 and therefore should be well positioned to achieve future requirements. 

Appendices

Key issues and recommendations

Our audit work on the Authority's 2016/17 financial statements have identified a number of issues. The summary of these issues have been included here. However, due to the nature of the IT issues, we have issued a separate report to management further detailing our recommendations.

The Authority should closely monitor progress in addressing the risks, including the implementation of our recommendations. We will formally follow up these recommendations next year.

Each issue and recommendation have been given a priority rating, which is explained below.

High priority — Issues that are fundamental and material to your system of internal control. We believe that these issues might mean that you do not meet a system objective or reduce (mitigate) a risk.

Medium priority — Issues that have an important effect on internal controls but do not need immediate action. You may still meet a system objective in full or in part or reduce (mitigate) a risk adequately but the weakness remains in the system.

Low priority — Issues that would, if corrected, improve internal control in general but are not vital to the overall system. These are generally issues of good practice that we feel would benefit if introduced.

The following is a summary of the issues and recommendations raised in the year 2016/17.

2016/17 recommendations summary	
Priority	**Total raised for 2016/17**
High	1
Medium	0
Low	0
Total	**1**

Key issues and recommendations (continued)

Rating	Issue and Recommendation	Management Response
High priority	**IT Control Failures** As a result of our audit work over the Authority's IT systems we identified a number of significant weaknesses. As a result of this, we were unable to place reliance upon the automated controls operating within these systems and additional work was required in order to gain assurance over system reports. The control failings identified can be summarised as follows: *SAP IT Issues* The Authority had previously implemented a process to monitor the use of the extremely powerful SAP_ALL access profile. Due to staffing changes in August 2016, these accounts were not appropriately monitored during the year after that period. Therefore, there was a potential during the year to have unlimited access to change system parameters and alter audit trails without detection. *Northgate IT Issues* There are a high number of Northgate accounts which have access to systems underlying database. The testing performed in 2016/17 has confirmed that this includes the ability to delete records and change reporting functionality without testing or approval. These issues have meant that extensive additional testing had to be performed in the year, including lowering the performance materiality threshold and increased substantive testing over management provided reports. Due to the critical and sensitive nature of the issues identified, a separate IT report has been issued detailing the full range of SAP issues and our recommendations. **Recommendation** Ensure that the agreed recommendations set out in the separate IT report are actioned in a timely manner.	*SAP IT Issues* Point agreed and actions taken. All access was removed from all dialog SAP accounts at various points during the financial year, with the last one removed 5 January 2017. No dialog users therefore now have access to SAP-ALL. Action now complete, but area will be continually reviewed as part of normal controls procedures. *Northgate IT Issues* Point agreed and actions taken. Immediate action was taken to clear out all user accounts that have no need to access the domain at this level. Accounts were also removed during the 2016/2017 financial year. Action now complete, but area will be continually reviewed as part of normal controls procedures. *Other* The other medium and low risk IT issues have also been discussed and appropriate actions taken. Most have actions have already been completed. **Responsible Officer** Steve Vercella (Head of ICT) **Deadline for Implementation** High risk areas Complete. Most medium and low risk already complete, but final target 31/12/2017

Follow-up of prior year recommendations

In the previous year, we raised nine recommendations which we reported in our *External Audit Report 2015/16 (ISA 260)*. The Authority has not implemented all of the recommendations. We re-iterate the importance of the outstanding recommendations and recommend that these are implemented by the Authority.

We have used the same rating system as explained in Appendix 1.

Each recommendation is assessed during our 2016/17 work, and we have obtained the recommendation's status to date. We have also obtained Management's assessment of each outstanding recommendation.

Below is a summary of the prior year's recommendations.

2015/16 recommendations status summary (Non-IT)

Priority	Number raised	Number implemented / superseded	Number outstanding
High	-	-	-
Medium	-	-	-
Low	1	-	-
Total	**1**	**-**	**-**

2015/16 recommendations status summary (IT)

See Separate IT Report

Rating	Issue and Recommendation	Management Response
Low priority	**2. Narrative Statement** The is the first year under which the Authority must report a narrative statement at the beginning of the Statement of Accounts, this has replaced the explanatory foreword however it is intended to provide a greater focus upon the Authority's operational performance throughout the year, including non-financial metrics. The draft narrative statement submitted by the Authority is largely a rolled forward explanatory foreword rather than a bespoke narrative statement. **Recommendation** The narrative statement should be rewritten for the 2016/17 statement of accounts to ensure that it fully adheres to the CIPFA Code guidance.	**Management original response** Agreed, guidance has just been issued by CIPFA and the s151 Officer has been engaged in the production of those notes and will draft an early template for 2016/17 based on the 2015/16 Accounts. *Owner* Michael Hudson (Associate Director of Finance) *Original deadline* 7 April 2017 **KPMG's July 2017 assessment** Fully implemented We have reviewed the Narrative Statement for 2016/17 and believe it is now much more comprehensive and in line with the CIPFA code guidance.

Audit differences

We are required by ISA 260 to report all uncorrected misstatements, other than those that we believe are clearly trivial, to those charged with governance (which in your case is the Audit Committee). We are also required to report all material misstatements that have been corrected but that we believe should be communicated to you to assist you in fulfilling your governance responsibilities.

A number of amendments focused on presentational improvements have also been made to the 2016/17 draft financial statements. These have been communicated with management and we will confirm these have been changed once we receive the final set of financial statements.

Adjusted audit differences

The following table sets out the significant audit differences identified by our audit of Wiltshire Council's financial statements for the year ended 31 March 2017. The current figures are provisional based on our current discussions with management. It is our understanding that these will be adjusted. However, we have not yet received a revised set of financial statements to confirm this.

Table 1: Adjusted audit differences (£'000)

No.	Income and expenditure statement	Movement in reserves statement	Assets	Liabilities	Reserves	Basis of audit difference
1				Dr Sundry Creditors £6,903 Cr Local Authority Creditors (£6,903)		This was a misallocation in Note 28 Short Term Creditors for a balance owed to Swindon Borough Council.
2	Dr Net Cost of Service £1,109 Cr Financing and Investment Income (£744) Cr (Surplus) or Deficit on Revaluation of PPE (£365)	Dr Adjustments between Accounting Basis and Funding Basis (Unuseable Reserves) £365 Cr Adjustments between Accounting Basis and Funding Basis (Useable Reserves – General Fund) (£365)			Dr Revaluation Reserve £347 Cr Capital Adjustment Account (£347)	Per IPSAS 16, gains and losses arising from fair value adjustments should be immediately recognised as Financing and Investment Income through the CIES rather than the revaluation reserve. As this is not a not a proper charge to the General Fund, these revaluations are then reversed out to the Capital Adjustment Account. The Authority has recognised elements of the accounting treatment correctly, although adjustments were needed between the CIES categories and the reserve balances.

Audit differences (continued)

Table 1: Adjusted audit differences (£'000)						
No.	**Income and expenditure statement**	**Movement in reserves statement**	**Assets**	**Liabilities**	**Reserves**	**Basis of audit difference**
3	Dr Other Operating Expenditure £248 Cr (Surplus) or Deficit on Revaluation of PPE (£34,242)	Dr Adjustments between Accounting Basis and Funding Basis (Unuseable Reserves) £248 Cr Adjustments between Accounting Basis and Funding Basis (Useable Reserves - HRA) (£248)	Dr Property Plant and Equipment £33,994		DR Capital Adjustment Account £248 Cr Revaluation Reserve (£34,242)	The Authority uses an external valuer to value HRA and PFI Beacon properties. DCLG guidance states that an adjustment factor of 35% should be used to reflect the ratio between private and public sector rent and yields. However, the previous rate of 31% has instead been used. This has caused a material difference. As the valuation was undertaken as at 31 March 2017, there is no impact on the depreciation charges in the year.
	(£33,994)	-	**£33,994**	-	**(£33,994)**	**Total impact of audit differences**

Materiality and reporting of audit differences

The assessment of what is material is a matter of professional judgment and includes consideration of three aspects: materiality by value, nature and context.

Material errors by value are those which are simply of significant numerical size to distort the reader's perception of the financial statements. Our assessment of the threshold for this depends upon the size of key figures in the financial statements, as well as other factors such as the level of public interest in the financial statements.

Errors which are material by nature may not be large in value, but may concern accounting disclosures of key importance and sensitivity, for example the salaries of senior staff.

Errors that are material by context are those that would alter key figures in the financial statements from one result to another – for example, errors that change successful performance against a target to failure.

We used the same planning materiality reported in our External Audit Plan 2016/17, presented to you in March 2017.

Materiality for the Authority's accounts was set at £12 million which equates to around 1.2 percent of gross expenditure. We designed our procedures to detect errors in specific accounts at a lower level of precision, set at £7.5 million for 2016/17. As set out in our *External Audit* Plan, this was set at a level lower than would normally be applied as a result of the IT issues encountered during the year.

Reporting to the Audit Committee

Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit Committee any misstatements of lesser amounts to the extent that these are identified by our audit work.

Under *ISA 260*, we are obliged to report omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. *ISA 260* defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.

ISA 450 requires us to request that uncorrected misstatements are corrected.

In the context of the Authority, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £0.6 million for the Authority.

Where management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Audit Committee to assist it in fulfilling its governance responsibilities.

Materiality – Pension fund audit

The same principles apply in setting materiality for the Pension Fund audit. Materiality for the Pension Fund was set at £25 million which is approximately 1.1 percent of gross assets.

We design our procedures to detect errors at a lower level of precision, set at £18.5 million for 2016/17.

Appendix 5

Declaration of independence and objectivity

Auditors appointed by Public Sector Audit Appointments Ltd must comply with the Code of Audit Practice (the 'Code') which states that:

> *"The auditor should carry out their work with integrity, objectivity and independence, and in accordance with the ethical framework applicable to auditors, including the ethical standards for auditors set by the Financial Reporting Council, and any additional requirements set out by the auditor's recognised supervisory body, or any other body charged with oversight of the auditor's independence. The auditor should be, and should be seen to be, impartial and independent. Accordingly, the auditor should not carry out any other work for an audited body if that work would impair their independence in carrying out any of their statutory duties, or might reasonably be perceived as doing so."*

In considering issues of independence and objectivity we consider relevant professional, regulatory and legal requirements and guidance, including the provisions of the Code, the detailed provisions of the Statement of Independence included within the Public Sector Audit Appointments Ltd Terms of Appointment ('Public Sector Audit Appointments Ltd Guidance') and the requirements of APB Ethical Standard 1 Integrity, Objectivity and Independence ('Ethical Standards').

The Code states that, in carrying out their audit of the financial statements, auditors should comply with auditing standards currently in force, and as may be amended from time to time. Public Sector Audit Appointments Ltd guidance requires appointed auditors to follow the provisions of *ISA (UK&I) 260 'Communication of Audit Matters with Those Charged with Governance'* that are applicable to the audit of listed companies. This means that the appointed auditor must disclose in writing:

— Details of all relationships between the auditor and the client, its directors and senior management and its affiliates, including all services provided by the audit firm and its network to the client, its directors and senior management and its affiliates, that the auditor considers may reasonably be thought to bear on the auditor's objectivity and independence.

— The related safeguards that are in place.

— The total amount of fees that the auditor and the auditor's network firms have charged to the client and its affiliates for the provision of services during the reporting period, analysed into appropriate categories, for example, statutory audit services, further audit services, tax advisory services and other non-audit services. For each category, the amounts of any future services which have been contracted or where a written proposal has been submitted are separately disclosed. We do this in our Annual Audit Letter.

Appointed auditors are also required to confirm in writing that they have complied with Ethical Standards and that, in the auditor's professional judgement, the auditor is independent and the auditor's objectivity is not compromised, or otherwise declare that the auditor has concerns that the auditor's objectivity and independence may be compromised and explaining the actions which necessarily follow from his. These matters should be discussed with the Audit Committee. Ethical Standards require us to communicate to those charged with governance in writing at least annually all significant facts and matters, including those related to the provision of non-audit services and the safeguards put in place that, in our professional judgement, may reasonably be thought to bear on our independence and the objectivity of the Engagement Lead and the audit team.

General procedures to safeguard independence and objectivity

KPMG LLP is committed to being and being seen to be independent. As part of our ethics and independence policies, all KPMG LLP Audit Partners and staff annually confirm their compliance with our Ethics and Independence Manual including in particular that they have no prohibited shareholdings.

Our Ethics and Independence Manual is fully consistent with the requirements of the Ethical Standards issued by the UK Auditing Practices Board. As a result we have underlying safeguards in place to maintain independence through: Instilling professional values, Communications, Internal accountability, Risk management and Independent reviews.

We would be happy to discuss any of these aspects of our procedures in more detail.

Auditor declaration

In relation to the audit of the financial statements of Wiltshire Council and Wiltshire Pension Fund for the financial year ending 31 March 2017, we confirm that there were no relationships between KPMG LLP and Wiltshire Council and Wiltshire Pension Fund, its directors and senior management and its affiliates that we consider may reasonably be thought to bear on the objectivity and independence of the audit engagement lead and audit staff. We also confirm that we have complied with Ethical Standards and the Public Sector Audit Appointments Ltd requirements in relation to independence and objectivity.

Non-audit work and independence

Below we have listed the non-audit work performed and set out how we have considered and mitigated (where necessary) potential threats to our independence.

Summary of non-audit work

Description of non-audit service	Estimated fee	Billed to date	Potential threat to auditor independence and associated safeguards in place
Review of the Medium Term Financial Plan	£25,000	£6,250	**Management threat:** The nature of this work is to review the assumptions and conclusions as part of the Medium Term Financial planning process. The audit team do not have any direct involvement in the budgeting process and are not making any management decisions. Any recommendations raised as part of the review are ultimately up to the discretion of management whether to implement and is for advisory purposes only. The nature of this work is more detailed than that undertaken required to fulfil our responsibilities under the Value for Money element of our audit. We have determined that no actual independence threat arises.
Grants Certification (Housing Benefits, Teachers Pensions Return and Pooling of Housing Capital Receipts)	£27,165	£21,165	The certification of the Housing Benefits Subsidy return forms part of our contractual responsibilities as the Authority's appointed auditor. The Teacher's Pensions Agency return also formed part of these responsibilities until it was removed from the PSAA certification regime in 2013/14. The nature of these audit-related services is such that we do not consider it to create any independence threats.
Total estimated fees		£27,410	
Total estimated fees as a percentage of the external audit fees		16%	

Appendix 6

Audit fees

Audit fees

As communicated to you in our External Audit Plan 2016/17, our scale fee for the audit is £167,420 plus VAT *in 2016/17*, which is a consistent with the prior year. However, an additional fee will be requires due to additional work undertaken in relation to the IT control failures. We are in the process of assessing the extent of additional work that was required in relation to this and will agree the additional fee with the Associate Director (Finance) by the end of July. This fee will also be subject to approval by PSAA. See table below for further detail.

Our work on the certification of Housing Benefits (BEN01) is planned for August 2017. The planned scale fee for this is £21,165 plus VAT (this is higher than the fee charged in 2015/16 as a result of PSAA's approach to determining these fees). Planned fees for other grants and claims which do not fall under the PSAA arrangements is £6,000 plus VAT in 2016/17, see further details below.

Fee table		
Component of audit	**2016/17** *(planned fee)* £	**2015/16** *(actual fee)* £
Accounts opinion and use of resources work		
PSAA scale fee (Wiltshire County)	167,420	167,420
PSAA scale fee (Wiltshire Pension Fund)	£24,246	£24,246
Additional work to conclude our opinions (relating to IT issues)	TBC	N/A
Subtotal	**TBC**	**£191,666**
Housing benefits (BEN01) certification work		
PSAA scale fee – planned for August 2017	£21,165	£16,916
Other grants certification work		
Teachers Pension Return – planned for August 2017	£3,000	£3,000
Pooling of Housing Capital Receipts Return – planned for August 2017	£3,000	£3,000
Total fee for the Authority	**TBC**	**£214,585**

All fees are quoted exclusive of VAT.

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Wiltshire Council

Audit Committee

26 July 2017

Annual Governance Statement 2016/17

Purpose of Report

1. To ask the Audit Committee to approve a draft Annual Governance Statement for 2016/17.

Background

2. The Council is required, as part of its ongoing review of the effectiveness of its governance arrangements, to produce an Annual Governance Statement (AGS) for 2016/17. This will be signed by the Leader of the Council and the Corporate Directors after final approval by the Audit Committee on 26 July 2017. The AGS will form part of the Annual Statement of Accounts for 2016/17.

3. The format of the 2016/17 AGS has changed from previous years after advice from the Chartered Institute of Public Finance and Accountancy (CIPFA), with a view to making it more readable and focused.

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

   - Behaving with integrity, demonstrating strong commitment to ethical values, and representing the rule of law.
   - Ensuring openness, transparency and comprehensive stakeholder engagement – delivering accountability.
   - Defining outcomes in terms of sustainable economic, social and environmental benefits.
   - Determining the interventions necessary to optimise the achievement of intended outcomes.
   - Developing capacity, including the capacity of the Council's leadership and the individuals within it.
   - Managing risks and performance through robust internal controls and strong public financial management.

5. The AGS is primarily retrospective. It reports on the assurance framework and measures in place for the financial year 2016/17, but must take account of any significant issues of governance up to the date of publication of the Statement of Accounts in July 2017. The AGS should outline the actions taken or proposed to address any significant governance issues identified.

6. The AGS is drafted by senior officers who have lead roles in corporate governance. The evidence for the AGS comes from a variety of sources, including service plans, relevant lead officers within the organisation, internal and external auditors and inspection agencies.

Main Consideration for the Council - Draft AGS - Content

7. Cabinet considered and noted a copy of the draft AGS at its meeting on 20 June 2017. The draft has since been revised to take account of the comments of the Council's external auditors, KPMG. A copy of the latest draft AGS is included within the Annual Statement of Accounts 2016-17 – **see item 9 of the Agenda at pages 121-130.**

8. The Council's internal auditors, SWAP, have given an overall audit opinion of reasonable assurance on the effectiveness of the Council's control environment for 2016/17.

9. The final section of the draft AGS requires the Council to identify any significant internal control issues affecting the Council during the relevant period. CIPFA guidance suggests that an internal control issue is to be regarded as significant if:

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

10. The draft AGS includes the following governance issues as areas for improvement:

- Changes to the appraisal system that identify specific targets for completion for individuals, linked to the council's Business Plan through service and team plans. Such a system will be able to provide a link to the work being done to achieve stated aims and a corporate level understanding of progress against the desired outcomes.

- Revisions will be made to the Council's Behaviours Framework that will build on the lessons learnt in the last four years.

- Further training for elected members to improve understanding of the need for efficient and effective decision making, promoting openness and transparency.

- There will be a review of the inter-relationship between key polices to improve clarity and consistency of processes including: Anti-Fraud and Corruption, Whistleblowing, and some staff policies, such as registering interests, gifts and hospitality.

- How the Council collects general feedback from individuals and communities to assess improvements in approach.

- Reporting of finance and performance management, will be combined with a key focus on links between the use of resources and the outcomes being achieved.

11. The governance of the Council will continue to be monitored by Cabinet, Audit and other councillor committees and the Council's Corporate Leadership Team. This will include the areas to address identified above.

12. The Council's external auditors, KPMG LLP, have been consulted on the draft AGS and their comments are reflected in the attached final draft. KPMG have confirmed in their external Audit Report (at **page 31**):

- The AGS complies with *Delivering Good Governance in Local Government: A Framework published by CIPFA/SOLACE*; and

- It is not misleading or inconsistent with other information they are aware of from their audit of the financial statements.

Safeguarding Implications

13. Safeguarding issues have been highlighted in paragraph 4.7 of the draft AGS at **page 127** of the Agenda.

Public Health Implications

14. There are no public health implications arising directly from this report.

Environmental and Climate Change Considerations

15. There are no environmental or climate change considerations arising directly from this report.

Equalities Impact of the Proposal

16. There is no equalities impact arising from this report.

Risk Assessment

17. Ongoing review of the effectiveness of the Council's governance arrangements is an important part of the Council's risk management strategy.

Financial Implications

18. There are no financial implications arising directly from the issues covered in this report

Legal Implications

19. The production of the AGS is a statutory requirement.

Proposal

20. **The Audit Committee Cabinet is, therefore, asked to approve the draft AGS for publication with the Annual Statement of Accounts 2016-17.**

Reason for Proposal

21. To prepare the AGS 2016/17 for publication in accordance with the requirements of the Audit and Accounts Regulations.

Authors:

Ian Gibbons
Associate Director Legal and Governance and Monitoring Officer

Robin Townsend
Associate Director, Policy, Procurement and Performance

Michael Hudson
Associate Director, Finance

18 July 2017

Background Papers

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

None

Draft Annual Governance Statement 2016/17 – Included at pages 121-130 of the Annual Statement of Accounts 2016-17.

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WILTSHIRE COUNCIL
AUDIT

26 JULY 2017

WILTSHIRE COUNCIL: STATEMENT OF ACCOUNTS 2016/2017

Purpose of Report

1. To present the Statement of Accounts in respect of the 2016/2017 financial year for Wiltshire Council.

Policy Considerations

2. The Council is required to prepare an annual Statement of Accounts and to arrange for them to be audited and reported in accordance with the Accounts and Audit Regulations 2015, and the 2016/2017 Code of Practice on Local Authority Accounting in the United Kingdom, issued by the Chartered Institute of Public Finance and Accountancy (CIPFA). The Statement of Accounts present the overall financial position of the Council reflecting the Council's outturn position**.**

Background and Introduction

3. The Code of Audit Practice (issued by the Audit Commission) and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom set out the requirements for the production and publication of the annual Statement of Accounts.

4. The draft Statement of Accounts are required to be certified by the Chief Finance Officer within three months of the financial year end (by 30 June 2017). At Wiltshire Council the Chief Finance Officer is the Associate Director, Finance.

5. The draft Statement of Accounts are then subject to external audit by the Council's appointed auditors (KPMG) before the final set is brought to the Audit Committee for final approval. This adoption process ensures that there is external independent scrutiny of the figures in the Statement of Accounts before they are brought to the Audit Committee. Under the constitutions, in Wiltshire the Statement of Accounts are adopted by the Audit Committee.

6. KPMG are required to report on any amendments from the draft Statement of Accounts as part of the submission of the final version to the Audit Committee. This is elsewhere on the agenda. The full report on issues arising from this audit is included in the ISA 260 report to those charged with governance. This report should be read in light of this document and the proposal is subject to any issues arising from this report.

Key Issues Arising

7. The draft accounts were signed by the Chief Finance Officer on 31 May 2017, well ahead of the statutory deadline of 30 June 2017. KPMG started the year end audit on 6 June 2017. The draft accounts were taken to Cabinet on 20 June 2017.

8. The audited Statement of Accounts discussion at Audit Committee on 26 July 2017 is well ahead of the Statutory Deadline of 30 September.

9. The final outturn on the General Revenue Fund reported to Cabinet on 20 June 2016 was an underspend of £0.328 million and this was returned to General Revenue Fund Reserves. Further details of this were reported to Cabinet on 20 June 2017 in the Revenue Outturn Report.

10. The Housing Revenue Account outturn position is an underspend of £1.716 million, which gives a final return to reserves of £2.691 million.

Statement of Accounts format

11. Members will note a changed narrative format to the reports, the aim of which is to set the Accounts out in a more user friendly format and gain increased readership and review of the accounts.

12. The Comprehensive Income & Expenditure Statement summarises the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from local taxation. Authorities raise taxation to cover expenditure in accordance with regulations. This is different from the accounting cost. The Movement in Reserves Statement reflects the true cost to council tax payers of services provided.

13. The national reporting requirements set out that the Accounts are prepared in accordance with a single set of standards for public and private sector bodies. As local authorities are funded from local and national taxation there are a number of technical adjustments made to the Comprehensive Income and Expenditure Account to ensure that consistency. These adjustments mean it can appear there is a different reporting position from the outturn. To overcome that there is now a reconciliation statement – the Expenditure Funding Analysis (EFA) that ties into this Outturn report. This identifies £71.993 million of technical adjustments:

General Fund Services	Net Expenditure Chargeable to the General Fund & HRA Balances £000	2016/2017 Adjustments between Funding and Accounting Basis (see note 13) £000	Net Expenditure in the Comprehensive Income & Expensive Statement £000
Adult Social Care Operations	123,471	703	**124,174**
Adult Care Commissioning & Housing	10,204	2,746	**12,950**
Public Health & Public Protection	2,262	12,702	**14,964**
Operational Children's Services	57,588	1,172	**58,760**
Commissioning, Performance & School Effectiveness	9,837	16,130	**25,967**
Economy & Planning	3,992	(257)	**3,735**
Highways & Transport	28,061	12,295	**40,356**
Waste & Environment	35,637	2,061	**37,698**
Communities & Communications	7,137	1,056	**8,193**
Corporate Function, Procurement & Programme Office	6,552	(173)	**6,379**
Finance	2,880	(205)	**2,675**
Legal & Governance	3,156	(51)	**3,105**
People & Business Services	25,914	4,753	**30,667**
Corporate Directors	2,897	(22)	**2,875**
Corporate	(6,331)	13,798	**7,467**
Net Cost of Service General Fund	**313,257**	**66,708**	**379,965**
Housing Revenue Account (HRA)	(2,691)	817	**(1,874)**
Transfer to Earmarked Reserves	(4,468)	4,468	**0**
Net Cost of Service	**306,098**	**71,993**	**378,091**

14. The Technical adjustments are then examined further in note 13 to the Statements and reflect changes for pensions, depreciation and other factors such as PFI transactions that do not impact on council tax funding:

General Fund Services	Adjustments for Capital Purposes (Note 13a) £000	2016/2017 Net change for the Pension Adjustments (Note 13b) £000	Other Differences (Note 13c) £000	Total Adjustments £000
Adult Social Care Operations	1,155	(427)	(25)	**703**
Adult Care Commissioning & Housing	4,024	(127)	(1,151)	**2,746**
Public Health & Public Protection	13,003	(304)	3	**12,702**
Operational Children's Services	1,860	(693)	5	**1,172**
Commissioning, Performance & School Effectiveness	16,529	(669)	270	**16,130**
Economy & Planning	(18)	(235)	(4)	**(257)**
Highways & Transport	12,492	(194)	(3)	**12,295**
Waste & Environment	2,251	(188)	(2)	**2,061**
Communities & Communications	1,251	(189)	(6)	**1,056**
Corporate Function, Procurement & Programme Office	0	(185)	12	**(173)**
Finance	0	(187)	(18)	**(205)**
Legal & Governance	60	(104)	(7)	**(51)**
People & Business Services	5,558	(388)	(417)	**4,753**
Corporate Directors	0	(18)	(4)	**(22)**
Corporate	0	616	17,650	**18,266**
Housing Revenue Account (HRA)	14,572	(74)	(13,681)	**817**
Net Cost of Service	**72,737**	**(3,366)**	**2,622**	**71,993**

Overview and Scrutiny Engagement

15. There is a 30 working day public inspection period where interested parties may come in inspect the accounts.

Safeguarding Implications

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

Public Health Implications

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

Procurement Implications

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

Equalities Impact of the Proposal

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

Environmental and Climate Change Considerations

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

Risk Assessment

21. None.

Financial Implications

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

Legal Implications

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

Recommendations

24. That Cabinet receives and notes the Statement of Accounts for 2016/2017.

Reason for Recommendations

25. The Cabinet are aware of the Statement of Accounts for 2016/2017.

MICHAEL HUDSON
Associate Director, Finance

REPORT AUTHOR
MATTHEW TILLER – CHIEF ACCOUNTANT

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

Appendices:

Appendix A Draft Statement of Accounts 2016/2017

Wiltshire Council

Annual Report and Statement of Accounts

2016/2017








Contents

Annual Report

We are delivering on our strategy and making a real difference to our communities

Nearly a decade ago I led this Council into Unitary status with the goal of providing joined up and efficient services for the people of Wiltshire. I am pleased to say that we are delivering on that, and again within budget.

We have achieved our success by delivering against a very clear strategy and purpose – to build strong, connected and sustainable communities. The plan focused on three priority areas that are embedded in everything we do;

- Protecting those who are most vulnerable;
- Doing all we can to boost the local economy; and,
- Working closely with our communities to encourage and enable them to do more for themselves.

This focus has become our success.

We have learnt to drive an environment that encourages innovation and change as the norm, so that we can overcome these challenges and, wherever possible, maintain the services that really matter and make the difference that's needed.

Leader's introduction

We are definitely not your average local authority.

We have not been afraid to reallocate resources. In 2016/17 we invested £13.8m going into Adults and Children's care and safeguarding, as well as £3.3m into Highways. That meant we had to find £25.254m of savings. This outturn and Statement of Accounts shows we achieved that challenge, with a small surplus to reinvest next year. That achievement is down to sound foundations and controls, working in partnership with our communities to deliver change.

In 2016/17 we have engaged with our communities through Area Boards on initiatives, such as Youth Development and Rights of Way. We held extensive consultation on how our public transport should develop. We were also inspected by our LGA peers on Highways, Military Integration and Adult Care. They all found we have sound arrangements in place to manage the council and its affairs.

I was delighted that Wiltshire Council is currently rated as the best council to work for in the UK by external recruitment advisors, Glassdoor. In my view that's what we have here at Wiltshire Council is a great team – made up of elected members, staff and partners; and, it's a very successful one. We will continue to face financial pressures, but we are a responsible employer and we will face these and find solutions to ensure Wiltshire remains the great place it is and is known as.

Baroness Jane Scott of Bybrook, OBE
Leader of Wiltshire Council
20 June 2017


Did you know
we've helped
6,500 young
people
become apprentices
in 2016 alone - the
second highest
growth in the
country - could
an apprenticeship
help you start your
career?
Wiltshire Council is
making a real difference
Wiltshire Council

2016/17 has been a year of significant delivery and innovation for us

As we moved into the final year of our Business Plan we have delivered on our goals and we are proud of our staff, services and what we have achieved together. This has included:

- Building over 2,000 more houses, 433 affordable, and planning for 4,000 troops and families rebasing in the County
- Filling over 6,600 potholes, and responding to nearly 20,000 issues reported via Wiltshire MyApp and 250km of roads resurfaced
- Secured £5m of new money to maintain key traffic routes, including the A350
- Securing £28m of Local Growth Fund for initiatives in the South of the County to improve skills and employment
- Leading initiatives that have created over 2,500 new jobs and reduced unemployment to 0.6% (compared to 1.5% national average)
- Cared for over 10,700 adults
- Responded to nearly 4,000 referrals to care for children
- Collected 242,000 tonnes of waste collected, with 43.78 % of household waste recycled

Corporate Director's introduction

- Ensured over 91% of residents can now get super-fast broadband
- more than 15,000 local people are now trained to be Dementia Friends
- The percentage of Wiltshire's children attending good or outstanding schools has increased to 92% (national figure is 88%). With 61% of pupils achieving 5 GCSEs A* - C including England and Maths (national figure is 53%).

We have continued to manage and take action to mitigate risks, for example investing a further £0.5m in flood prevention work.

We have worked effectively with our partners to deliver improvements in health, with our Health and Wellbeing Board winning a national recognition for its success in delivering more effective, joined up health and social care services in Wiltshire.

We have achieved all of this against a background of continued significant reductions in public sector funding. Yet we are delighted to say that through strong financial management we have achieved all of this within our annual budgets.

We collected £230 million of Council Tax and £140 million of Business Rates in year. That is the third highest level in the Country and we did this yet again with an improved collection rate.

Despite all these improvements we are not slowing down and we will be publishing our business plan for the next four years alongside these Accounts. That sees us investing more in new technology to transform how we engage with our residents, visitors and businesses.

We will also build on our work to engage and empower local communities to help residents and businesses take on more responsibility. We strengthen how we work with our health partners to provide a seamless health to care process. We will look at how we can develop further our commercial skills and ways we work.

Importantly we are also investing in our staff through development of new skills to work in this changing environment. We are also seeking more than 100 apprenticeships, drawing new staff from Wiltshire and our vulnerable communities.

Throughout all of this we will use our strong financial base to maintain value for money and never lose sight of the fact that our major funders and stakeholders are you our residents of Wiltshire.

Dr. Carlton Brand and **Carolyn Godfrey**
Corporate Directors
20 June 2017


Did you know we've invested
£3.5m into children's centre services
to ensure children can get the help they need to fulfil their potential - are you using yours?
Wiltshire Council is making a real difference
Wiltshire Council
Where everybody matters

Director of Finance's Narrative Report

Wiltshire is a County with a proud heritage, including strong links to the armed forces.

Wiltshire Council was formed in 2009 following the unification of the County Council and four districts (Salisbury, West Wiltshire, North Wiltshire and Kennet). As such over the last eight years it has undergone significant change.

At the same time the Council, like its peers and public sector partners has had to deal with a significant reduction in government funding. In total Government funding has fallen by nearly £90 million since 2009. Yet despite this, and through strong financial management and capabilities the Council has every year set and delivered a balanced budget. Whilst at the same time improving its performance in key areas.

The Statement of Accounts that follow show just how difficult a challenge it has been, but also show how we have risen and delivered on this challenge.

Looking back on 2016/17, the Council has had another successful year financially. In setting the 2016/17 budget the Council planned to deliver £25m of savings. The outturn shows that we have delivered a small underspend of £0.328 million and thus delivered again on the saving goals.

Service Area	2016/17 £m	2015/16 £m
Adult & Children	203,362	207,441
Place & Environment	67,690	68,446
Corporate Support	42,205	41,230
Net position	**313,257**	**317,117**
Net Budget	(313,585)	(317,176)
Surplus	**(328)**	**(59)**

At the same time we have seen other key financial targets improved, including:

- 98.1% Council Tax collected in year (compared to 97.9% in 2015/16)
- 71% of Garden Waste income collected over the internet
- £4.3 million fall in debt

One area where performance did drop was invoices paid in 30 days, with 83% paid in that time compared to 92% in 2015/16. This followed a review of all payments as part of action to balance the budget that led to a delay in processing.

Again Accountancy staff have closed down and produced the attached set of Accounts quicker than most authorities in the country, and I express my thanks to their hard work.

As the financial pressures facing councils increases, we will continue to put financial strength and competence 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 accounts can appear complicated, so the remainder of this narrative highlights simply some of the key outcomes contained in the 2016/17 Statement of Accounts.

Michael Hudson LLB (Hons), LLM, CPFA
Director of Finance
Wiltshire Council

You've recycled more than

454,800 tonnes

of rubbish in the last four years - that's about 113 tonnes a year, can you make it even more next year?

Wiltshire Council is **making** a real difference

2016/17 Financial and Performance Review

Overall Financial Outturn

The Accounts report a small underspend for 2016/17. This has been achieved after a challenging year where we again saw more reductions in government funding but an increase in demand for local services.

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 been managed prudently to enable that position to be achieved.

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

	2016/2017 £000	2015/2016 £000
Adult Care, Housing & Public Health	135,937	139,080
Children's	67,425	68,361
Environment	67,690	68,446
Central Services	48,536	51,700
Corporate	(6,331)	(10,470)
Budget Requirement	**313,257**	**317,117**
Funding	(313,585)	(317,176)
Surplus in year	**(328)**	**(59)**

The following pages set out how this financial outturn links to performance and demand. In addition, in setting the 2017/18 Budget Council took account of these forecast and it's Business Plan to reprioritise funding to some of the areas facing the largest pressures, including £8.6 million gross to Adult Care and £1.5 million to care and transport for children with Special Educational Needs and Disabilities (SEND), and £0.750m to support governance and legal.

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 measured. The Pension Fund has a plan agreed with its actuaries to return the fund to balanced by 2036 and will keep this under review. The key elements of the balance sheet are as follows:

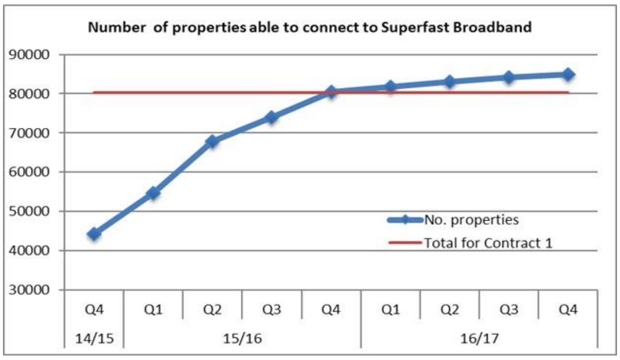
	31 March 2017 £000	31 March 2016 £000
Long Term Assets	1,119,294	1,061,937
Current Assets	130,730	106,048
Current :Liabilities	(117,805)	(126,353)
Net Pension Liability	(612,791)	(543,446)
Other long Term liabilities	(440,364)	(428,224)
Net Assets	**79,064**	**69,962**
Financed by		
Usable Reserves	(112,243)	(108,659)
Unusable Reserves	33,179	38,697
Total Reserves	**(79,064)**	**(69,962)**

Delivery of the Capital Programme

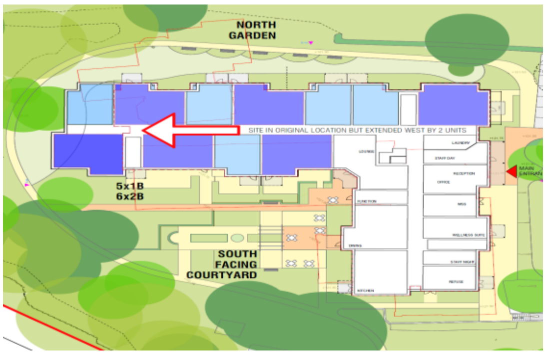
The Council's 2016/17 programme saw £80.028 million spent to deliver a wide range of capital works, including the building of Tisbury Campus to funding over £20m for improvements in highways. Plans sought to fund large elements of this programme from £65.6 million in grants, £12.7 million from receipts and £1.7 million from borrowing.

2016/17 Financial and Performance Review, continued

Over £16m of capital spend has been on improvements in superfast broadband with now 91% of the County able to receive this:



Note 25 on Assets Held for Sale identifies that we expect £8.750 million of receipts shortly for sale of our former Hub Offices at Bradley Road, Trowbridge and Browfort, Devizes. These sales will continue the Council's strive to build more homes, for example at Browfort some 55 assisted living and affordable homes are to be built in the coming year



Impact on Treasury Management and cash flow:

The Council has an internal Treasury Management team that manages it's cash within the strategy approved by Full Council. The Treasury Strategy was adhered to in 2016/2017; the average long term borrowing rate was 3.771%; and the return on short term investments was 0.455%

At the end of 2016/17 the Council has £327.859 million of outstanding borrowing, with £118.8 million of that related to HRA assets. That is £10 million less than 31st March 2015, and reflects the Council's prudent approach to managing it's long term debt.

Financial Risks

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 in the deficit to £612 million reflects an ongoing risk to the Council. This risk is being mitigated through a recover plan agreed with Wiltshire Pension Fund's actuary that will see the employer's contribution rise by 1% for the next few years.

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 risks are well managed and set out in Note 43 to the accounts. There is 4.5 million set aside in provisions, mainly relating to insurance claims and NNDR appeals. More details are set out at Note 29 to the Accounts.

General Fund & Earmarked Reserves

Overall the outturn has meant that the Council's General Fund Reserve is £12.5 million. Over the last five years this has remained constant, although the level of general fund reserves remains still one of the lowest in the Country it is still within the level recommended by the CFO. Other earmarked reserves have slightly increased due to ring fenced grants:

2016/17 Financial and Performance Review

The Housing Revenue Account

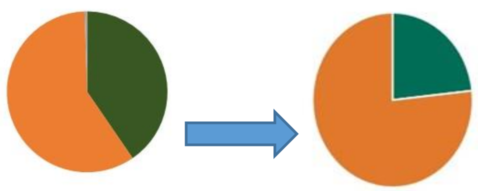
The HRA made a surplus of £2.195 million in 2016/17, again largely to continued improvement in collection of income:

	2015/16 outturn £m	2016/17 budget £m	2016/17 outturn £m
Income	(26.173)	(24.684)	(25.799)
Expenditure	21.672	23.709	23.604
Surplus	(4.180)	(0.975)	(2.195)

Financial & activity / performance

In setting the 2016/17 budget the Council faced a 16.3% reduction in its funding (£17.3 million).This meant in 2016/17 an additional £4.3 million was needed to be raised from Council Tax, and £4.3 million from a new Social Care Levy to fund adult care pressures. This meant a net change of £8.7 million in our net funding position. This shift to less government grant also means over 77% of our funds now come from local residents and business:

2009 **2016**

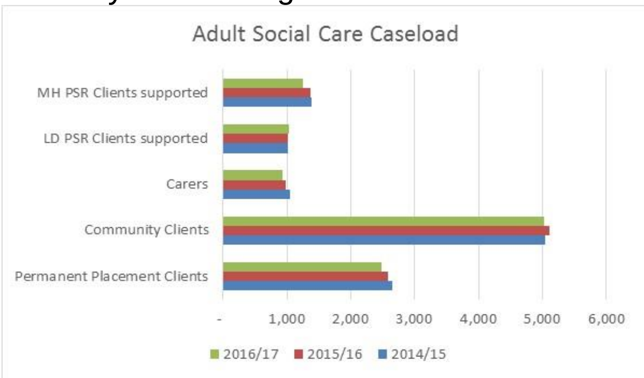


Locally raised funds
Government Grant

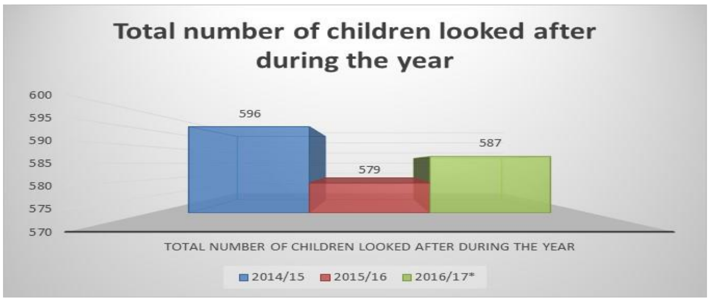
However, the Council continues to face demand and inflationary pressures of circa £10 million p.a. To manage this challenge the Business Plan has had a clear prioritised focus that has helped shape both the areas of financial investment and drive for continual improvement in performance.

In Adult and Children's Care we saw £13.8 million invested taking the net budget to £189m. The outturn identifies that both broadly broke even and as a result of the investment we supported over 10,700 adults.

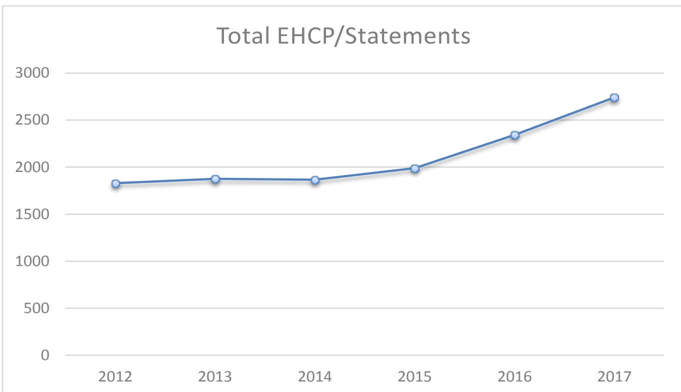
A focus on preventative measures has also meant we have managed demand effectively, and stay within budget.



In Children's Care and SEND in particular we have experienced additional demand, which has resulted in spend slightly above budget by £1.9 million. This area continues to be a key focus and the 2017/18 budget has been increased by £3 million to respond to this.

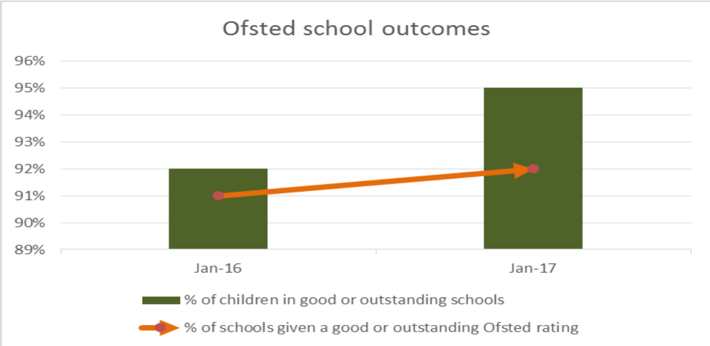


The number of children cared for with Special Educational Needs & Disabilities (SEND) again rose sharply in 2016/17, giving rise to increased costs:

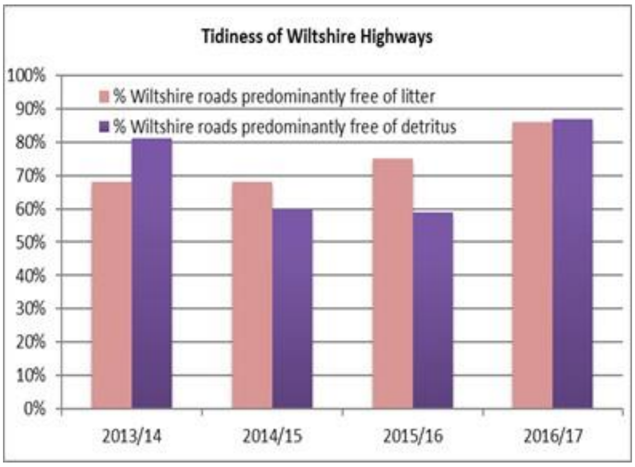



Wiltshire Council
Where everybody matters
We never forget
it's your
money,
we've changed
the way we
work - we have
fewer managers,
staff and offices
saving £109m
in the last four
years
Wiltshire Council is
making a real difference

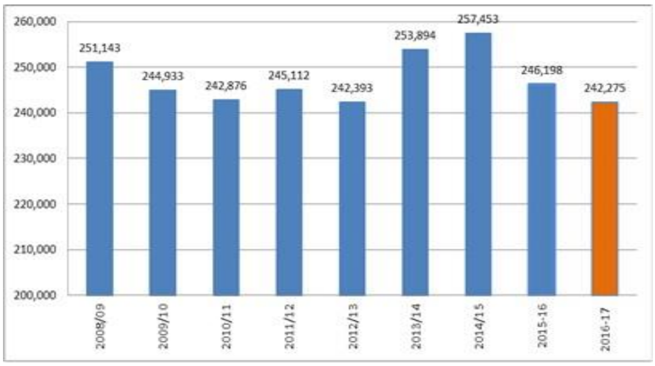
Educational attainment continues to be a key focus and despite a £0.9 million reduction in government funding for school improvement we saw further improvement in our secondary schools.



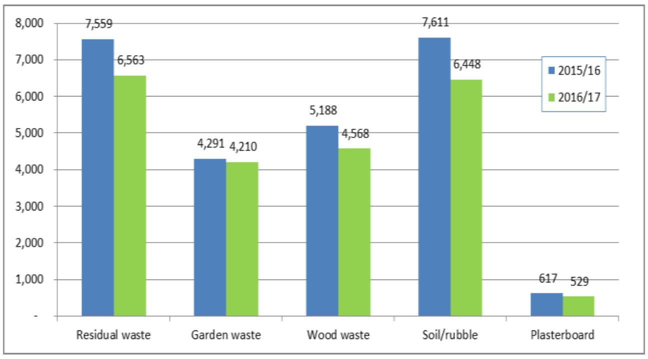
Service supporting local communities, environment, waste and highways also faced pressures in 2016/17 but broadly broke even. Despite some areas receiving a reduction in the base budgets there was significant improvement, for example in the cleanliness of highways:



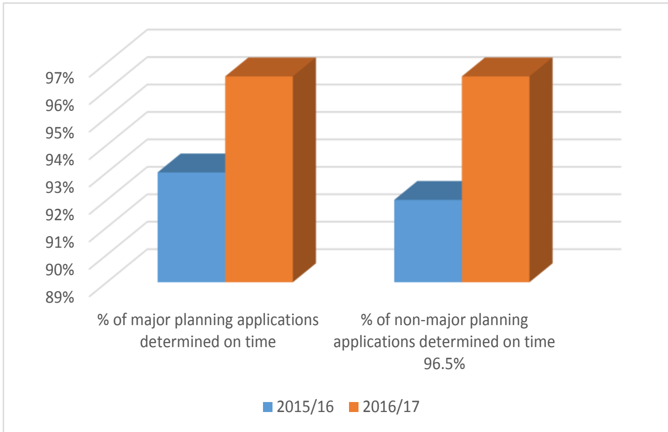
Waste services reported a small underspend, reflecting a fall in the amount of waste collected:



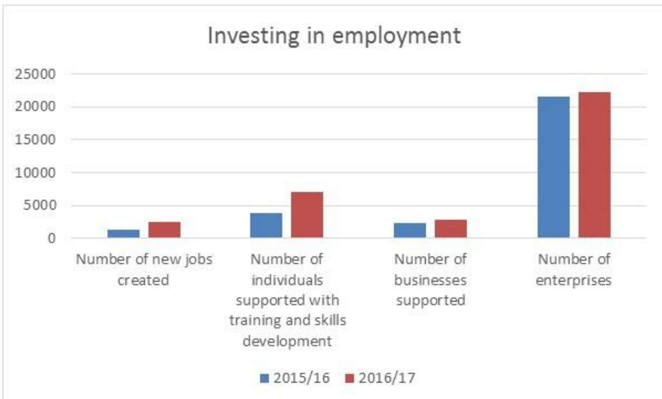
Waste also introduced van permits in 2016/17, and the service has seen a reduction in the tonnage of waste going to Household Recycling Centres, saving nearly £0.3million



In planning there were 4,426 applications processed with an improvement in the time taken to process:



Whilst 2016/17 saw uncertainty on some fronts arising from the vote to leave the EU this had no effect on employment in Wiltshire. The County again saw considerable return for its £3.6 million revenue and £27.5 million capital investment in skills and employment:



The corporate support services such as IT, HR, Legal and Finance delivered a small underspend. This was planned to address some of the pressures forecast in year. Whilst this did not see any significant drop in standards it did mean certain initiatives around staff development were deferred for a number of months. A factor that was recognised in setting the 2017/18 budget where £0.1 million of additional funds were directed to staff.

Despite that the Staff Survey identified significant improvements in staff engagement overall, increasing for a second consecutive 2-year survey period and bolstered by almost a third of respondents (31.7%) indicating they are "fully engaged", and a further reduction of those identifying themselves as "fully disengaged" (now just 36 staff out of the 2898 responding).

The 2016 survey also received an increased response rate, with around two thirds of the Council responding (65.7% of staff); this provides us with a sound evidence base for future action planning. A number of key cultural themes also showed improved scores in the survey, including:

- embedding of the behaviours framework (96% positive),
- awareness of the council's vision and aims (80%) and commitment to its goals (72%),
- staff feeling valued and recognised for the work they do (66%) and empowered to make decisions without fear of blame (60%),
- and the number of staff receiving an appraisal (59%).

The results of the survey have also acted as the catalyst for a revamp of the council's learning and development offer, with a project already in progress to make cultural, resource and technical changes to enable staff to take control of their own learning and career development, which will be supported by access to on-demand e-learning platforms delivering targeted content across a number of business areas. The Council's investment in the apprenticeship levy will also provide opportunities to invest in training for staff that will lead to nationally recognised qualifications that will support effective succession, and staff retention. Steps to further improve staff engagement have also been taken with the creation of the EPIC staff engagement group, which launched in February 2017, and is providing staff from a broad cross section of the council with a voice for positive change.


We've invested £2.5m
providing new employment units at Ludgershall to help small businesses and start ups
Wiltshire Council
LIBRARY
Latest DVDs available for hire
3 for 2 offer*

Governance

How the Council is governed

The Council is governed by its constitution, which is available on our website at the following link. The Council annually reviews its constitution, rules and regulations. This review is led by the Council's statutory chief legal officer (Monitoring Officer) and its Chief Finance Officer or Section 151 Officer. The Standards Committee also has an oversight of the Constitution and any changes are considered by this Committee, who advise Council. In 2016/17 efficiency improvements were implemented in relation to the Financial and Procurement Regulations.

The decision making framework of the constitution sets out who and how decisions are made. Setting the annual budget and related policies is reserved to Full Council and the 2016/17 budget was set on 23rd February 2016. The majority of decisions then throughout the year are made by Cabinet and/or chief officers via Cabinet reports or under the Council's scheme of delegation. All decisions are published and available on the Council's website at the following link.

In addition the Council has a Management Overview and Scrutiny Committee, with 3 Select Committees that scrutinise performance and contribute to shaping policy:

- Children's
- Environment
- Care

These committees are supported by the Audit Committee, Standards Committee and Finance Task Group who ensure that the Council is effectively managing its risk and control environment.

To support this internal review the Council submits itself for regular inspection. In 2016/17 the Council had four significant LGA Peer / external inspections:

- Preparedness for Military Civil Integration
- Social Care efficiency
- Ofsted review of domestic abuse
- Highways

All four of the reports were presented to councillors and are publically available. All were generally very favourable and action plans are in place to address areas highlighted to continue to approve, and these will be monitored by councillors through the various committees.

The Council is also responsible for the Wiltshire Pension Fund which administers over 50,000 members and £1.8 billion of funds. Governance of the Fund is through the Pension Committee and Investment Sub-Committee.

Governance, continued

How the Council is led

The Council up to the 2017 elections was controlled by the Conservative Party with a 37 majority as follows:

Conservatives:	61
Liberal Democrat:	22
Labour:	4
Independent and others:	11

The Cabinet consisted of nine councillors, each with responsibility for key areas of service. The Cabinet met 11 times in 2016/17 and made key decisions such as Letting a new highways contract (Link)

The Council's staff are led by Corporate Directors, with Associate Directors leading the various service areas. The exact way each council is structured differed slightly for various reasons, although there are a number of posts that are set out in statute.

In line with public sector reporting requirements the Statement of Accounts set out the senior officer remuneration for all officers earning over £50,000. This includes teaching staff in maintained schools. The remuneration for the Council's senior management team set out at Note 10 of the Accounts.

Risk management and Governance

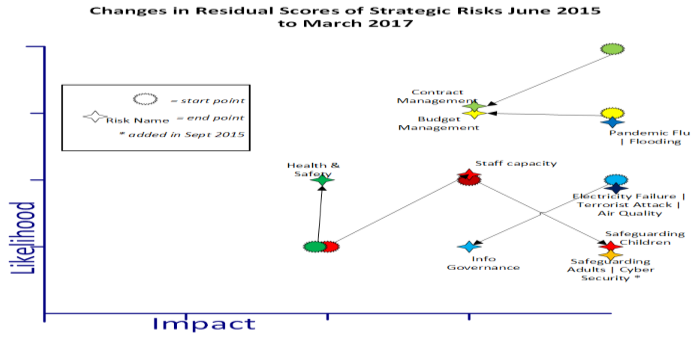
The Council monitors and reports its risks throughout the year, as well as producing an Annual Governance Statement within the Accounts.

Risk short name	Primary Risk Category	Q4 Inherent Impact	Q4 Inherent Likelihood	Q4 Inherent Risk Rating	Q4 DoT	Q4 Actions RAG	Q4 Residual Impact	Q4 Residual Likelihood	Q4 Res Risk Rating	Q4 Comments
National Level Risks										
Pandemic influenza	Health & Safety	4	4	12	►	Green	4	3	12	National risks levels do not change at a local level. National guidance as well as local knowledge and expertise is used to keep emergency plans up-to-date. No significant weather events were experienced over the winter months. Wiltshire Council has become a member of the Scottish and Southern Power Distribution National Stakeholder Group. A review of procedure and plans was carried out and more training provided following the terror attack in Westminster in March.
Flooding	Health & Safety	3	4	12	►	Green	4	3	12	
Widespread electricity failure (NEW 2016)	Health & Safety	4	3	8	►	Green	4	2	8	
Catastrophic terrorist attacks	Health & Safety	5	2	8	►	Green	4	2	8	
Poor air quality events (NEW 2016)	Health & Safety	4	2	8	►	Green	4	2	8	
Cyber Security	Legal	4	1	4	►	Green	4	1	4	

The key risks considered and managed throughout 2016/17 were regularly reported to the Audit Committee. These included:

- Pandemic Flu
- Flooding
- Budget Management

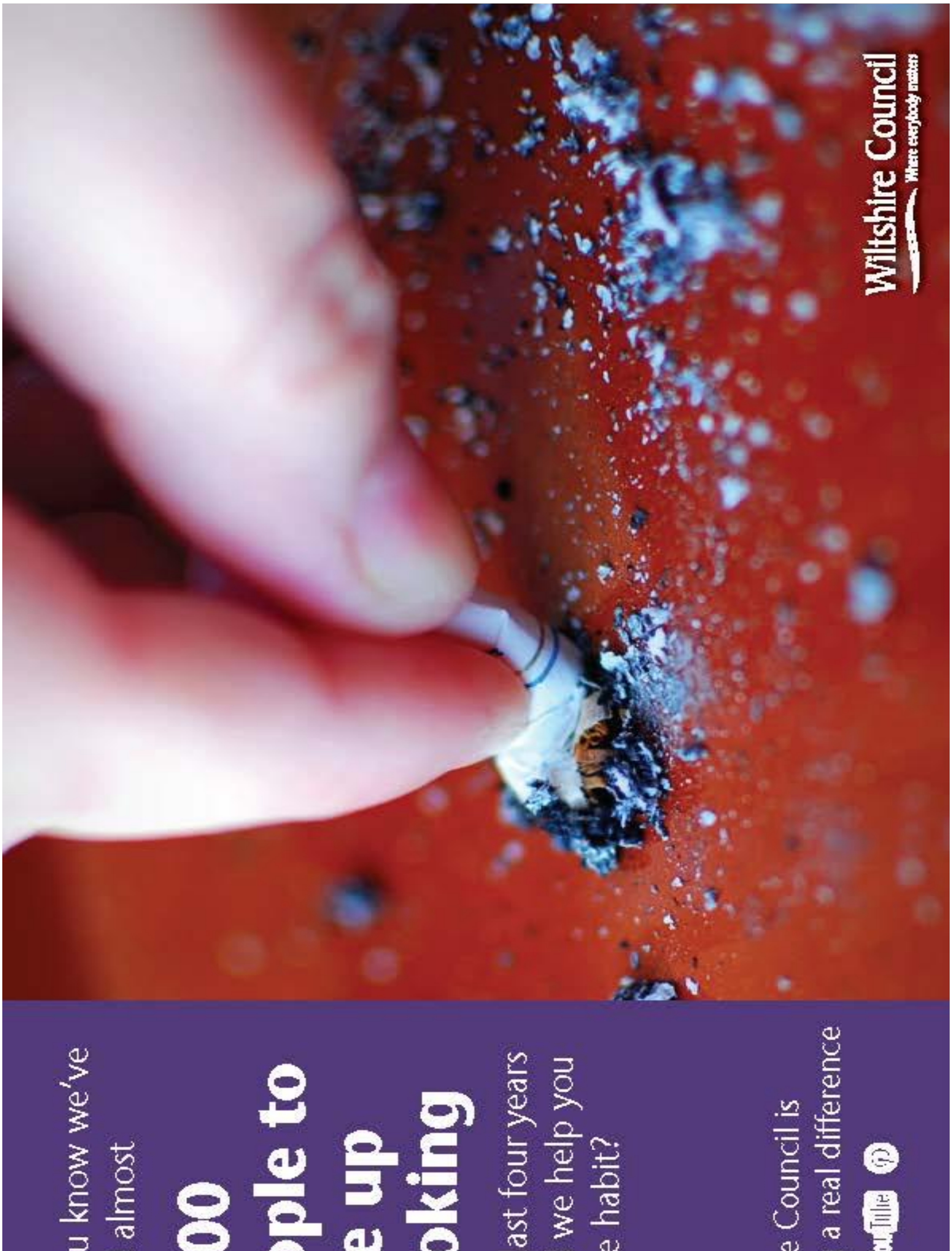
However there has been good progress made during the year to mitigate the levels of risk:



The Annual Governance Statement looks at how we:

1. Behave with integrity, demonstrating strong commitment to ethical values, and representing the rule of law.
2. Ensure Openness, Transparency and Comprehensive Stakeholder Engagement – delivering Accountability
3. Define Outcomes in terms of Sustainable Economic, Social and Environmental Benefits
4. Determine the Interventions necessary to optimise the achievement of intended outcomes
5. Develop capacity, including the capacity of the Council's leadership and the individuals within it
6. Manage risks and performance through robust internal controls and strong public financial management.

The Statement identifies that overall the Council is well governed. The Council's Internal Auditors gave an 'adequate' opinion to cover our control environment, with no significant matters raised. The AGS identifies a number of areas for improvement, including review of the inter-relationship between key polices to improve clarity of processes including: Anti-Fraud and Corruption, Whistle Blowing and Registering Gifts and Interests.


Did you know we've helped almost
6,000 people to give up smoking
in the last four years - could we help you kick the habit?
Wiltshire Council is making a real difference
Wiltshire Council
Where everybody matters

Outlook

Full Council set the budgets for 2017/18 in February 2017 against a background of a further £16 million reduction in government grant. This was set off by an almost equivalent increase in Council Tax (1.99%) and Social Care Levy (3%). However this continued shift to localise funding does not address the significant cost pressures the Council faces from increased inflation and demand, particularly around young people. As such the Council has identified £45 million of savings to be delivered in 2017/18.

Accountancy will continued to provide regular forecast monitoring reports, and work with services and other support services to take actions where potential overspends are identified to ensure the budget is balanced by 31st March 2017.

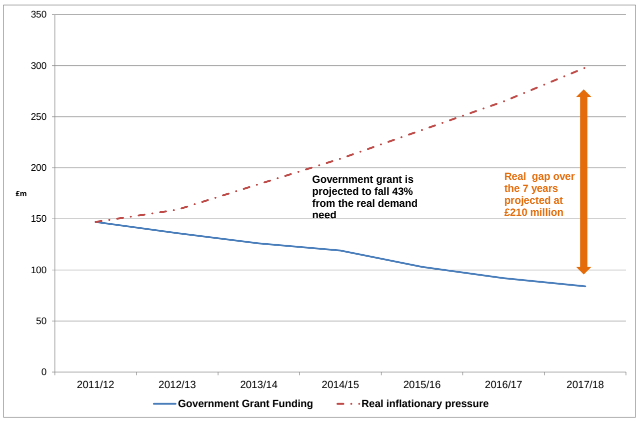
Looking forward the Council is setting out a new four year Business Plan 2017-2021 which will again prioritise the medium term financial spending. Against this we await Government's proposals to devolve more NNDR and what potential there is for greater integration of public services. However, we are unable to know the outcomes of this until 2019, and that is assuming the current timetable is unaffected by the June 2017 General Election.

We also are making assessments of what any Brexit deal and other initiatives may have on our demand and prices.

As such the Council faces a continued period of needing to find savings by working differently. This will include:

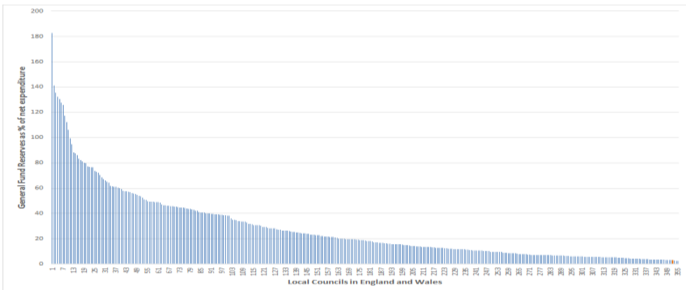
- More engagement and community empowerment
- Greater use of digital technology
- Improving integration with our partners, particularly health.

The Council continues to face significant pressures from both increasing demand for services such as care, as well as inflation in spend on utilities. To date we have faced a real gap of £210 million over the last decade.



Looking forward our medium term financial plan forecasts we face £45 million more pressures in the coming years.

Whilst the Council has £12.5 million in reserves this remains one of the lowest amongst local authorities, with General Fund Reserves representing 4% of the Council's net expenditure.



This reflects the Council's approach to only hold funds necessary and ensure that council tax payer's funds are spent on services in the year they are paid.

Longer term planning for the HRA remains reliant on maintaining the current level of stock and income to repay debt. The Council has a 30 year business plan setting out its planned repair and maintenance schedule and it is expected that this will fully utilise reserves.

We've helped to
regenerate Trowbridge

making
the £17m
St Stephen's Place
shopping and
cinema complex
happen, creating
200 jobs - have
you visited yet?

Wiltshire Council is
making a real difference

Explanation of the Accounting Statements

The Statement of Accounts on the following pages have been compiled in accordance with International Financial Reporting Standards (IFRS) and comply with the Chartered Institute of Public Finance and Accountancy (CIPFA) / Local Authority (Scotland) Accounts Advisory Committee (LASAAC) Code of Practice.

The Council's Accounting Policies comply with this code and are set out at Pages 50 to 62. These are substantially unchanged from 2015/16.

The Accounts include the following key Statements:

- Comprehensive Income & Expenditure Statement (CIES) which reports the council's gains and losses during the financial year calculated based on IFRSs. This is different from how we report internally during the financial year.
- Expenditure Funding Analysis (EFA) is a new Statement that reconciles the CIES to the internal budget reports received by Cabinet during the financial year.
- Movement in Reserves Statement (MIRS) summarises the changes to the Council's reserves between last year end and this. The reserves are equivalent to the equity of a private company. Reserves fall into two categories:
    - Usable – cash reserves that can be used to fund spend or reduce draw on Council Tax;
    - Unusable – technical non-cash reserves.
- Balance Sheet is a snap shot of the Council's assets (everything owned or owed to the Council), liabilities (everything the Council owes) and reserves as at 31st March 2017.
- The Cash Flow Statement shows the change in the Councils cash and cash equivalent balances during the financial year.
- The Collection Fund Statement sets out the amount of council tax and non-domestic rates collected by the Council and how that was distributed. As budgets are set on assumed collection rates there can be year-end variations from that forecast. In 2016/17 the Council's excellent collection rates meant an overall in year surplus of £10 million was achieved.
- Housing Revenue Account is required in order to report on the income collected and spent on Wiltshire Council's housing stock. In 2016/17 there were 5,258 properties at year end. Overall a surplus of £2.2 million was achieved in 2016/17 and more information is set out at page 63 of the Accounts.

The next step is for the Statement of Accounts to be subject to external audit by KPMG, our appointed auditors. Members of the public can ask questions of our auditors between 6th June and 17th July by contacting KPMG care of Darren Gilbert, KPMG Director at 66 Queen Square, Bristol BS1 4BE. The inspection notice and draft statement of accounts can be found on our webpage: http://www.wiltshire.gov.uk/council-democracy-how-the-council-works-statement-of-accounts

Together we're working hard to keep Wiltshire clean and tidy

investing £2.5m

a year into picking up litter and supporting local clean ups - are you joining in and doing your bit?

Wiltshire Council is **making** a real difference

Annual Governance Statement

1 Introduction

1.1 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 secures funding from national government, local taxation and charges. So as a public body it needs to have a strong governance framework that ensures that 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.

1.2 Ensuring good governance fits with the principles of the Council's current Business Plan which states that the Council will:

- be an efficient provider of good value for money services
- develop new relationships between public services and communities including making it possible for everyone to engage with public service and their community.
- design services with the input from residents and communities.
- ensure services will be joined up and easy to access.
- make sure that Wiltshire will have outstanding leaders and managers.

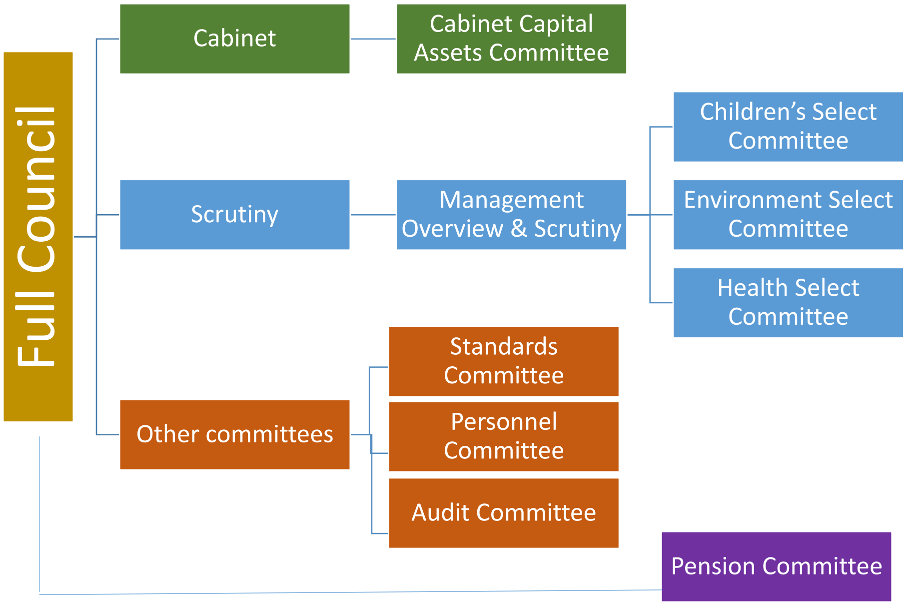
1.3 Elected members are collectively responsible for the governance of the Council. The full Council's responsibilities include:

- agreeing the Council's constitution, comprising the key governance documents, including the executive arrangements, and making any necessary changes to ensure that the Constitution remains fit for purpose and reflects legislation and best practice.
- agreeing the budget and policy framework, including key strategies
- appointing the head of paid service
- appointing members to committees responsible for overview and scrutiny functions, audit, standards and regulatory matters.

1.4 The Council operates a leader and cabinet executive model in accordance with the Localism Act 2011. Under these arrangements the Cabinet carries out all of the Council's functions which are not the responsibility of any other part of the Council. Cabinet meets monthly and its decisions in 2016/2017 can be found at the Council's website.

1.5 The cabinet is held to account by overview and scrutiny committees whose function is to review and/ or scrutinise decisions made or actions taken in connection with the discharge of the Council's functions and assist with policy development.

1.6 The political structure of the Council is shown below:



1.7 The governance framework comprises the systems and processes, and culture and values, by which the Council is directed and controlled and the activities through which the Council accounts to, engages with and leads the community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.

1.8 The assurance framework and the system of internal controls are significant parts of that framework. They are designed to manage risk to a reasonable level. They cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The assurance framework and the system of internal controls are based on an ongoing process that is designed to:

a. identify and prioritise the risks to the achievement of the Council's policies, aims and objectives;
b. evaluate the likelihood of those risks being realised;
c. assess the impact of the risks if they are realised;
d. manage the risks efficiently, effectively and economically.

1.9 The assurance framework also provides a mechanism for monitoring and implementing a system of continuous governance improvement. The governance framework has been in place at the Council for the year ended 31 March 2017 and up to the date of approval of the Statement of Accounts for 2016/2017.

1.10 As part of ensuring the highest standards are set and maintained the Council regularly reviews its governance arrangements. This statement reflects how Wiltshire Council has met those standards in 2016/2017 and ongoing actions it is taking to maintain and improve its governance arrangements. Evidence of how we have assessed ourselves in line with good practice set out by the Chartered Institute of Public Finance and Accountancy (CIPFA) in its publication 'Delivering good governance', has been grouped into six sections:

1. Behaving with integrity, demonstrating strong commitment to ethical values, and representing the rule of law.
2. Ensuring openness, transparency and comprehensive stakeholder engagement – delivering accountability
3. Defining outcomes in terms of sustainable economic, social and environmental benefits
4. Determining the interventions necessary to optimise the achievement of intended outcomes
5. Developing capacity, including the capacity of the Council's leadership and the individuals within it
6. Managing risks and performance through robust internal controls and strong public financial management.

1.11 The following sections set out how Wiltshire Council delivers good governance, how it performed in that role in 2016/2017 and what it is doing to continually improve its arrangements.

2. Behaving with integrity, demonstrating strong commitment to ethical values, and representing the rule of law.

2.1 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 reviewed on an ongoing basis. In 2016/2017 there were specific reviews of Financial Regulations, Procurement Rules, Council procedure rules and public participation at meetings of the Council. These were assessed by the Standards Committee and approved by Full Council. This practice ensures that the Constitution remains fit for purpose and is updated for national and local changes in circumstances.

2.2 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. 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. Minutes from the meetings of this Committee can be found on the Council's website.

2.3 The Council has a policy and register of interests, gifts and hospitality for staff. This is also reviewed regularly by the Council's Monitoring Officer. The registers are available for public scrutiny.

2.4 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. If residents are not satisfied with the response to their complaint they may complain to the Local Government Ombudsman.

2.5 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 forms a key part of the appraisal system to promote ethical awareness amongst the Council's staff. A staff survey undertaken during 2016/2017 has identified that the Council needs to give further priority to ensuring that all staff have appraisals.

2.6 The Council has provided a comprehensive induction programme for newly elected councillors in May 2017, including training on the decision making framework, standards of conduct, safeguarding, overview and scrutiny and the discharge regulatory functions. Further training will be provided on an ongoing basis as the Council operates a protocol for Councillor-Officer Relations to ensure the respective roles of councillors and officers are fully understood. Joint communications are used (The

Wire and Elected Wire) to ensure that officers and councillors have the same understanding of projects, plans and issues. These measures ensure that elected members have every opportunity to use their expertise.

2.7 The Council has established recruitment policies to ensure that appointments to the Council are fair and ethical and meet the requirements of equalities legislation takes account of the need to ensure diversity. Any applicant who has identified themselves as disabled and who meets the essential requirements of the person specification will be automatically shortlisted. This 'double tick' policy is part of the Council's wider Equality and Diversity Policy that ensures all appropriate decisions are taken with issues of equalities in mind.

2.8 Ethical considerations are also evident in the Council's Procurement Strategy where Social Value is a key feature. The Strategy describes a voluntary charter for suppliers asking for a commitment to local employment, skills, training and environmental issues (Procuring Social Value Tool Kit).

2.9 The Council operates an Anti-Fraud and Corruption Policy which operates as part of the governance framework to ensure the Council operates within the law. During 2016/2017 a number of allegations of fraud were reported, investigated and 100% of those were successful prosecuted. During 2016/2017 the Corporate Fraud Team was disbanded and responsibilities divided between a number of teams, with Internal Audit taking on a greater role.

2.10 The Council is reviewing its policies on Anti-Fraud and Corruption, Whistleblowing, Complaints and other Human Resources Policies to ensure that these are clear to staff and work effectively together.

2.11 The Council has independent external auditors (KPMG LLP) and the South West Audit Partnership Limited (SWAP) who provide an internal audit function. SWAP's interim quarterly reports were considered during 2016/2017 by the Council's Audit Committee. No significant governance issues were raised.

2.12 The Council appoints an Independent Remuneration Panel when required to advise and make recommendations to the Council on the setting of member allowances in accordance with the Local Authorities (Member Allowances) (England) Regulations 2003.

2.13 The Council is responsible for a number of partnerships, including:

- the Health and Well-being Board, a committee of the council with a strategic leadership role in promoting integrated working between the council and the NHS;
- the Wiltshire Police and Crime Panel reviews and scrutinises decisions of the Police and Crime Commissioner. The Panel is a joint committee with Swindon Borough Council;
- The Council is the lead Authority for the Swindon and Wiltshire Local Enterprise Partnership (SWLEP). The governance and assurance frameworks underpinning the SWLEP were reviewed during 2016/2017 by officers, internal Audit and DCLG and updated to reflect further guidance from central Government. The governance arrangements were found to be operating effectively and were commended by DCLG.

2.14 The Council is the Administrator for 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.

3. Ensuring Openness, Transparency and Comprehensive Stakeholder Engagement – delivering Accountability

3.1 The Constitution sets out the legal and constitutional framework for good decision making, including the principles of decision making, schemes of delegation, recording of decisions and access to information relating to decisions. All Council, Cabinet and Committee report templates include a section on legal and financial considerations. These can be seen in all decisions made.

3.2 The Constitution sets out the legal and constitutional framework for good decision making, including the principles of decision making, schemes of delegation, recording of decisions and access to information relating to decisions. All Council, Cabinet and Committee report templates include a section on legal and financial considerations. These can be seen in all decisions made, see for example reports available to the public made by Cabinet during 2016/2017.

3.3 The Council publishes a Forward Work Plan once a month giving details of all matters anticipated to be considered by the Cabinet over the following 4 months, including items which constitute a key decision.

3.4 The Council has established 18 area committees known as Area Boards. Each area board exercises local decision making under powers delegated by the Leader.

3.5 The Council's overview and scrutiny arrangements consist of an Overview and Scrutiny Management Committee supported by 3 select committees:

- Health (including the NHS, public health and adult social care)
- Environment (including highways, waste and transportation)
- Children (including education, vulnerable children, youth services and early years)

3.6 The management committee co-ordinates the work of the select committees and also covers internal services such as finance, performance, staffing and business planning. Most overview and scrutiny work is done by small groups of elected members who meet to review single issues in detail. Interested parties are often invited to contribute to this work. The group then produces a report presenting their findings and recommendations to the cabinet and others as necessary on how the issue or service could be improved. During 2016/2017 59% of Cabinet decisions received Overview and Scrutiny input.

3.7 Rapid scrutiny exercises provide the opportunity to be able to react more readily to issues as they emerge**.**

3.8 Scrutiny member representatives can also be appointed to boards of major projects to provide challenge. Partners and contractors also contribute to the scrutiny process.

3.9 These arrangements serve to hold the Cabinet, its Committees, individual Cabinet Members and officers to public account for their executive policies, decisions and actions and serves to make sure that decisions are taken based on sound evidence and are in the best interests of the people of Wiltshire.

3.10 In 2016/2017 Scrutiny Committees consider a wide range of subjects and produced an Annual Report to the Overview and Select Management Committee on its work. In addition the Council carried out several public consultation whose feedback was reported to Cabinet as part of informing their decision making, including:

- Local Bus routes
- Council Tax Reduction Scheme

3.11 The Council consults appropriately in line with its consultation policy and legal requirements in order to inform its decision making. Consultation also takes place with the Council's partners in particular partnerships such as the Health and Wellbeing Board, Wiltshire Assembly and the Swindon and Wiltshire Local Enterprise Partnership to enable more effective partnership communication and consultation.

3.12 There has been no resident's survey undertaken in Wiltshire for a number of years. The Council is aware a number of other local authorities and partners undertake such an exercise, and it will consider the need and format going forward as part of its assessment of its governance arrangements in 2017/2018.

3.13 The Council makes available a range of important information on its website including its strategic aims and ambitions in its published Business Plan. Further information is available on request and through the Council's arrangements for dealing with requests under Freedom of Information legislation. In 2016/2017 there were 1532 FOI requests, with 87.5% being responded to within the statutory deadline.

4. Defining Outcomes in terms of Sustainable Economic, Social and Environmental Benefits

4.1 Wiltshire Council has operated a four year planning cycle in line with its electoral cycle, as such 2016/2017 was the final year of the Council's Business Plan. However, the Council is in the process of consulting on its draft Business Plan for 2017 – 2027. It continues to build on and extend the vision, goals and achievements from the previous business plans and has been prepared to reflect both the significant external challenges and changes that the council will have over the coming years as well as the changes to the way the council will have to operate to manage these challenges.

4.2 Part of the building of communities involves capital developments of buildings, highways and other such infrastructure. The Council sets out a four year Capital Programme tied into its Business Plan. During 2016/2017 well-being centres were completed at Five Rivers in Salisbury and Tisbury, as well as hub sites in Marlborough and Calne. This strategy is aimed at bringing communities together in one location to enable them to connect, seek services and take on more responsibility. In addition, the Council signed an agreement with Salisbury City Council to devolve certain assets in return for them taking over key services. This strategy is seen as a key strand of the future delivery of the Council's business. The Council's decision making framework has ensured that all of these decisions are reported through either Cabinet or the Cabinet Capital Assets Committee.

4.3 The Council's directorates and services plan their activity around these outcomes and review those plans on an annual basis. The performance against the Business Plan is reported every quarter to Cabinet and the final outturn for 2016/2017 is on the same agenda as the Annual Governance Statement.

4.4 The actions arising from the Business and Service Plans must all comply with key procedures, including following the Council's procedures on project management; procurement; consultation and risk management. Regular reports are taken to senior management and councillors via the Corporate Leadership Team (CLT) and appropriate regular councillor meetings, for example Audit Committee.

4.5 Wiltshire communities are engaged with the delivery of the long-term aims of the Council through Local Area Boards. These Boards prioritise the Council's ambitions within local areas and help direct resources. The reach of the Local Area Boards extends beyond the physical meetings through the work of Community Engagement Managers and the virtual network *Our Community Matters*. In 2016/2017 there were 113 Area Board meetings, and all minutes and actions form these meetings are publically available. Area Boards have been essential in delivering improvements in youth development, health initiatives such as rights of way and walk to school. The Council has also started initiatives such as the Legacy programme and the Big Pledge to improve the connectivity and health of its communities. More decision making and funding is now devolved at local area level. In addition to the funding grants and Highways (CATG) and youth activities, there is also funding for older people's champions and health and wellbeing projects

4.6 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), and the Annual Statement of Accounts, as well as regular performance and financial updates to Cabinet.

4.7 A key issue to address as part of the 2015/2016 Annual Governance Statement was to continue to have a relentless focus on safeguarding improvement in Children's Services. An internal Improvement Board chaired by a Corporate Director in her statutory role of Director of Children's Services (DCS) has continued to be in place during 2016/2017. In 2016 the LA and partner agencies were subject to a Joint Targeted Area Inspection focussing on Domestic Abuse and the judgement on the LA by OFSTED on the delivery of Safeguarding was very positive. The LA continues to engage in annual peer reviews through its membership of the South West ADCS and safeguarding maintains a high profile with a continuous drive to improve services, utilising improvement plans and a robust Quality Assurance Framework.

5. Determining the Interventions necessary to optimise the achievement of intended outcomes

5.1 In 2016/2017 the Council refreshed its Medium Term Financial Plan as part of a four year financial settlement with the Department for Communities and Local Government (DCLG). As part of that and in setting the 2016/2017 budget the Council has several key Programmes of activity it is managing to improve the outcomes of its residents, these have included the Campus Programme, with Five Rivers, Tisbury, Calne and Malmesbury all opening in 2016/2017. The Campus programme has been the subject of various reports and programme management updates during 2016/2017, and its financial progress reported to the Cabinet Capital Assets Committee.

5.2 Oversight of corporate projects is undertaken by the Corporate Leadership team, supported with advice from Finance, Legal HR and Procurement Teams. The Corporate Directorate includes the Programme Office which manages projects and programmes on behalf of the Council and provides reports to the Council on ongoing work. During 2016/2017 the majority of projects were delivered or progressed according to schedule. Monthly reports were provided to CLT with appropriate actions taken.

5.3 As part of the financial settlement for 2017/2018 additional Adult Social Care grant was awarded. As such a Programme of works was established in 2016/2017 with a project plan to deliver transformational change in social and health care within Wiltshire. Health partners are actively engaged in this Programme through the Health and Well Being Board.

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

6. Developing capacity, including the capacity of the Council's leadership and the individuals within it

6.1 In order to deliver the council's priorities within a strong governance framework the Council requires a workforce that is appropriately skilled and qualified. Because of the shifting requirements of local government and the changing demands put on the Council it's essential that the capacity of the Council's workforce is reviewed and updated.

6.2 The Council takes an organisation wide approach to staff improvement and has, in the last year, updated its People Strategy. The new strategy focuses on attracting the best people to work for the Council and engaging, developing and retaining existing staff.

6.3 The Council looks for good practice from other areas and other authorities in order to help improve its leadership and delivery. The Council also makes use of external reviews of its practice in order to deliver better outcomes. In 2016/2017 four key peer reviews were undertaken, and all were made public:

- Military Civil Integration
- Adult Social Care
- Ofsted review of Domestic Abuse
- Highways

6.4 In March 2015 the Information Commissioner's Office (ICO) carried out a voluntary audit of the Council's information governance arrangements. As reported in last year's AGS this was a key area for the Council to address. Actions have been taken and a detailed update was taken to the Audit Committee, which identified that significant improvement had and continued to be taken and made in this area.

6.5 Working in partnerships is increasingly important to the Council and is used as an additional method of improving and growing the skills base for delivering the Council's objectives.

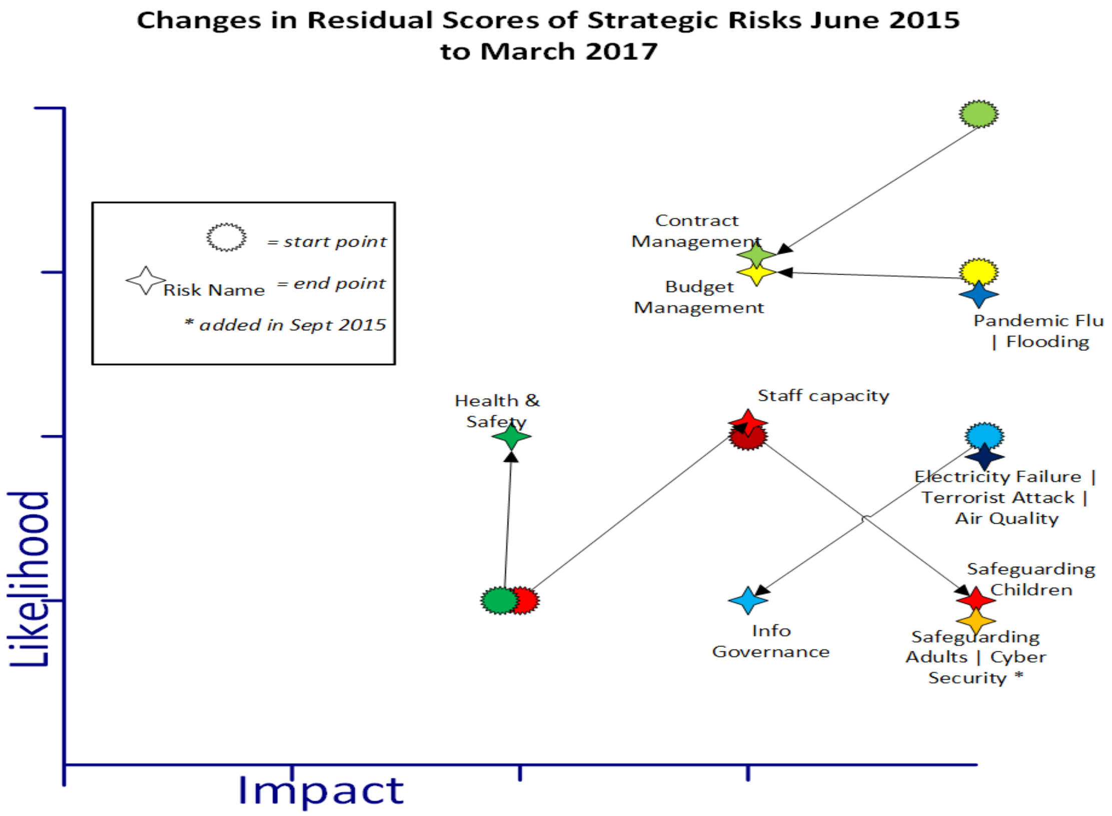
7. Managing risks and performance through robust internal controls and strong public financial management

7.1 Performance management is a key component of the Council's approach to achieving its stated outcomes. Part of this process involves identifying and, where appropriate, mitigating risks, ensuring that performance and risk management processes are in place throughout the organisation with additional rigorous processes to ensure sound financial management. Performance management follows the standard planning cycle (plan, do review, revise) and allows the organisation to know what it wants to achieve, how it's going to achieve, whether it's achieving and what more could be done to achieve. Performance reports are a regular part of the Council's business. In addition to cabinet performance reports the Council updates a Citizens' Dashboard with useful statistics about Wiltshire for easy public consumption.

7.2 Financial reporting is currently undertaken separately, although reported on the same agenda as performance, this is an area for improvement in 2017/2018. During 2016/2017 there were three budget monitoring updates to councillors, and eight to senior officers. These identified potential overspends, and appropriate action was taken. This raised the risk of the Council's financial position in its Corporate Risk Register however, effective management meant that a small surplus was delivered by year end. The Council also undertook robust scrutiny of the 2017/2018 budget and this was set at Full Council in February 2017.

7.3 The Council's Risk Strategy risk management is monitored at various levels in the organisation including by the Cabinet on a quarterly basis. 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 a set policy, onto the corporate risk register which is published and reviewed quarterly. Service risks that are high scoring or appear on, or are referenced on, the strategic risk register require a greater level of mitigating action planning with those actions assigned a time scale and an owner. The Council recognises that in order to make successful changes some risk must be undertaken. Therefore, some risks are accepted.

7.4 The Council's risk management arrangements are reviewed by the Audit Committee. In 2016/2017 the main changes were:



7.5 Wiltshire's section 151 Officer or Chief Finance Officer has a statutory duty to ensure that the Council has a strong financial control environment, including an effective and independent Internal Audit function. During 2016/2017 Internal Audit undertook 66 reviews and reported its findings, including any significant risks to Audit Committee. Of the recommendations made only 3% were classed as a higher risk requiring immediate action. Reporting also has included action to follow up implementation. The Audit Committee raised concerns regarding the timeliness of finalising audits and this is an area that remains under review with expected improvement in 2017/2018. Overall the Chief Internal Auditor assessed the Council's control environment as 'adequate' with no significant issues raised. The Council's External Auditors have also not raised any significant matters during 2016/2017. We have sought to advise KPMG at all times and sought their views on a number of occasions before taking key decisions.

7.6 The section 151 Officer's role as set out in both statute and defined by the CIPFA framework has been in place throughout 2017/2018. No issues have been raised and there has been full compliance with that framework.

8. Areas for Improvement

8.1 The Council has identified a number of areas where further improvements to can be made to strengthen its governance framework. Work will be undertaken over the next twelve months to review the following areas:

- Changes to the appraisal system that identify specific targets for completion for individuals linked to the council's Business Plan through service and team plans. Such a system will be able to provide a link to the work being done to achieve stated aims and a corporate level understanding of progress against the desired outcomes.

- Revisions will be made to the Council's Behaviours Framework that will build on the lessons learnt in the last four years.
- Further training for elected members to improve understanding of the need for efficient and effective decision making, promoting, openness and transparency
- There will be a review of the inter-relationship between key polices to improve clarity and consistency of processes including: Anti-Fraud and Corruption, Whistle Blowing, and some staff policies, such as Registering interests, gifts and hospitality.
- How the Council collects general feedback from individuals and communities to assess improvements in approach.
- Reporting of finance and performance management, will be combined with a key focus on links between the use of resources and the outcomes being achieved.

8.2 The governance of the Council will continue to be monitored by Cabinet, other councillor committees and the Council's Corporate Leadership Team. That will include the areas to address identified above.

Councillor Baroness Scott of Bybrook OBE
Leader of the Council

Dr Carlton Brand
Corporate Director

Carolyn Godfrey
Corporate Director

26 July 2017

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 Finance Officer;
- Secure economic, efficient and effective use of its resources and to safeguard its assets;
- Approve the Statement of Accounts.

The Chief Finance Officer's Responsibilities

The Chief Finance Officer is responsible for the preparation of the Council's Statement of Accounts. This has, under the CIPFA Code of Practice on Local Authority Accounting in Great Britain (the Code of Practice), to present a true and fair view of the financial position of the Council at the accounting date and its income and expenditure for the year to 31 March 2017.

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

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

The Chief Financial Officer has also:

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

The Statement of the Chief Finance Officer

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

I certify that the Statement of Accounts presents a true and fair view of the financial position of Wiltshire Council at 31 March 2017 and the income and expenditure for the year ended 31 March 2017.

Michael Hudson
Associate Director, Finance (Chief Finance Officer/Section 151 Officer)
Wiltshire Council

Cllr Richard Britton
Chairman, Audit Committee

26 July 2017

Independent Auditor's Report to the Members of Wiltshire Council

We have audited the financial statements of Wiltshire Council for the year ended 31 March 2017 on pages 39 to 102 and pages 107 to 138. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.
This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014. Our audit work has been undertaken so that we might state to the members of the Authority, as a body, those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members of the Authority, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Chief Financial Officer and auditor

As explained more fully in the Statement of 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, and for being satisfied that the financial statements give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Chief Financial Officer; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Narrative Statement and the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2017 and of the Authority's expenditure and income for the year then ended;
- give a true and fair view of the financial transactions of the Pension Fund during the year ended 31 March 2017 and the amount and disposition of the Fund's assets and liabilities as at 31 March 2017 other than liabilities to pay pensions and other benefits after the end of the scheme year; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

Matters on which we are required to report by exception

The Code of Audit Practice requires us to report to you if:

- the Annual Governance Statement set out on pages 23 to 32 does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' (CIPFA/SOLACE 2016 Edition)

- the information given in the Narrative Statement and the content of the Annual Report for the financial year for which the financial statements are prepared is not consistent with the financial statements; or
- any matters have been reported in the public interest under Section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of, the audit; or
- any recommendations have been made under Section 24 of the Local Audit and Accountability Act 2014; or
- any other special powers of the auditor have been exercised under the Local Audit and Accountability Act 2014.

We have nothing to report in respect of these matters.

Conclusion on Wiltshire Council's arrangements for securing economy, efficiency and effectiveness in its use of resources

Authority's responsibilities

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

Auditor's responsibilities

We are required under Section 20(1) (c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Comptroller and Auditor General (C&AG) requires us to report to you our conclusion relating to proper arrangements.

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

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by C&AG in November 2016, as to whether Wiltshire Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The C&AG determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether Wiltshire Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, Wiltshire Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Conclusion

On the basis of our work, having regard to the guidance issued by the C&AG in November 2016, we are satisfied that, in all significant respects, Wiltshire Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.
Certificate

Delay in certification of completion of the audit

Due to work on the WGA Return not being completed by the 26 July 2017

We cannot formally conclude the audit and issue an audit certificate until we have completed the work necessary to issue our assurance statement in respect of the Authority's Whole of Government Accounts consolidation pack. We are satisfied that this work does not have a material effect on the financial statements or on our value for money conclusion.

Due to the Pension Fund Annual Report not being prepared by 26 July 2017

Furthermore, we are required to give an opinion on the consistency of the financial statements of the pension fund included in the Pension Fund Annual Report of Wiltshire Pension Fund with the pension fund accounts included in the financial statements of Wiltshire Council. The Local Government Pension Scheme (Administration) Regulations 2008 require authorities to publish the Pension Fund Annual Report by 1 December following the end of the relevant financial year. As the authority has not yet prepared the Pension Fund Annual Report we have not issued our report on the financial statements included in the Pension Fund Annual Report. Until we have done so, we are unable to certify that we have completed the audit of the accounts in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

Darren Gilbert
For and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
66 Queen Square
Bristol
BS1 4BE
26 July 2017

KEY FINANCIAL STATEMENTS

Comprehensive Income and Expenditure Statement

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

General Fund Services	2016/2017 Expenditure £000	2016/2017 Income £000	2016/2017 Net Expenditure £000	2015/2016 (restated) Expenditure £000	2015/2016 (restated) Income £000	2015/2016 (restated) Net Expenditure £000
Adult Social Care Operations	150,779	(26,605)	**124,174**	153,946	(24,560)	**129,386**
Adult Care Commissioning & Housing	42,204	(29,254)	**12,950**	36,490	(29,036)	**7,454**
Public Health & Public Protection	40,389	(25,425)	**14,964**	29,813	(22,466)	**7,347**
Operational Children's Services	93,594	(34,834)	**58,760**	90,384	(32,072)	**58,312**
Commissioning, Performance & School Effectiveness	229,709	(203,742)	**25,967**	249,877	(211,312)	**38,565**
Economy & Planning	10,404	(6,669)	**3,735**	21,828	(7,175)	**14,653**
Highways & Transport	54,208	(13,852)	**40,356**	53,815	(14,880)	**38,935**
Waste & Environment	45,048	(7,350)	**37,698**	46,764	(5,959)	**40,805**
Communities & Communications	9,941	(1,748)	**8,193**	12,323	(1,531)	**10,792**
Corporate Function, Procurement & Programme Office	10,204	(3,825)	**6,379**	8,269	(2,510)	**5,759**
Finance	129,367	(126,692)	**2,675**	132,798	(129,203)	**3,595**
Legal & Governance	6,214	(3,109)	**3,105**	6,205	(2,827)	**3,378**
People & Business Services	41,058	(10,391)	**30,667**	47,488	(11,335)	**36,153**
Corporate Directors	3,001	(126)	**2,875**	3,054	(130)	**2,924**
Corporate	9,192	(1,725)	**7,467**	6,513	(1,651)	**4,862**
Housing Revenue Account (HRA)	23,925	(25,799)	**(1,874)**	21,994	(26,174)	**(4,180)**
Net Cost of Service	**899,237**	**(521,146)**	**378,091**	**921,561**	**(522,821)**	**398,740**
Other operating Expenditure		**Note 3**	**23,892**			**39,761**
Financing and Investment Income and Expenditure		**Note 4**	**30,550**			**31,917**
Taxation and non-specific grant income		**Note 5**	**(428,971)**			**(410,775)**
(Surplus)/ Deficit on Provision of Services			**3,562**			**59,643**
(Surplus) or deficit on revaluation of Property, Plant and Equipment Assets			**(66,469)**			**(22,523)**
Actuarial (gains)/losses on pension assets / liabilities			**53,805**			**(92,878)**
Other Comprehensive Income and Expenditure			**(12,664)**			**(115,401)**
Total Comprehensive Income and Expenditure			**(9,102)**			**(55,758)**

The Council has restated its 2015/2016 Comprehensive Income and Expenditure Statement following the change in requirements in the CIPFA Code of Practice on Local Authority Accounting 2016/2017. Further details are included in note 53.

Wiltshire Council
Where everybody matters

Movement in Reserves Statement

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

	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves (Restated) £000	Total Authority Reserves £000
Balance at 1 April 2015	(39,984)	(18,162)	(6,235)	(10,956)	(33,181)	(108,518)	94,314	(14,204)
Movement in reserves during 2015/2016								
Total Comprehensive Income and Expenditure	61,200	(1,557)	0	0	0	59,643	(115,401)	(55,758)
Adjustments between accounting basis & funding basis under regulations	(59,799)	(760)	(7,630)	1,841	6,564	(59,784)	59,784	0
Net (Increase)/Decrease before Transfers	1,401	(2,317)	(7,630)	1,841	6,564	(141)	(55,617)	(55,758)
Balance at 31 March 2016 carried forward	**(38,583)**	**(20,479)**	**(13,865)**	**(9,115)**	**(26,617)**	**(108,659)**	**38,697**	**(69,962)**
Movement in reserves during 2016/2017								
Total Comprehensive Income and Expenditure	(1,800)	5,362	0	0	0	3,562	(12,664)	(9,102)
Adjustments between accounting basis & funding basis under regulations	(2,996)	(8,053)	4,143	7,933	(8,173)	(7,146)	7,146	0
Net (Increase)/Decrease before Transfers	(4,796)	(2,691)	4,143	7,933	(8,173)	(3,584)	(5,518)	(9,102)
Balance at 31 March 2017 carried forward	**(43,379)**	**(23,170)**	**(9,722)**	**(1,182)**	**(34,790)**	**(112,243)**	**33,179**	**(79,064)**

Balance Sheet

This statement summarises the Council's assets and liabilities at 31 March for the years 2017 and 2016.

	NOTES	31 March 2017		31 March 2016
		£000	£000	£000
Property, Plant and Equipment	**14**			
Council Dwellings & Garages		**256,922**		218,323
Other Land and Buildings		**359,027**		364,279
Vehicles, Plant, Furniture and Equipment		**57,127**		54,733
Infrastructure		**357,060**		311,206
Community Assets		**7,944**		6,695
Assets Under Construction		**39,204**		61,572
Surplus Assets Not Held for Sale		**6,490**		12,110
			1,083,774	1,028,918
Investment Properties	**23**	**22,952**		25,143
Intangible Assets	**24**	**988**		3,167
Assets Held for Sale	**25**	**8,750**		1,567
Long Term Debtors		**2,830**		3,142
			35,520	
Long Term Assets			**1,119,294**	**1,061,937**
Current Assets				
Short Term Investments		**56,791**		22,538
Inventories		**1,255**		980
Short Term Debtors	**26**	**58,680**		63,045
Cash and Cash Equivalents	**27**	**14,004**		19,485
Current Assets			**130,730**	**106,048**
Current Liabilities				
Short Term Creditors	**28**	**(96,216)**		(83,236)
Short Term Borrowing	**30**	**(14,683)**		(36,685)
Short Term PFI Creditors	**22**	**(2,411)**		(2,272)
Provisions	**29**	**(4,495)**		(4,160)
Current Liabilities			**(117,805)**	**(126,353)**
Long Term Liabilities				
Long Term PFI Creditors	**22**	**(51,343)**		(54,230)
Long Term Borrowing	**30**	**(327,859)**		(337,848)
Other Long Term Liabilities		**(3,742)**		(1,632)
Pension Fund Liability	**38**	**(612,791)**		(543,446)
Planning Deposits		**(57,420)**		(34,514)
Long Term Liabilities			**(1,053,155)**	**(971,670)**
Net Assets			**79,064**	**69,962**
Financed by				
Usable Reserves	**31**		**(112,243)**	**(108,659)**
Unusable Reserves	**35**		**33,179**	**38,697**
Total Reserves			**(79,064)**	**(69,962)**

Michael Hudson
Associate Director, Finance (Section 151 Officer)
26 July 2017

Wiltshire Council
Where everybody matters

Cashflow Statement

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

	NOTES	2016/2017 £000	2015/2016 £000
Net (surplus) or deficit on the provision of services		3,562	59,643
Adjustments to net surplus or deficit on the provision of services for non-cash movements		(49,586)	(26,527)
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	39	(12,361)	(12,246)
Net cash flows from Operating Activities		(58,385)	20,870
Investing Activities	40	31,875	(5,697)
Financing Activities	41	31,991	(20,437)
Net decrease or (increase) in cash and cash equivalents		5,481	(5,264)
Cash and cash equivalents at the beginning of the reporting period		19,485	14,221
Cash and cash equivalents at the end of the reporting period		14,004	19,485

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.

	2016/2017			2015/2016		
General Fund Services	**Net Expenditure Chargeable to the General Fund & HRA Balances £000**	**Adjustments between Funding and Accounting Basis (see note 13) £000**	**Net Expenditure in the Comprehensive Income & Expensive Statement £000**	**Net Expenditure Chargeable to the General Fund & HRA Balances £000**	**Adjustments between Funding and Accounting Basis (see note 13) £000**	**Net Expenditure in the Comprehensive Income & Expensive Statement £000**
Adult Social Care Operations	123,471	703	**124,174**	128,951	435	**129,386**
Adult Care Commissioning & Housing	10,204	2,746	**12,950**	5,850	1,604	**7,454**
Public Health & Public Protection	2,262	12,702	**14,964**	4,277	3,070	**7,347**
Operational Children's Services	57,588	1,172	**58,760**	55,461	2,851	**58,312**
Commissioning, Performance & School Effectiveness	9,837	16,130	**25,967**	12,899	25,666	**38,565**
Economy & Planning	3,992	(257)	**3,735**	4,382	10,271	**14,653**
Highways & Transport	28,061	12,295	**40,356**	25,790	13,145	**38,935**
Waste & Environment	35,637	2,061	**37,698**	38,274	2,531	**40,805**
Communities & Communications	7,137	1,056	**8,193**	8,197	2,595	**10,792**
Corporate Function, Procurement & Programme Office	6,552	(173)	**6,379**	5,648	111	**5,759**
Finance	2,880	(205)	**2,675**	2,956	639	**3,595**
Legal & Governance	3,156	(51)	**3,105**	3,336	42	**3,378**
People & Business Services	25,914	4,753	**30,667**	28,637	7,516	**36,153**
Corporate Directors	2,897	(22)	**2,875**	2,927	(3)	**2,924**
Corporate	(6,331)	13,798	**7,467**	(10,468)	15,330	**4,862**
Net Cost of Service General Fund	**313,257**	**66,708**	**379,965**	**317,117**	**85,803**	**402,920**
Housing Revenue Account (HRA)	(2,691)	817	**(1,874)**	(2,317)	(1,863)	**(4,180)**
Transfer to Earmarked Reserves	(4,468)	4,468	**0**	1,460	(1,460)	**0**
Net Cost of Service	**306,098**	**71,993**	**378,091**	**316,260**	**82,480**	**398,740**
Other operating Expenditure	0	23,892	**23,892**	0	39,761	**39,761**
Financing and Investment Income and Expenditure	0	30,550	**30,550**	0	31,917	**31,917**
Taxation and non-specific grant income	(313,585)	(115,386)	**(428,971)**	(317,176)	(93,599)	**(410,775)**
(Surplus)/ Deficit	**(7,487)**	**11,049**	**3,562**	**(916)**	**60,559**	**59,643**
Balance Summary						
Opening General Fund & HRA Balance at 31 March	**(59,062)**			**(58,146)**		
Add (Surplus) on General Fund & HRA Balances in Year	**(7,487)**			**(916)**		
Closing General Fund and HRA Balance at 31 March	**(66,549)**			**(59,062)**		

Analysed between type of balance	**General Fund**	**Earmarked Reserves**	**HRA**	**Total Balances**
Opening Balance at 1 April 2015	**(12,147)**	**(27,837)**	**(18,162)**	**(58,146)**
Add (Surplus)/ Deficit in year 2015/2016	(59)	1,460	(2,317)	**(916)**
Closing Balance at 31 March 2016	**(12,206)**	**(26,377)**	**(20,479)**	**(59,062)**
Add (Surplus) in year	(328)	(4,468)	(2,691)	**(7,487)**
Closing balances at 31 March 2017	**(12,534)**	**(30,845)**	**(23,170)**	**(66,549)**

Notes to the Core Financial Statements

Introduction to the Explanatory Notes

The Statement of Accounts summarises the Council's transactions for the 2016/2017 financial year and its position at the year-end of 31 March 2017. The Statement of Accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2016/2017 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. In order to streamline the Statement of Accounts and make them more user friendly, a number of notes have been removed this year from previous years, as allowed by the code of practice. These are all non-material notes so do not affect the information presented.

NOTES TO THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

Note 1 Revenue outturn

In respect of net revenue outturn, the Council's 2016/2017 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)	**313.585**	**313.585**	**313.257**	**(0.328)**
Funded by:				
Draw from General Fund reserves				0.000
Formula Grant including Council Tax Freeze	(34.726)	(34.726)	(34.726)	0.000
Business Rates Retained	(54.135)	(54.135)	(52.680)	1.455
Collection Fund Transfer	(220.402)	(220.402)	(220.401)	0.001
Social Care Levy	(4.322)	(4.322)	(4.322)	0.000
Collection Fund (Surplus)/Deficit Ctax	0.000	0.000	(5.054)	(5.054)
Collection Fund (Surplus)/Deficit NNDR	0.000	0.000	3.598	3.598
Total Funding (b)	**(313.585)**	**(313.585)**	**(313.585)**	**(0.000)**
Movement on General Fund (a) + (b)	**0.000**	**0.000**	**(0.328)**	**(0.328)**

The overall underspend against the revised 2016/2017 budget was £0.328 million. More details about the Council's revenue spending on services are given, with notes, in the Comprehensive Income & Expenditure Statement and subsequent notes. The overall movement on the General Fund is a £0.328 million return to reserves.

Note 1b Expenditure and Income Analysed by Nature

	2016/2017 £000	2015/2016 £000
Expenditure		
Services expenses	846,182	855,638
Depreciation, amortisation and impairment	72,737	86,384
Interest payments	12,869	13,196
Precept and levies	15,416	14,206
Loss on disposal of assets	7,727	24,765
Total Expenditure	**954,931**	**994,189**
Income		
Fees, charges and other service income	(521,146)	(522,821)
Interest and investment income	(508)	(950)
Income from Council Tax and Business Rates	(298,178)	(277,271)
Government Grants and contributions	(75,118)	(90,157)
Other grants and contributions	(55,675)	(43,347)
Total Income	**(950,625)**	**(934,546)**
Deficit on the Provision of Services	**4,306**	**59,643**

Note 2 Exceptional items

There are no exceptional items in the accounts for either 2016/2017 or 2015/2016.

Note 3 Other Operating Expenditure

	2016/2017 £000	2015/2016 £000
Parish council precepts	15,416	14,206
Payments to the Government Housing Capital Receipts Pool	749	790
(Gains)/losses on the disposal of non-current assets	7,727	24,765
Total	23,892	39,761

Note 4 Financing and Investment Income and Expenditure

	2016/2017 £000	2015/2016 £000
Interest payable and similar charges	12,869	13,196
Interest and investment income	(508)	(950)
Pension Interest Costs and expected return on pension assets	18,933	19,671
Movements in the market value of Investment Properties	(744)	0
Total	30,550	31,917

Note 5 Taxation and Non Specific Grant Income

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

	2016/2017 £000	2015/2016 £000
Council Tax Transfer	(224,723)	(208,843)
Collection Fund Surplus	(5,054)	(4,647)
Parish Council Precepts	(15,416)	(14,206)
Adjustment for statutory requirments	(3,903)	189
Council Tax Income	(249,096)	(227,507)
General Government Grants	(40,392)	(36,064)
Formula Grant including Council Tax Freeze	(34,726)	(54,093)
Business Rates Retention Scheme	(49,082)	(49,764)
Capital grants and contributions	(55,675)	(43,347)
Total	(428,971)	(410,775)

Note 6 Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2016/2017:

	2016/2017 £000	2015/2016 £000
Credited to Taxation and Non Specific Grant Income		
General Government Grants	(40,392)	(36,064)
Formula Grant including Council Tax Freeze	(34,726)	(54,093)
Business Rates Retention Scheme	(49,082)	(49,764)
Total	**(124,200)**	**(139,921)**
Credited to Services		
Dedicated Schools Grant	(178,448)	(181,292)
Public Health Grant	(18,269)	(16,108)
Pupil Premium Grant	(8,325)	(8,621)
Learning & Skills Council	(1,651)	(1,949)
Universal Infant Free School Meals	(4,592)	(4,714)
PFI	(7,541)	(7,541)
Housing Benefit & Council Tax Admin Grant	(1,789)	(2,006)
Other Grants	(22,013)	(28,176)
Other Contributions	(1,411)	(854)
Donations	(912)	(874)
Total	**(244,951)**	**(252,135)**
Total Grants, Contributions & Donations	**(369,151)**	**(392,056)**

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. The balances at the year-end are as follows:

Revenue Grants Receipts in Advance	2016/2017 £000	2015/2016 £000
MOD Education Support Fund	0	(485)
Other Grants	(11)	(159)
Total	**(11)**	**(644)**

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 2016/2017 are as follows:

	Central Expenditure £000	Individual Schools Budget £000	2016/2017 Total £000	2015/2016 Total £000
Final DSG for 2016/2017 before academy recoupment			**(317,290)**	(312,998)
Academy figure recouped for 2016/2017			**138,842**	131,706
Total DSG after academy recoupment for 2015/2016			**(178,448)**	**(181,292)**
Brought forward from 2015/2016			**(591)**	(1,490)
Agreed initial budget distribution in 2016/2017	(57,176)	(121,863)	**(179,039)**	(182,782)
In Year Adjustments	38	0	**38**	(268)
Final budgeted distribution for 2016/2017	**(57,138)**	**(121,863)**	**(179,001)**	**(183,050)**
Less actual central expenditure	56,555	0	**56,555**	55,089
Less actual ISB deployed to schools	0	121,863	**121,863**	127,370
Carry forward to 2017/2018	**(583)**	**0**	**(583)**	**(591)**

Note 8 Pooled Budgets

Partnerships Schemes under S31 Health Act

Joint Procurement Arrangement

Joint arrangements are in place to provide savings associated with having a joint procurement arrangement with a major equipment provider and the resultant efficiencies and economies of scale for Health and Social Care Services (Children's and Adult's Social Care Services) in the use of aids and adaptations.

Although this is a joint arrangement it is not a pooled budget with each party (Wiltshire Clinical Commissioning Group (CCG), Adult Care operations and Children and Families) being financially responsible for the funding of equipment costs associated with their client group.

The budget is administered by Wiltshire Council (previously Wiltshire County Council) on behalf of the Wiltshire CCG (previously Wiltshire Primary Care Trust).

In 2016/2017 Wiltshire Council had expenditure of £1.729 million (£1.821 million in 2015/2016) and Wiltshire CCG had expenditure of £4.298 million (£4.178 million in 2015/2016). The total joint arrangement spend was £6.027 million (£5.999 million in 2015/2016).

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:

	2016/2017 £000	2015/2016 £000
Self Care, Self Support	1,614	1,567
Intermediate Care	12,215	8,504
Access, rapid response 7 day working	3,751	4,334
Care Bill	2,500	2,500
Protecting Social Care	9,183	9,226
Invest in Engagement with Heathwatch	100	100
Scheme Management	328	282
Social Care Capital	2,551	2,433
Workforce and bought forward schemes	26	969
Total Expenditure before return to partners	**32,268**	**29,915**
Return to Partners CCG	320	1,600
Return to Partners Wiltshire Council	320	400
Total Schemes	**32,908**	**31,915**

This was funded from income and grants as follows:

	2016/2017 £000	2015/2016 £000
Wiltshire CCG BCF Contribution - Paid to Pool	(20,785)	(21,618)
Wiltshire CCG BCF Contribution - Retained by CCG	(7,163)	(5,455)
Wiltshire Council BCF Contribution	(1,833)	(1,833)
Wiltshire Council Adult Care contribution to carers	(576)	(576)
Disabled Facilities Grant	(2,551)	(1,418)
Social Care Capital	0	(1,015)
Total Income and Grants	**(32,908)**	**(31,915)**

Wiltshire Council
Where everybody matters

Note 9 Members' Allowances

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

	2016/2017 £000	2015/2016 £000
Allowances	1,837	1,856
Expenses	73	82
Total	**1,910**	**1,938**

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. This table is based on full remuneration and not just salary.

Remuneration Band £	2016/2017 No. Employees	2015/2016 No. Employees
50,000-54,999	103	95
55,000-59,999	84	85
60,000-64,999	57	51
65,000-69,999	17	17
70,000-74,999	15	13
75,000-79,999	4	5
80,000-84,999	3	2
85,000-89,999	3	3
90,000-94,999	1	2
95,000-99,999	5	4
100,000-104,999	8	8
105,000-109,999	1	2
110,000-114,999	0	0
115,000-119,999	0	0
120,000-124,999	0	0
125,000-129,999	1	0
130,000-134,999	0	1
135,000-139,999	0	1
140,000-144,999	0	0
145,000-149,999	1	3
150,000-154,999	1	0
155,000-159,999	0	0
160,000-164,999	0	0
165,000-169,999	0	0
170,000-174,999	0	0
175,000-179,999	1	0
TOTAL	**305**	**292**

Notes:

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

2016/2017 Remuneration for Senior Employees - Salary is £150,000 or more per year
(Included in Officer's Remuneration Bandings)

No officers had a salary in excess of £150,000 during 2016/2017.

2015/2016 Remuneration for Senior Employees - Salary is £150,000 or more per year
(Included in Officer's Remuneration Bandings)

No officers had a salary in excess of £150,000 during 2015/2016.

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)

2016/2017 Post Holder	Salary (including fees and allowances) £	Bonuses £	Expense Allowances £	Compensation £	Benefits in Kind £	Total Remuneration excluding pension contributions 2016/2017 £	Employers Pension Contributions £	Total Remuneration including pension contributions 2016/2017 £
Corporate Director A (subnote A)	149,767	0	1,068	0	0	**150,835**	26,958	**177,793**
Corporate Director B (subnote A and B)	141,129	0	710	37,067	0	**178,906**	10,601	**189,507**
Corporate Director C (subnote A and C)	149,767	0	0	0	0	**149,767**	26,958	**176,725**
Associate Director Finance - s151 Officer	104,761	0	86	0	0	**104,847**	18,857	**123,704**
Associate Director Legal and Governance - Monitoring Officer	101,513	0	0	0	0	**101,513**	18,272	**119,785**
	646,937	0	1,864	37,067	0	**685,868**	101,646	787,514

2015/2016 Post Holder	Salary (including fees and allowances) £	Bonuses £	Expense Allowances £	Compensation £	Benefits in Kind £	Total Remuneration excluding pension contributions 2015/2016 £	Employers Pension Contributions £	Total Remuneration including pension contributions 2015/2016 £
Corporate Director A (subnote A)	148,271	0	1,604	0	0	**149,875**	25,206	**175,081**
Corporate Director B (subnote A and B)	148,271	0	1,662	0	0	**149,933**	21,203	**171,136**
Corporate Director C (subnote A and C)	148,271	0	0	0	0	**148,271**	25,206	**173,477**
Associate Director Finance - s151 Officer	103,711	0	0	0	0	**103,711**	17,631	**121,342**
Associate Director Legal and Governance - Monitoring Officer	100,501	0	0	0	0	**100,501**	17,085	**117,586**
	649,025	0	3,266	0	0	**652,291**	106,331	758,622

Subnote A:
As of November 2013, the statutory role of Head of Paid service is discharged between the Corporate Directors on a rotational basis.

Subnote B:
Corporate Director B is designated as the Director of Public Health and the Director of Adult Social Services for Wiltshire Council, both of which are required statutory roles. Corporate Director B left employment of the council on 30 September 2016. The annualised salary for the post was £148,271.

Subnote C:
Corporate Director C is designated as the Director of Children’s Services which is a required statutory role.

Exit Packages

Exit packages include all benefits provide 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	
	2015/2016	2016/2017	2015/2016	2016/2017	2015/2016	2016/2017	2015/2016	2016/2017
£							£	£
0-20,000	19	4	176	167	195	171	1,212,038	1,396,159
20,001-40,000	2	0	35	45	37	45	1,106,323	1,243,028
40,001-60,000	0	0	11	5	11	5	495,893	253,825
60,001-80,000	0	0	3	0	3	0	215,197	0
80,001-100,000	0	0	1	0	1	0	97,946	0
Total	**21**	**4**	**226**	**217**	**247**	**221**	**3,127,397**	**2,893,012**

In 2016/2017 there were 76 exit package relating to schools, with a value of £573.950.

Note 11 External Audit Fees

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

	2016/2017 £000	2015/2016 £000
Fees payable for external audit services carried out by the appointed auditor	167	167
Fees payable for the certification of grant claims and returns	32	27
Total	199	194

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 receipts 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 2016/2017 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 2016/2017 the Council charged the fund £1.430 million (£1.174 million in 2015/2016) 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

	2015/2016			
	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**
Adult Social Care Operations	529	(93)	(1)	**435**
Adult Care Commissioning & Housing	2,720	(20)	(1,096)	**1,604**
Public Health & Public Protection	3,126	(56)	0	**3,070**
Operational Children's Services	2,946	(133)	38	**2,851**
Commissioning, Performance & School Effectiveness	28,380	(143)	(2,571)	**25,666**
Economy & Planning	10,310	(48)	9	**10,271**
Highways & Transport	13,183	(40)	2	**13,145**
Waste & Environment	2,578	(37)	(10)	**2,531**
Communities & Communications	2,638	(40)	(3)	**2,595**
Corporate Function, Procurement & Programme Office	135	(26)	2	**111**
Finance	0	(37)	676	**639**
Legal & Governance	52	(21)	11	**42**
People & Business Services	7,975	(84)	(375)	**7,516**
Corporate Directors	0	(4)	1	**(3)**
Corporate	0	258	13,612	**13,870**
Housing Revenue Account (HRA)	11,812	(12)	(13,663)	**(1,863)**
Net Cost of Service	**86,384**	**(536)**	**(3,368)**	**82,480**
Other operating Expenditure	24,765	0	14,996	**39,761**
Financing and Investment Income and Expenditure	0	19,671	12,246	**31,917**
Taxation and non-specific grant income	0	0	(93,599)	**(93,599)**
(Surplus)/ Deficit	**111,149**	**19,135**	**(69,725)**	**60,559**

	2016/2017			
	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**
Adult Social Care Operations	1,155	(427)	(25)	**703**
Adult Care Commissioning & Housing	4,024	(127)	(1,151)	**2,746**
Public Health & Public Protection	13,003	(304)	3	**12,702**
Operational Children's Services	1,860	(693)	5	**1,172**
Commissioning, Performance & School Effectiveness	16,529	(669)	270	**16,130**
Economy & Planning	(18)	(235)	(4)	**(257)**
Highways & Transport	12,492	(194)	(3)	**12,295**
Waste & Environment	2,251	(188)	(2)	**2,061**
Communities & Communications	1,251	(189)	(6)	**1,056**
Corporate Function, Procurement & Programme Office	0	(185)	12	**(173)**
Finance	0	(187)	(18)	**(205)**
Legal & Governance	60	(104)	(7)	**(51)**
People & Business Services	5,558	(388)	(417)	**4,753**
Corporate Directors	0	(18)	(4)	**(22)**
Corporate	0	616	17,650	**18,266**
Housing Revenue Account (HRA)	14,572	(74)	(13,681)	**817**
Net Cost of Service	**72,737**	**(3,366)**	**2,622**	**71,993**
Other operating Expenditure	7,727	0	16,165	**23,892**
Financing and Investment Income and Expenditure	(744)	18,933	12,361	**30,550**
Taxation and non-specific grant income	0	0	(115,386)	**(115,386)**
(Surplus)/ Deficit	**79,720**	**15,567**	**(84,238)**	**11,049**

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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 practises. For services, this column includes adjustments for deprecation, 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 services costs and past service costs.

Note 13c Other Differences

Other differences between the amounts debits/ credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute. These include adjustment 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 13d 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.

Reserve 2016/2017	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	(25,436)	(14,572)				40,008
Charges for impairment/ revaluations of plant, property and equipment	(10,306)					10,306
Movements in the market value of Investment Properties	744					(744)
Amortisation of intangible assets	(2,288)					2,288
Movements in the market value on Assets Held for Sale	0					0
Revenue expenditure funded from capital under statute	(20,136)					20,136
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	(4,016)	(3,711)	(9,105)			16,832
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:						
Statutory provision for the financing of capital investment	16,006					(16,006)
Capital expenditure charged against the General Fund and HRA balances		3,975				(3,975)
Adjustments primarily involving the Capital Grants Unapplied Account:						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement and Expenditure Statement	55,676				(55,676)	0
Application of grants to capital financing transferred to the Capital Adjustment Account					47,503	(47,503)
Adjustments primarily involving the Capital Receipts Reserve:						
Use of the Capital Receipts Reserve to finance new capital expenditure			12,684			(12,684)
Reserve to finance the payments to the Government capital receipts pool	(749)		749			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	353		(185)			(168)
Adjustment primarily involving the Major Repairs Reserve						
Reversal of Major Repairs Allowance credited to the HRA		6,187		8,385		(14,572)
Use of the Major Repairs Reserve to finance new capital expenditure and depreciation				(452)		452
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	1					(1)
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 61)	(19,548)					19,548
Employer's pensions contributions and direct payments to pensioners payable in the year	3,934	74				(4,008)
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	(2,431)					2,431
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	6,334					(6,334)
Adjustment primarily involving the Accumulated Absences Account						0
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(1,134)	(6)				1,140
Total Adjustments	**(2,996)**	**(8,053)**	**4,143**	**7,933**	**(8,173)**	**7,146**

Reserve 2015/2016	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	(29,538)	(11,812)				41,350
Charges for impairment/ revaluations of plant, property and equipment	(12,408)					12,408
Charges for impairment/ revaluations of investment properties	(1,883)					1,883
Movements in the market value of Investment Properties	393					(393)
Amortisation of intangible assets	(1,596)					1,596
Movements in the market value on Assets Held for Sale	(40)					40
Revenue expenditure funded from capital under statute	(29,501)					29,501
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	(25,649)	885	(19,303)			44,067
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:						
Statutory provision for the financing of capital investment	15,051					(15,051)
Capital expenditure charged against the General Fund and HRA balances		3,975				(3,975)
Adjustments primarily involving the Capital Grants Unapplied Account:						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement and Expenditure Statement	43,347				(43,347)	0
Application of grants to capital financing transferred to the Capital Adjustment Account					49,911	(49,911)
Adjustments primarily involving the Capital Receipts Reserve:						
Use of the Capital Receipts Reserve to finance new capital expenditure			11,086			(11,086)
Reserve to finance the payments to the Government capital receipts pool	(790)		790			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	319		(203)			(116)
Adjustment primarily involving the Major Repairs Reserve						
Reversal of Major Repairs Allowance credited to the HRA		6,187		5,625		(11,812)
Use of the Major Repairs Reserve to finance new capital expenditure and depreciation				(3,784)		3,784
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	0					0
Adjustments primarily involving the Pensions Reserve						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 61)	(51,114)					51,114
Employer's pensions contributions and direct payments to pensioners payable in the year	31,967	12				(31,979)
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	(188)					188
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	172					(172)
Adjustment primarily involving the Accumulated Absences Account						0
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	1,659	(7)				(1,652)
Total Adjustments	**(59,799)**	**(760)**	**(7,630)**	**1,841**	**6,564**	**59,784**

BALANCE SHEET NOTES RELATING TO CAPITAL

Note 14 Property, Plant and Equipment (PPE)

	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	PFI included in PPE £000
Cost or Valuation									
Opening Balance 1 April 2016	**320,777**	**678,556**	**180,390**	**376,274**	**7,627**	**76,288**	**16,114**	**1,656,026**	**85,623**
Additions	4,180	6,519	10,054	18,864		20,070		**59,687**	29
Derecognisation - Disposals	(2,172)	(5,855)	(522)		(981)		(3,553)	**(13,083)**	
Derecognisation - Other		(5,159)	(743)					**(5,902)**	
Revaluation increases recognised in the Revaluation Reserve	42,554	19,550	8,749		2,380		1,228	**74,461**	5,612
Revaluation decreases recognised in the Revaluation Reserve		(10,950)	(69)		(144)		(87)	**(11,250)**	(656)
Category Adjustments		8,969	1,943	33,399		(42,438)	(5,341)	**(3,468)**	
At 31 March 2017	**365,339**	**691,630**	**199,802**	**428,537**	**8,882**	**53,920**	**8,361**	**1,756,471**	**90,608**
Depreciation and Impairments									
Opening Balance 1 April 2016	**(102,454)**	**(314,277)**	**(125,657)**	**(65,068)**	**(932)**	**(14,716)**	**(4,004)**	**(627,108)**	**(24,453)**
Depreciation	(5,963)	(10,640)	(16,649)	(6,409)			(205)	**(39,866)**	(1,788)
Accumulated depreciation written back on derecognition of assets		1,749	496				2,338	**4,583**	
Revaluation losses/Impairment recognised in the surplus/deficit on provision of services		(9,435)	(865)		(6)			**(10,306)**	
At 31 March 2017	**(108,417)**	**(332,603)**	**(142,675)**	**(71,477)**	**(938)**	**(14,716)**	**(1,871)**	**(672,697)**	**(26,241)**
Net Book Value at 31 March 2017	**256,922**	**359,027**	**57,127**	**357,060**	**7,944**	**39,204**	**6,490**	**1,083,774**	**64,367**
Net Book Value at 31 March 2016	**218,323**	**364,279**	**54,733**	**311,206**	**6,695**	**61,572**	**12,110**	**1,028,918**	**61,170**

Note 15 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.
- Infrastructure. These are depreciated over a useful life of 60 years.

The total depreciation charged to tangible Property Plant and Equipment fixed assets for 2016/2017 is £39,866,601. (£41,013,482 in 2015/2016)

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Note 16 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 2017		31 March 2016 (Revised)	31 March 2016 (Reported)
	£000	£000	£000	£000
Opening Capital Financing Requirement (see below)		551,625	524,896	489,488
Capital Investment				
Plant Property & equipment Assets	59,659		84,502	84,502
Plant Property & equipment PFI Assets	29		120	120
Investment Properties	94		143	143
Intangible assets	109		580	580
Assets Held for Sale	0		2	2
Revenue Expenditure Funded from Capital under Statute	20,136		29,501	29,501
		80,027	114,848	114,848
Sources of Finance				
Government Grants	(47,503)		(49,911)	(49,911)
Major Repairs Reserve	(14,120)		(8,028)	(8,028)
Capital Receipts	(12,685)		(11,087)	(11,087)
Assets purchased through Revenue (inc HRA)	(3,975)		(3,975)	(3,975)
Repayment of capital long term assets	(67)		(67)	0
Minimum Revenue Provision	(13,278)		(12,493)	(12,493)
Voluntary Revenue Provision	(247)		(228)	(228)
Minimum Revenue Provision - PFI Schemes	(2,481)		(2,330)	(2,330)
		(94,356)	(88,119)	(88,052)
Closing Capital Financing Requirement		537,296	551,625	516,284
Explanation of Movements in the Year				
Increase / (decrease) in underlying need to borrow		(14,329)	26,729	26,796
Increase / (decrease) in Capital Financing Requirement		(14,329)	26,729	26,796

During the year a full review of the Council's Capital Funding Requirement was undertaken. This identified some items included in the reported figures that upon review it was felt would be clearer if they were not shown in the overall Capital Financing Requirement, although they are part of the underlying borrowing requirement. The adjustments are show below. Please note this is a presentational change only and does not affect the Council's overall requirement to borrow.

	£000
Opening Capital Financing Requirement as at 1 April 2015 (As reported in 2015/2016 Accounts)	489,488
Add back PFI liability (in underlying borrowing requirement)	24,403
Add back adjustment A (in underlying borrowing requirement)	9,439
Other Amendments	1,566
Revised Opening Capital Financing Requirement as at 1 April 2015	524,896

Note 17 Fixed Asset Valuation

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

County Farms were most recently revalued in 2013/2014 by a qualified internal valuer.

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

The assets revalued during 2016/2017 include Secondary & Special Schools and Car Parks as well as the Investment Estate, Surplus Assets Not Held for Sale and any new assets acquired during 2016/2017 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 2016/2017.

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		6,861	9,087	357,060	1,006	39,204		413,218
Valued at current value in:								
2016/2017	256,922	170,398	30,740		6,822		6,490	471,372
2015/2016		68,749	7,390		0			76,139
2014/2015		97,247	9,910		35			107,192
2013/2014		15,772			81			15,853
Book Value at 31 March 2016	**256,922**	**359,027**	**57,127**	**357,060**	**7,944**	**39,204**	**6,490**	**1,083,774**

Schools Assets

During the 2016/2017 financial year a total of 10 schools have become Academy schools so their assets have been 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 accounts.

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 18 Revaluation and Impairment Losses

As part of the valuation process, reductions in the value of our assets (where there have previously not been upward valuations) are charged as downwards revaluation losses charged to Property, Plant and Equipment. These are detailed by asset class in note 14.

Note 19 Construction Contracts

The Council is not constructing any assets on behalf of other bodies. Below is a list of some of the larger project areas that are currently being undertaken by contractors building assets for the council. The figures below give the outstanding remaining costs of the contracts/agreements.

Description	As at 31 March 2017 £000	As at 31 March 2016 £000
Campus and operational delivery schemes	1,477	7,380
Highways	19,973	20,797
Other School construction projects	7,077	2,704
HRA - Refurbishment of Council Stock	3,672	1,242
Buildings Repair & Maintenance Programme	931	483
Housing	8,150	6,483
Economy	265	1,115
Local Growth Fund Schemes	5,783	0
Total	**47,328**	**40,204**

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 accounts if the cost of obtaining a valuation exceeds the benefit to the users of the 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 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 (named Custard) held outside the new 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 2016/2017.

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. Rentals paid in respect of operating leases and future obligations for operating leases are listed below:

Operating Lease payments in 2016/2017	**2016/2017 £000**
Plant, vehicles and equipment	**27**

Operating lease payments due in future years	**2016/2017 £000**
Amount due in 2017/2018	27
Amounts due in between 2018/2019 and 2022/2023	26
Amounts due after 2023/2024	0
	53
Asset Class	
Plant, vehicles and equipment	**53**

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 2016	(27,373)	(6,747)	(22,382)	**(56,502)**
Payments during the year to reduce capital liability	900	678	1,169	**2,747**
Liability outstanding 31 March 2017	**(26,473)**	**(6,069)**	**(21,213)**	**(53,755)**
Split				
Due within 1 year	(972)	(439)	(1,000)	**(2,411)**
Due in over 1 year	(25,501)	(5,630)	(20,213)	**(51,344)**
Liability outstanding 31 March 2017	**(26,473)**	**(6,069)**	**(21,213)**	**(53,755)**

This year, the PFI contracts have been split between due within one year and due in over one year.

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 are 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 that they are received.

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

Period	Liability £000	Interest £000	Service charges £000	2016/2017 Total £000	2015/2016 Total £000
Within 1 years	(972)	(1,652)	(3,310)	**(5,934)**	(5,856)
Within 2-5 years	(4,730)	(5,772)	(14,088)	**(24,590)**	(24,260)
Within 6-10 years	(8,378)	(4,763)	(19,685)	**(32,826)**	(32,363)
Within 11-15 years	(12,393)	(1,227)	(21,463)	**(35,083)**	(34,907)
Within 16-20 years	0	0	0	**0**	(6,887)
Total	**(26,473)**	**(13,414)**	**(58,546)**	**(98,433)**	**(104,273)**

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.

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

Period	Liability £000	Interest £000	2016/2017 Total £000	2015/2016 Total £000
Within 1 years	(439)	(1,017)	**(1,456)**	(1,406)
Within 2-5 years	(2,060)	(4,291)	**(6,351)**	(6,221)
Within 6-10 years	(3,405)	(5,866)	**(9,271)**	(9,059)
Within 11-15 years	0	0	**0**	(2,006)
Main Scheme Total	**(5,904)**	**(11,174)**	**(17,078)**	**(18,692)**
Equalisation Fund	(165)	0	**(165)**	**(432)**
Total	**(6,069)**	**(11,174)**	**(17,243)**	**(19,124)**

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	2016/2017 Total £000	2015/2016 Total £000
Within 1 years	(1,000)	(1,242)	**(2,242)**	**(2,298)**
Within 2-5 years	(4,293)	(4,172)	**(8,465)**	(8,677)
Within 6-10 years	(5,854)	(3,687)	**(9,541)**	(9,779)
Within 11-15 years	(7,035)	(1,477)	**(8,512)**	(8,722)
Within 16-20 years	(3,031)	(65)	**(3,096)**	(4,904)
Total	**(21,213)**	**(10,643)**	**(31,856)**	**(34,380)**

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.

	2016/2017 £000	2015/2016 £000
Rental income from investment property	(2,722)	(2,637)
Direct operating expenses arising from investment properties	392	383
Net (Gain)/ Loss	(2,330)	(2,254)

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 year:

	2016/2017 £000	2015/2016 £000
Balance at start of the year	25,143	27,990
Additions: Subsequent expenditure	94	143
Disposals	(1,482)	(615)
Gains from fair value adjustments	2,362	343
Losses from fair value adjustments	(347)	(10)
Impairments losses	(1,271)	(1,883)
Transfers (to)/from Property, Plant and Equipment	(1,547)	(825)
Balance at end of the year	22,952	25,143

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 licenses 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 useful lives assigned to the major software suites used by the Council along with the carrying amounts are:

	Carrying amount		Remaining Amortisation Period
	31 March 2017 £000	31 March 2016 £000	
SAP Finance/HR/Payroll system in sourcing	0	1,232	0 years
Workplace transformation IT software	0	458	0 years
Planning System	410	625	2 years
Other items of software	578	852	1 - 5 years
Total	**988**	**3,167**	

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £2.288 million charged to revenue in 2016/2017 was charged to the IT Administration cost centre and then absorbed as an overhead across all the service headings in the Net Expenditure of Services. It is not possible to quantify exactly how much of the amortisation is attributable to each service heading.

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

	2016/2017 Purchased Software Licences £000	2015/2016 Purchased Software Licences £000
Gross carrying amounts	21,644	20,063
Accumulated amortisation	(18,477)	(16,881)
Net Carrying amount	**3,167**	**3,182**
Additions:		
Purchases	109	580
Amortisation for the period	(2,288)	(1,596)
Category Adjustments	0	1001
Net carrying amount at end of year	**988**	**3,167**
Comprising:		
Gross carrying amounts	21,753	21,644
Accumulated amortisation	(20,765)	(18,477)
	988	**3,167**

Note 25 Assets Held for Sale

The Council held the following amounts as assets held for sale as at 31 March 2017. 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.

	2016/2017 £000	2015/2016 £000
Balance at start of the year	**1,567**	**15,023**
Assets newly classified as held for sale	**5,015**	**(54)**
Depreciation	**(142)**	**(375)**
Assets Sold	**(949)**	**(13,027)**
Revaluations	**3,259**	**0**
Balance at end of the year	**8,750**	**1,567**

OTHER NOTES TO BALANCE SHEET

Note 26 Short Term Debtors

These represent sums owed to the Council for supplies and services provided before 31 March 2017 but not received at that date.

	2016/2017	2015/2016
	£000	£000
Other Local Authorities	1,827	5,751
Government Departments	9,362	10,351
NHS Bodies	2,529	4,023
Business Rates and Local Taxation	12,492	12,136
Tenants	1,221	1,270
Sundry Debtors	35,800	34,514
Payments in Advance	6,202	5,670
Total Debtors	69,433	73,715
Less: provision for bad debts		
General Fund debtors	(6,846)	(6,582)
Housing Rent arrears	(1,084)	(1,075)
Council Tax arrears	(2,505)	(2,655)
NDR Arrears	(318)	(358)
Total Bad Debt provisions	(10,753)	(10,670)
Net Debtors	58,680	63,045

Note 27 Cash and Cash Equivalent

This consists of the bank accounts of locally managed schools and the rest of the council's cash and bank accounts.

	2016/2017	2015/2016
	£000	£000
Cash & Bank	(309)	2,917
Schools' bank accounts	14,313	16,568
	14,004	19,485

Note 28 Short Term Creditors

These represent sums owed by the Council for supplies and services received before 31 March 2017 but not paid for at that date, or provisions created in accordance with the accounting policies.

	2016/2017	2015/2016
	£000	£000
Other Local Authorities	(3,437)	(3,667)
Government Departments	(8,459)	(6,638)
NHS Bodies	(3,001)	(2,422)
Business Rates and Local Taxation	0	(44)
Sundry Creditors	(62,504)	(56,486)
Receipts in Advance	(12,525)	(8,828)
Accumulated Absences	(6,290)	(5,151)
	(96,216)	(83,236)

Note 29 Provisions

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

	Legal Claims	Insurance Claims	Business Rate Retention Scheme Appeals	Termination Benefits	Land Charges	Other	Total
	£000	£000	£000	£000	£000	£000	£000
Balance at 1 April 2016	**(1,022)**	**(1,117)**	**(1,748)**	**(84)**	**(146)**	**(43)**	**(4,160)**
Additional provisions made in 2015/2016	(40)	(549)	(1,882)	(56)	0	(1,014)	**(3,541)**
Amounts Used in 2016/2017	203	208	1,748	84	84	0	**2,327**
Unused amounts reversed in 2016/2017	377	397	0	0	62	43	**879**
Balance at 31 March 2017	**(482)**	**(1,061)**	**(1,882)**	**(56)**	**0**	**(1,014)**	**(4,495)**

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 £0.482 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 2017/2018 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 2016/2017 is made up of 20 claims totalling £1.061 million. The 20 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 and between £0.100 million and £0.250 million for own property claims. It is currently expected that all of these claims will be settled during 2017/2018.

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

Termination Benefits

As at 31 March 2017 the Council made a total provision of £0.056 million in respect of termination benefits, relating to redundancy costs for 5 employees. It is expected that all cases will be resolved during the first half of the 2017/2018 financial year.

Land Charges

The Council previously held a provision in respect of personal search fees. This provision was settled during 2016/2017 so is no longer required.

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 £3.840 million as at 31 March 2017. This liability however, is shared between Wiltshire Council (49%), Central Government (50%) and Wiltshire and Swindon Fire Authority (1%). The Council's share of this provision is therefore £1.882 million.

Other Provisions

All other provisions are expected to be used during 2017/2018.

Note 30 Borrowing

An analysis of loans by maturity is as follows:

	2016/2017	2015/2016
Short Term Borrowing	£000	£000
Maturing within 1 year Temporary Loans	(2,535)	(22,476)
Maturing within 1 year Long Term Borrowing	(12,148)	(14,209)
	(14,683)	(36,685)
Long Term Borrowing		
Maturing in 1 to 2 years	(14,810)	(10,000)
Maturing in 2 to 5 years	(22,000)	(26,810)
Maturing in 5 to 10 years	(48,123)	(48,123)
Maturing in more than 10 years	(242,926)	(252,915)
Total Maturing after 1 year	(327,859)	(337,848)
Total Borrowing	(342,542)	(374,533)

The total borrowing can be further analysed by lender category:

	2016/2017 £000	2015/2016 £000
Temporary Loans	(2,535)	(22,476)
Long Term Loans:		
Public Works Loans Board	(278,002)	(290,041)
Money Market	(62,005)	(62,016)
	(342,542)	(374,533)

NOTES RELATING TO RESERVES

Note 31 Usable Reserves

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement.

Reserve	**Note**	**2016/2017 £000**	**2015/2016 £000**
General Fund		(12,534)	(12,206)
Earmarked Reserves	32	(30,845)	(26,377)
General Fund balance per Movement in Reserves Statement		(43,379)	(38,583)
Housing Revenue Account Balance		(23,170)	(20,479)
Closing General fund and HRA balance per Expenditure & Funding Statement		(66,549)	(59,062)
Other Usable Reserves			
Major Repairs Reserve	33	(1,182)	(9,115)
Usable Capital Receipts Reserve	34	(9,722)	(13,865)
Capital Grants and Contributions Unapplied Account		(34,790)	(26,617)
Total Usable Reserves		(112,243)	(108,659)

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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 in 2016/2017.

Earmarked Reserves	2015/2016	Movement in 2016/2017	2016/2017
	£000	£000	£000
PFI Reserve	(4,304)	49	(4,255)
Insurance Reserve	(3,311)	(243)	(3,554)
Locally Managed Schools' Balances	(8,636)	2,372	(6,264)
Elections Reserve	(330)	(495)	(825)
Area Board Reserve	(60)	38	(22)
Revenue Grants Earmarked Reserve	(5,694)	3,171	(2,523)
Digital Inclusion	(183)	0	(183)
PFI Housing Scheme Earmarked Reserve	(2,980)	64	(2,916)
Action 4 Wiltshire Reserve	(165)	165	0
Economic Development & Planning Reserve	(14)	0	(14)
Single View of the Customer Reserve	(700)	(211)	(911)
Play Area Asset Transfers	0	(78)	(78)
Enabling Fund	0	(2,000)	(2,000)
Business Rates Equilisation Fund	0	(800)	(800)
Housing Benefit Subsidy Clawback	0	(500)	(500)
Transitional Fund	0	(6,000)	(6,000)
Total	**(26,377)**	**(4,468)**	**(30,845)**

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.

	2016/2017	2015/2016
	£000	£000
Transfer to Capital	**14,120**	**8,028**
HRA Depreciation	**(14,568)**	**(11,812)**
Transfer to HRA	**8,381**	**5,625**
Movement in Year	**7,933**	**1,841**
Balance at 1 April	**(9,115)**	**(10,956)**
Balance at 31 March	**(1,182)**	**(9,115)**

Note 34 Usable Capital Receipts Reserve

	2016/2017		2015/2016
	£000	£000	£000
Amounts Receivable in year			
- disposal of land and buildings	(8,107)		(18,259)
- Other capital receipts - mortgages	(185)		(204)
- Other capital receipts	(249)		(254)
- Housing Pooled Capital Receipt	(749)		(790)
		(9,290)	(19,507)
Amounts applied to finance new capital investment in year			
- capital receipts utilised	12,684		11,087
- transfer to I&E equal to contribution to Housing Pooled Capital receipt	749		790
		13,433	11,877
Movement in Year		4,143	(7,630)
Balance at 1 April		(13,865)	(6,235)
Balance at 31 March		(9,722)	(13,865)

Note 35 Unusable Reserves

Reserve	Note	2016/2017	2015/2016
		£000	£000
Revaluation Reserve	36	(229,778)	(180,457)
Capital Adjustment Account	37	(349,593)	(326,983)
Financial Instruments Adjustment Account		955	956
Deferred capital receipts		(1,906)	(1,738)
Pensions Reserve	38	612,791	543,446
Collection Fund Adjustment Account		(5,581)	(1,678)
Accumulated Absences Account		6,291	5,151
Total Unusable Reserves		33,179	38,697

Note 36 Revaluation Reserve

The balance of this account represents the revaluation gains (as certified by the Council's external valuer - GVA Grimley) made by the Council arising from increases in the value of its Property, Plant and Equipment assets. 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	2016/2017	2015/2016
	£000	£000
Balance at 1 April	(180,457)	(194,500)
Upward revaluation of assets	(77,720)	(33,964)
Downward revaluations not charged to surplus/ deficit on the provision of services	11,251	11,441
Surplus or deficit on revaluation of non-current assets not posted to surplus/ deficit on the provision of services	(246,926)	(217,023)
Difference between fair value depreciation and historic cost depreciation	9,618	10,724
Accumulated gains on assets sold or scrapped	9,525	25,842
Other Adjustments to Capital Adjustment Account	(1,995)	0
Balance at 31 March	(229,778)	(180,457)

Following a review of balances in the year it was identified that a transfer of £1.995 million was required relating to the treatment of a PFI asset revaluation in 2014/2015. This is a direct transfer between the Revaluation Reserve and the Capital Adjustment account and does not affect any other balances.

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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.

		2016/2017	2015/2016
		£000	£000
Opening balance at 1 April		(326,983)	(332,816)
Reversal of items relating to capital expenditure debited or credited to the comprehensive income and expenditure account			
- charges for depreciation of non-current assets	40,008		41,349
- charges for impairment/ revaluations of plant, property and equipr	10,306		12,408
- gains in fair value on Investment properties	(744)		1,490
- movements in value on assets held for sale	0		40
- amortisation of intangable assets	2,288		1,596
- revenue expenditure funded from capital under statute	20,136		29,501
- disposals	16,833		44,067
		88,827	
Adjusting amounts written out of Revaluation Reserve		(19,144)	(36,566)
Other Adjustment to Revaluation Reserve		1,995	
Net written out amount of the cost of non-current assets consumed in the year		(255,305)	(238,931)
Capital financing applied in the year			
-Use of capital receipts reserve to finance new capital expenditure		(12,684)	(11,087)
-Use of major repairs reserve to finance new capital expenditure		(14,120)	(8,028)
-application of capital grants		(47,503)	(49,911)
-statutory provsion for the financing of capital investment charged against the general fund and HRA balances		(16,006)	(15,051)
-capital expenditure charged against the general fund and HRA balances		(3,975)	(3,975)
Balance at 31 March		(349,593)	(326,983)

Following a review of balances in the year it was identified that a transfer of £1.995 million was required relating to the treatment of a PFI asset revaluation in 2014/2015. This is a direct transfer between the Revaluation Reserve and the Capital Adjustment account and does not affect any other balances.

Note 38 Pension Fund Liability

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

	Period ended 31 March 2017			Period ended 31 March 2016		
	Assets	Liabilties	Net (liability)/ asset	Assets	Liabilties	Net (liability)/ asset
	£000	£000	£000	£000	£000	£000
Fair value of employer assets	805,620	0	805,620	844,248	0	844,248
Present value of funded liabilities	0	(1,293,695)	(1,293,695)	0	(1,399,444)	(1,399,444)
Present value of unfunded liabilities	0	(55,371)	(55,371)	0	(61,993)	(61,993)
Opening Position	805,620	(1,349,066)	(543,446)	844,248	(1,461,437)	(617,189)
Service cost						
Current service cost*	0	(30,630)	(30,630)	0	(35,886)	(35,886)
Past service cost (including curtailments)	0	(615)	(615)	0	(258)	(258)
Effect of settlements	(2,157)	3,578	1,421	(6,072)	10,773	4,701
Total service cost	**(2,157)**	**(27,667)**	**(29,824)**	**(6,072)**	**(25,371)**	**(31,443)**
Net interest						
Interest income on plan assets	28,016	0	28,016	26,755	0	26,755
Interest cost on defined benefit obligation	0	(46,949)	(46,949)	0	(46,426)	(46,426)
Impact of asset ceiling on net interest	0	0	0	0	0	0
Total net interest	**28,016**	**(46,949)**	**(18,933)**	**26,755**	**(46,426)**	**(19,671)**
Total defined benefit cost recognised in Profit or (Loss)	**25,859**	**(74,616)**	**(48,757)**	**20,683**	**(71,797)**	**(51,114)**
Cashflows						
Plan participants' contributions	7,693	(7,693)	0	7,856	(7,856)	0
Employer contributions	29,634	0	29,634	28,311	0	28,311
Contributions in respect of unfunded benefits	3,583	0	3,583	3,668	0	3,668
Benefits paid	(43,150)	43,150	0	(40,889)	40,889	0
Unfunded benefits paid	(3,583)	3,583	0	(3,668)	3,668	0
Expected closing position	**825,656**	**(1,384,642)**	**(558,986)**	**860,209**	**(1,496,533)**	**(636,324)**
Remeasurements						
Change in demographic assumptions	0	16,143	16,143	0	0	0
Change in financial assumptions	0	(246,443)	(246,443)	0	125,546	125,546
Other experience	0	30,934	30,934	0	21,921	21,921
Return on assets excluding amounts included in net interest	145,561	0	145,561	(54,589)	0	(54,589)
Total remeasurements recognised in Other Comprehensive Income (OCI)	**145,561**	**(199,366)**	**(53,805)**	**(54,589)**	**147,467**	**92,878**
Effect of business combination and disposals	0	0	0	0	0	0
Fair value of employer assets	971,217	0	971,217	805,620	0	805,620
Present value of funded liabilities	0	(1,525,509)	(1,525,509)	0	(1,293,695)	(1,293,695)
Present value of unfunded liabilities	0	(58,499)	(58,499)	0	(55,371)	(55,371)
Closing position	971,217	(1,584,008)	(612,791)	805,620	(1,349,066)	(543,446)

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

NOTES TO THE CASHFLOW STATEMENT

Note 39 Cash Flow Operating Activities

The cash flows for operating activities include the following items:

	2016/2017	2015/2016
	£000	£000
Interest Received	(508)	(950)
Interest Payable	12,869	13,196

Note 40 Cash Flow Investing Activities

	2016/2017	2015/2016
	£000	£000
Purchase of Property, plant and equipment,investment property and intangible assets	62,639	77,473
Investments - Purchase of and deposits made	610,491	544,398
Investments - Sale of and returning of deposits made	(576,238)	(564,802)
Proceeds from sale of property, plant and equipment, investment property and intangible assets	(9,273)	(19,419)
Other receipts from investing activities	(55,744)	(43,347)
Net Cash flows from investing activities	31,875	(5,697)

Note 41 Cash Flow Financing Activities

	2016/2017	2015/2016
	£000	£000
Cash Receipts of short and long term borrowing	31,991	(20,437)
Net cash flows from financing activities	31,991	(20,437)

NOTES RELATING TO ACCOUNTING DECISION MAKING

Note 41 Summary of Prior Year adjustments

There are no prior year adjustment in the accounts for 2016/2017.

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

For 2016/2017, there are a number of accounting policy changes that have been issued but not yet adopted. The standards introduced in the 2017/2018 Code of Practice that have not yet been adopted are:

- Amendment to the reporting of pension fund scheme transaction costs
- Amendment to the reporting of investment concentration

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 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 is that 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.

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 2017 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Property, Plant and Equipment

Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the 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, depreciation increases and the carrying amount of the assets falls. The total depreciation charge made in 2016/2017 on PPE assets was £40 million so if the assumptions were to change this could have an effect on the amount of depreciation charged in future years. This would be mitigated by the fact that depreciation is reversed out so has no impact on the level of Council Tax.

Provisions

The Council has made a number of provisions in the accounts, totalling £4.495 million. These are based on current information and current likely settlement value. Provisions will need to be reviewed on a regular basis to ensure they are kept up to date. Further information is found in note 29.

An increase or decrease over the forthcoming year in either the total number of claims, appeals or the estimated average settlement would have the effect of changing the level of provision needed.

Pensions Liability

Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the 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 2017, the Council had a balance of debtors of £69 million. A bad debt provision of £11 million or around 16% of the debt has been made. In the current economic climate it is difficult to access the accuracy of this provision, but this will be continually.

An increase or decrease in collection rates would have the effect of changing the level of provision needed. See note 26 for further details.

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). 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 authority's assets and liabilities is disclosed in note 52 below.

The Council uses the discounted cash flow (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.

Note 45 Authorisation of Accounts for Issue

These accounts were considered and authorised by the Chief Financial Officer of Wiltshire Council on 31 May 2017. The final audited version of these accounts were considered for approval by the Audit Committee at its meeting on 26 July 2017.

Note 46 Events after the Balance Sheet Date

The Statement of Accounts were authorised by the Chief Financial Officer on 31 May 2017. 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 2016/2017.

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 accounts. The Council has identified one contingent liability as at 31 March 2017:

Insurance Claims

As at 31 March 2017 there are 35 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 £1.492 million

Note 48 Pension Schemes Accounted for as defined contribution Schemes

Teachers pension scheme

In 2016/2017 the Council paid £10.57 million (£10.39 million in 2015/2016) to the Department for Education and Skills in respect of teachers' pension costs which represent 16.48% of teachers' pensionable pay. In addition, the Council is responsible for all pension payments relating to added years it has awarded, together with the related increases. In 2016/2017 these amounted to £2.38 million (£2.45 million in 2015/2016).

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 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.

Liabilities have been assessed by Hymans Robertson, an independent firm of actuaries, on an actuarial basis using the projected unit method based on the full actuarial valuation of the fund carried at 31 March 2016.

Pension costs have been charged to the Comprehensive Income and Expenditure Statement on the basis required by IAS 19, contributions payable to the Wiltshire Council pension scheme are based on a 2016 actuarial valuation report dated 31 March 2017. These IAS 19 amounts are then reversed out by a contribution to/from the Pensions reserve, so that they have no impact on the Council Tax.

Assets and liabilities in relation to Retirement Benefits

The underlying assets and liabilities for the retirement benefits attributable to the Council as at 31 March 2017 are as follows:

Local Government Pension Scheme	**31 March 2017 £000**	**31 March 2016 £000**
Fair Value of Employer Assets	971,217	805,620
Present Value of Funded Liabilities	(1,525,509)	(1,293,695)
Net (Under)/Overfunding in Funded Plans	**(554,292)**	**(488,075)**
Present value of Unfunded Liabilities	(58,499)	(55,371)
Net Asset/(Liability)	**(612,791)**	**(543,446)**
Amount on balance sheet		
Asset	**971,217**	**805,620**
Liability	**(1,584,008)**	**(1,349,066)**
Liability Amount in Balance Sheet	**(612,791)**	**(543,446)**

A more detailed breakdown is included in note 38

Information about the defined benefit obligation

	Liability split £000	**%**	**Duration years**
Active members	516,423	33.9	23.8
Deferred members	395,811	25.9	21.6
Pensioner members	613,275	40.2	10.1
Total	**1,525,509**	**100.0**	**16.5**

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.

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 2017 % per annum	31 March 2016 % per annum
Pension Increase Rate	2.4%	2.2%
Salary Increase Rate	2.7%	4.2%
Discount Rate	2.5%	3.5%

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	22.5 years	24.9 years
Future Pensioners	24.1 years	26.7 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 2016	CMI 2010 model assuming the current rate of improvements has peaked and will converge to a long term rate of 1.25% p.a.	CMI 2010 model assuming the current rate of improvements has peaked and will converge to a long term rate of 1.25% p.a.

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 2017 Quoted Prices in Active Markets £000	Prices not quoted in Active Markets £000	Total £000	%	31 March 2016 Quoted Prices in Active Markets £000	Prices not quoted in Active Markets £000	Total £000	%
Equity Securities:								
Consumer	20,162	0	20,162	2%	21,668	0	21,668	3%
Manufacturing	15,012	0	15,012	2%	12,709	0	12,709	2%
Financial Institution	2,745	0	2,745	0%	4,543	0	4,543	1%
Health & Care	4,343	0	4,343	0%	5,578	3	5,581	1%
Information Techno	99,730	0	99,730	10%	99,603	0	99,603	12%
Other	8,118	0	8,118	1%	3,343	0	3,343	0%
Debt Securities:								
Corporate Bonds (investment grade)	0	0	0	0%	0	0	0	0%
Corporate Bonds (non investment grade)	0	0	0	0%	0	0	0	0%
UK Government	0	0	0	0%	0	0	0	0%
Other	0	0	0	0%	0	0	0	0%
Real Estate:								
UK Property	0	101,861	101,861	11%	0	99,106	99,106	12%
Overseas Property	0	22,191	22,191	2%	0	2,660	2,660	0%
Investment Funds & Unit Trusts:								
Equities	0	510,993	510,993	53%	0	345,996	345,996	43%
Bonds	0	158,991	158,991	16%	0	131,214	131,214	16%
Hedge Funds	0	0	0	0%	0	0	0	0%
Commodities	0	0	0	0%	0	6,800	6,800	1%
Infrastructure	0	17,150	17,150	2%	0	64,609	64,609	8%
Other	0	2,705	2,705	0%	0	4,832	4,832	1%
Derivatives:								
Foreign Exchange	0	0	0	0%	0	0	0	0%
Other	0	0	0	0%	0	0	0	0%
Cash & Cash Equivalents								
All	7,216	0	7,216	1%	2,956	0	2,956	0%
Total	**157,326**	**813,891**	**971,217**	**100%**	**150,400**	**655,220**	**805,620**	**100%**

Projected defined benefit costs for the period to 31 March 2017

The estimated employer contributions for the year to 31 March 2017 will be approximately £27.821 million.

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

Period Ended 31 March 2018	Assets £000	Obligations £000	Net (Liability)/Asset £000	% of Payroll
Projected Current Service Cost	0	51,508	(51,508)	(42.2%)
Total Service Costs	**0**	**51,508**	**(51,508)**	**(42.2%)**
Interest Income on Plan Assets	24,752	0	24,752	20.3%
Interest Cost on Defined Benefit Obligation	0	40,291	(40,291)	(33.0%)
Total Net Interest Cost	**24,752**	**40,291**	**(15,539)**	**(12.7%)**
Total included in Profit or Loss	**24,752**	**91,799**	**(67,047)**	**(54.9%)**

Sensitivity Analysis

The sensitivity regarding the principal assumptions used to measure the scheme liabilities are set out below:

Change in Assumptions as at 31 March 2017	Approximate % increase to Employer	Approximate monetary amount (£000)
0.5% decrease in Real Discount Rate	9%	147,407
1 year increase in member life expectancy	3%	47,520
0.5% increase in the Salary Increase Rate	1%	18,076
0.5% increase in the Pension Increase Rate	8%	127,433

Further information can be found in the Wiltshire Pension Fund annual report 2016/2017 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 Associate Director, Finance, 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 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 Capita Asset Services. This service uses a sophisticated modelling approach with credit ratings from all three rating agencies - Fitch, Moody's and Standard and 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 2016/2017 was approved by Full Council on 23 February 2016 and is available on the Council's website.

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

The Council's maximum exposure to credit risk in relation to its investments in financial institutions of £57.6m 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 the 31 March 2017 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.

The Council does not generally allow credit for its customers.

During 2016/2017 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

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

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

The maturity analysis of financial liabilities is as follows, with the maximum and minimum limits for fixed interest rates maturing in each period (as approved in the Treasury Management Strategy 2016/2017):

Maturity Analysis of Financial Liabilities

	Approved Minimum Limits	Approved Maximum Limits	Actual 31 March 2017 £000s	%	Actual 31 March 2016 £000s	%
Less than 1 Year	0%	25%	12,148	3.6%	14,209	4.0%
Between 1 and 2 Years	0%	25%	14,810	4.3%	10,000	2.8%
Between 2 and 5 Years	0%	45%	22,000	6.5%	26,810	7.6%
Between 5 and 10 Years	0%	75%	46,123	14.2%	48,123	13.7%
More than 10 Years	0%	100%	242,926	71.4%	252,915	71.9%
			338,007	100.0%	352,057	100.0%

Market Risk – Interest Rates Risk

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

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

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

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

According to this assessment strategy, at 31 March 2017, 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	**2016/2017 £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	130,289
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)	58,208,699

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 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 loans and receivables 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;
- 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 2017**		**31 March 2016**	
	Carrying Amount	**Fair Value**	**Carrying Amount**	**Fair Value**
Long Term Debt:				
Non-PWLB (Market) Debt	62,004,859	93,919,796	62,016,040	80,499,130
PWLB Debt	278,002,416	338,605,323	290,040,780	332,382,257
Total Long Term Debt	**340,007,275**	**432,525,119**	**352,056,820**	**412,881,387**
Temporary Debt	0	0	20,000,000	20,003,823
Short Term Debt	2,535,000	2,186,438	2,472,500	2,442,505
Total Debt Value	**342,542,275**	**434,711,557**	**374,529,320**	**435,327,715**
Short Term Creditors	(96,215,345)	(96,215,345)	(83,235,831)	(83,235,831)
Long Term Creditors	(3,741,752)	(3,741,752)	(1,632,185)	(1,632,185)
Total Financial Liabilities	**242,585,178**	**334,754,460**	**289,661,304**	**350,459,699**

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

Financial Liabilities	**31 March 2017**		**31 March 2016**	
	Carrying Amount	**Fair Value**	**Carrying Amount**	**Fair Value**
Long Term Debt:				
Non-PWLB (Market) Debt	62,004,859	114,389,455	62,016,040	100,651,783
PWLB Debt	278,002,416	381,995,248	290,040,780	373,718,879
Total Long Term Loans	**340,007,275**	**496,384,703**	**352,056,820**	**474,370,662**
Temporary Debt			20,000,000	20,005,864
Short Term Debt	2,535,000	2,342,179	2,472,500	2,467,361
Total Loans Value	**342,542,275**	**498,726,882**	**374,529,320**	**496,843,887**
Short Term Creditors	(96,215,345)	(96,215,345)	(83,235,831)	(83,235,831)
Long Term Creditors	(3,741,752)	(3,741,752)	(1,632,185)	(1,632,185)
Total Financial Liabilities	**242,585,178**	**398,769,785**	**289,661,304**	**411,975,871**

The Council has used a transfer value for the fair value of financial liabilities. We have also calculated an exit price fair value of £498,726,882, which is calculated using early repayment discount rates. The Council has no contractual obligation to pay these penalty costs and would not incur any additional cost if the loans run to their planned maturity date.

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 2017) 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 £278,002,416 would be valued at £338,605,323. 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 £381,995,248.

	31 March 2017		31 March 2016	
Financial Assets	**Carying Amount**	**Fair Value**	**Carying Amount**	**Fair Value**
Loans and Receivables:				
Cash and Cash Equivalents	900,002	900,002	4,900,020	6,700,024
Money markets Loans < 1 Year	11,689,324	11,689,324	14,448,150	14,448,150
Short Term investment	45,120,726	45,120,726	8,090,277	8,092,207
Total Loans and Receivables	**57,710,052**	**57,710,052**	**27,438,447**	**29,240,381**
Short Term Debtors	58,679,972	49,011,320	63,045,493	53,922,010
Long Term Debtors	2,830,334	2,830,334	3,142,459	3,142,459
Total Financial Assets	**119,220,358**	**109,551,706**	**93,626,399**	**86,304,850**

The fair value of the assets 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.

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 2017 and 2016 are as follows:

Recurring fair value measurements using:	Quoted prices in active market for identical assets (Level 1)	Other significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Fair value as at 31 March 2017
	£000	£000	£000	£000
Main Portfolio	0	0	22,952	**22,952**
Nurseries & Community Leases	0	0	0	**0**
Other	0	0	0	**0**
Total	**0**	**0**	**22,952**	**22,952**

Recurring fair value measurements using:	Quoted prices in active market for identical assets (Level 1)	Other significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Fair value as at 31 March 2016
	£000	£000	£000	£000
Main Portfolio	0	0	24,576	**24,576**
Nurseries & Community Leases	0	0	333	**333**
Other	0	0	234	**234**
Total	**0**	**0**	**25,143**	**25,143**

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

Significant Unobservable Inputs Level 3

The Council's Main Portfolio and Nurseries & Community Leases 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 2017 £000	Valuation technique used to measure fair value	Unobservable inputs	Sensitivity
Main Portfolio	2,311,992	Income Market Rentals Yields	Comparables Databases (Public & GVA Internal) Rents, yields, capital costs	Medium
Nurseries & Community Leases	0	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.

Note 53 Prior Year Adjustments

The Council has restated its 2015/2016 Comprehensive Income and Expenditure Statement following the change in requirements in the CIPFA Code of Practice on Local Authority Accounting 2016/2017. The net cost of services was previously presented based on SERCOP classification and is now disclosed in the local reporting format, by Service areas. The table below shows the comparative movements between SERCOP and Service formats.

Net Expenditure by SERCOP Service Line as reported 2015/2016 Accounts Net Movement	As reported 2015/2016 Accounts	Adjustments between SERCOP classification and internal reporting classification	As restated 2015/2016	Net Expenditure by Directorate
	£000	£000	£000	
Central Services to the Public	906	(906)	0	
Culture & Related Services	17,742	(17,742)	0	
Environmental & Regulation	55,934	(15,129)	40,805	Waste & Environment
Planning Services	16,862	(2,209)	14,653	Economy & Planning
Children's and Education Services	119,783	(61,471)	58,312	Operational Children's Services
	0	38,565	38,565	Commissioning, Performance & School Effectiveness
Highways, Roads & Transport Services	30,034	8,901	38,935	Highways & Transport
Housing Services General Fund	7,549	(7,549)	0	
Housing Services HRA	(4,180)	0	(4,180)	Housing Revenue Account (HRA)
Adult Social Care	142,022	(12,636)	129,386	Adult Social Care Operations
	0	7,454	7,454	Adult Care Commissioning & Housing
Public Health	1,649	5,698	7,347	Public Health & Public Protection
Corporate & Democratic Core	11,592	(6,730)	4,862	Corporate
Non-distributed Costs	(1,153)	1,153	0	
	0	10,792	10,792	Communities & Communications
	0	5,759	5,759	Corporate Function, Procurement & Programme Office
	0	3,595	3,595	Finance
	0	3,378	3,378	Legal & Governance
	0	36,153	36,153	People & Business Services
	0	2,924	2,924	Corporate Directors
Net Cost of Service	398,740	0	398,740	

Notes to Accounts Annex 1 Accounting Policies

i. General Principles

The Statement of Accounts summarises the Council's transactions for the 2016/2017 financial year and its position at the year-end of 31 March 2017. 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 2016/2017 and the Service Reporting Code of Practice 2016/2017, supported by International Financial Reporting Standards (IFRS).

ii. Accruals of Income and Expenditure

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

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

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

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

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

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

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

iii. Provisions

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

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties. When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.
Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Council settles the obligation.

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 below.

v. Government Grants and Contributions

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

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

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

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

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

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

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 Pensions 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 gross redemption yield on the Iboxx Sterling Corporates Index, AA over 15 years), at the IAS19 valuation date (subject to the removal of recently re-rated bonds from the index).

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

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

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

- current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked
- past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
- interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- expected return on assets – the annual investment return on the fund assets attributable to the Council, based on an average of the expected long-term return – credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- gains or losses on settlements and curtailments – the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
- actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Pensions Reserve
- contributions paid to the Wiltshire pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

Discretionary Benefits

The 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

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

viii. Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2014/2015. The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of Corporate and Democratic Core (costs relating to the Council's status as a multifunctional, democratic organisation) and Non Distributed Costs (the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale). These two cost categories are defined in the Code of Practice and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Expenditure on Continuing Services.

ix. Intangible Fixed Assets

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

Amortisation, impairment losses and disposal gains and losses can be charged to the 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)
- 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. Full details on componentisation are included in note 17.

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, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's-length. Properties are not depreciated. Gains and losses on revaluation are posted to the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal. Rentals received in relation to investment properties result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance.

xii. Charges to Revenue for Non-Current Assets

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

- depreciation attributable to the assets used by the relevant service
- revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off
- amortisation of intangible fixed assets attributable to the service.

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

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

xiii. Revenue Expenditure Funded From Capital Under Statute

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

xiv. Leases

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

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

The 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

- 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.

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

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

Loans and receivables

Financial Assets

Financial assets are classified into two types:

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

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

Loans and Receivables

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

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

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

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

Available-for-Sale Assets

Available-for-sale assets are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Financing and Investment Income and Expenditure line in the

Comprehensive Income and Expenditure Statement for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (e.g. dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Council.

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

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

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

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

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

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

xvi. Inventories and Long Term Contracts

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

xvii. Interest in companies and other entities

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

xviii. Private Finance Initiative (PFI)

PFI and similar contracts are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services passes to the PFI contractor. As the 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 into 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 34 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
- Level 3 – unobservable inputs for the asset or liability.

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	2016/2017		2015/2016	
		£000	£000	£000	£000
Income					
Rents (gross):					
- dwellings		(24,582)		(25,021)	
- garages		(353)		(333)	
- other		(221)	(25,156)	(214)	(25,568)
Charges for services and facilities			(643)		(605)
Total Income			(25,799)		(26,173)
Expenditure					
Repairs and Maintenance			5,430		6,138
Supervision and Management:					
- general		2,564		2,544	
- special services		967	3,531	1,082	3,626
Increased provision for bad debts			71		96
Depreciation & Impairments of Fixed Assets					
- On dwellings	3	14,372		11,612	
- On garages	3	148		148	
- On other Assets	3	52		52	
			14,572		11,812
Total Expenditure			23,604		21,672
Net Cost Of Services per Income & Expenditure Account			(2,195)		(4,501)
HRA Services share of Corporate and Democratic Core			321		321
Net Cost Of HRA Services			(1,874)		(4,180)
(Gain)/Loss on sale of HRA fixed assets			3,711		(886)
Interest Payable			3,673		3,673
Interest:					
- on mortgages		(58)		(54)	
- on balances		(90)	(148)	(110)	(164)
(Surplus)/Deficit for the Year on HRA services			5,362		(1,557)

Statement of Movement on the HRA Balances

	2016/2017 £000		2015/2016 £000
Balance on HRA at the end of previous year		(20,479)	(18,162)
(Surplus)/ Deficit for year on HRA Income and Expenditure Account	5,362		(1,557)
Adjustments between accounting basis and funding basis under statute	(8,053)		(760)
Net (increase)/decrease before transfers to/ from reserves	(2,691)		(2,317)
Transfer to/ from reserves		0	0
Net (increase)/decrease in year on HRA		(2,691)	(2,317)
Balance on HRA at the end of current year		(23,170)	(20,479)

Note to Statement of Movement on the HRA Balances

		2016/2017 £000	2015/2016 £000
Items included in the HRA Income and Expenditure Account but excluded from the movement on HRA balance for the year			
Gain/(Loss) on sale of HRA fixed assets		(3,711)	885
Items not included in the HRA Income and Expenditure Account but included from the movement on HRA balance for the year			
Transfer to/from Major Repairs Reserve	note 5	(8,385)	(5,625)
Transfer to/from Pension Reserve	note 6	74	12
Transfer to/from accumulated absences		(6)	(7)
Revenue Contributions to Capital Expenditure		3,975	3,975
Net Additional amount required by statute to be credited to the HRA balance for the year		(8,053)	(760)

Housing Revenue Account Notes

1 Housing Stock

Houses and Bungalows	**31 March 2017**	**31 March 2016**
- 1 bedroom	**278**	**278**
- 2 bedrooms	**1,421**	**1,430**
- 3 bedrooms	**1,747**	**1,772**
- 4+ bedrooms	**141**	**141**
Flats		
- 1 bedroom	**916**	**918**
- 2 bedrooms	**689**	**692**
- 3+ bedrooms	**66**	**68**
Total dwellings as at 31 March	**5,258**	**5,299**

The council sold 41 houses during 2016/2017, of which 40 were sold under the right to buy scheme (RTB). The Council received a total before pooling of £3.087 million as capital receipts.

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.

2 Arrears

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

	31 March 2017 £000	31 March 2016 £000
Rent arrears	1,141	1,132
less rent payments in advance	(544)	(500)
less bad debt provision	(1,084)	(1,075)
Net arrears position	(487)	(443)

3 Movement of Housing Revenue Account Assets

	Council Dwellings (Structures) £000	Council Dwellings (Services) £000	Council Dwellings (Land) £000	Other Property (Garages) £000	Other Equipment £000	Total £000
Net Book Value 1 April 2016	133,152	25,781	80,730	3,416	147	243,226
Additions in Year	4,180	5,899				10,079
Disposals	(2,172)					(2,172)
Revaluations	27,938	7,434	15,112			50,484
Depreciation	(5,778)	(8,594)		(148)	(52)	(14,572)
Category Adjustments			831			831
Balance at 31 March 2017	157,320	30,520	96,673	3,268	95	287,876

The Balance Sheet value of Council Dwellings (structures, services and land) as at 31 March 2017 was £252,149,463. 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 2017 was £813,385,365. 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 31% 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 2017 was £561,235,902.

The value of land valued in the HRA which is included in the balance sheet value of the council dwellings is £85,775,602.

4 Financing of HRA capital expenditure

	2016/2017 £000
Revenue and Reserves	3,975
Other receipts (MRR)	14,947
	18,922
Council Dwellings (Structures and Services)	10,079
Plant & Equipment	
Asset under Construction	8,843
	18,922

5 Major Repairs Reserve

	2016/2017 £000	2015/2016 £000
Brought forward at 1 April	**(9,115)**	(10,956)
Transfer to Capital	**14,120**	8,028
HRA Depreciation	**(14,568)**	(11,812)
Transfer to HRA	**8,381**	5,625
Carried forward at 31 March	**(1,182)**	**(9,115)**

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 61 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 2016/2017	Council Tax 2016/2017	Total 2016/2017 £000	Non-Domestic Rates 2015/2016	Council Tax 2015/2016	Total 2015/2016 £000
Income							
Council Tax	1		(285,782)	(285,782)		(268,120)	(268,120)
Non-Domestic Rates		(153,602)		(153,602)	(142,729)		(142,729)
Transferred from General Fund							
Transitional Relief		211		211	935		935
		(153,391)	(285,782)	(439,173)	(141,794)	(268,120)	(409,914)
Disbursement							
Precepts and Demands							
- Wiltshire Council		70,882	224,723		68,532	208,843	
- Police			29,540			28,015	
- Fire		1,446	12,235		1,399	11,084	
- Town/ and Parish Councils			15,416			14,206	
- Central Government		72,328			69,931		
				426,570			402,010
Share of surplus/(deficit) on Collection Fund							
- Wiltshire Council		(3,598)	5,054		(555)	4,647	
- Police			678			612	
- Fire		(73)	268		(11)	242	
- Central Government		(3,672)			(566)		
				(1,343)			4,369
Cost of collection allowance	2	626			622		
Provision for Bad Debts		(81)	(192)		(105)	(78)	
Write offs		769	940		1,124	764	
Appeals		272			112		
Other transfers to general fund		1,561			923		
Interest on overpayments		4			38		
							3,400
Fund surplus/(deficit) for the year		12,927	(2,879)	10,048	350	(215)	135
		153,391	285,783	435,275	141,794	268,120	409,914

	NOTE	Non-Domestic Rates	Council Tax	Total	Non-Domestic Rates	Council Tax	Total
Fund balance b/f		8,093	(6,700)	1,393	8,443	(6,915)	1,528
(Surplus)/deficit for year		(12,927)	2,879	(10,048)	(350)	215	(135)
Fund balance c/f	3	(4,834)	(3,821)	(8,655)	8,093	(6,700)	1,393

Notes to the Collection Fund

1 Council Tax

Council Tax is charged according to the Government's valuation of residential properties as at 1 April 1991. Valuations are stratified into eight bands for charging purposes. Individual charges are calculated by estimating the total amount of income required by the Collection Fund's preceptors and dividing this by the Council Tax base. The tax base is the total number of chargeable properties in all valuation bands converted to an equivalent number of band D dwellings, with an allowance made for discounts and exemptions.

The average amount of Council Tax required from a property in any tax band is the band D charge, average for Wiltshire Council was £1,594.71 for 2016/2017 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	2016/2017 Band D Equivalent Dwellings	2015/2016 Band D Equivalent Dwellings
Band A Disabled	5/9	29	16	15
Band A	6/9	13,960	9,307	9,023
		13,989	9,323	9,038
Band B	7/9	28,253	21,975	21,481
Band C	8/9	41,201	36,623	35,838
Band D	9/9	31,421	31,421	30,927
Band E	11/9	24,712	30,204	29,725
Band F	13/9	15,235	22,006	21,717
Band G	15/9	9,793	16,321	16,140
Band H	18/9	1,122	2,244	2,229
			170,117	167,095
Adjustment for MOD contribution in lieu, new properties, & collection rate			6,663	3,748
Council Tax Base 2016/2017			**176,780**	**170,843**

2 National Non-Domestic Rates

The total non-domestic rateable value at 31 March 2017 was £370,100,104 (£368,870,595 at 31 March 2016). The national non domestic multiplier for the year was 49.7p (49.3p in 2015/2016) and the small business rates relief multiplier was 48.4p (48.0p in 2015/2016).

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 31/03/2017 £000	Council Tax 31/03/2017 £000	Total 31/03/2017 £000	Non-domestic Rates 31/03/2016 £000	Council Tax 31/03/2016 £000	Total 31/03/2016 £000
Wiltshire Council	(2,369)	(3,222)	**(5,591)**	3,966	(5,643)	**(1,677)**
Police	0	(424)	**(424)**	0	(757)	**(757)**
Fire	(48)	(175)	**(223)**	81	(300)	**(219)**
Central Government	(2,417)	0	**(2,417)**	4,046	0	**4,046**
	(4,834)	**(3,821)**	**(8,655)**	**8,093**	**(6,700)**	**1,393**

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.

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 made by the Council.

Cashflow Statement
A summary of the inflows and outflows of cash with third parties for revenue and capital purposes.

CIPFA
The Chartered Institute of Public Finance and Accountancy. This is the institute of professional local government accountants and produces standards and codes of practice followed in the production of a Council's accounts.

Code of Practice
Issued by CIPFA, this is a code of proper accounting practice with which Local Authorities in England and Wales must comply in preparing their financial statements.

Comprehensive Income and Expenditure Statement (CI&ES)
This account shows expenditure on and income from the Council's day to day activities. Expenditure includes salaries, wages, service and depreciation charges. It gives the cost of the main services provided by the Council.

Creditors
Money owed by the Council to others.

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.

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

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

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

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

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

Government Grants Deferred
Capital grants which are credited to the balance sheet and amortised to revenue over the life of the relevant asset to offset provisions made for depreciation.

Gross Expenditure
Expenditure before deducting any related income.

Housing Revenue Account (HRA)
The account which sets out the expenditure and income on the provision of housing. Other services are charged to the General Fund.

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

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.

Minimum Revenue Provision (MRP)
Statute requires revenue accounts to be charged with a Prudent Minimum Revenue Provision as a notional redemption cost of all external loans.

Major Repairs Allowance (MRA)
Funded by Central Government. It represents the long term average amount of capital spending required to maintain a Council's housing stock in its current condition.

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**.**

Provision for Credit Liabilities (PCL)
Statute requires the Council to set aside provision to repay external loans and other credit transactions. Debt-free authorities do not have to apply the whole of the balance shown within the Capital Financing Reserve.

Provisions
Amounts held in reserve against specific potential liabilities or losses where there is uncertainty as to amounts and/or due dates. Payment to a provision is counted as service expenditure.

Rateable Value
Assessment by the Inland Revenue of a property's value from which rates payable are calculated.

Reserves
Amounts prudently held to cover potential liabilities. Payments to reserves are not counted as service expenditure.

Revaluation Reserve
A capital reserve where changes in the value of fixed assets are disclosed when they are revalued. This reserve replaces the Fixed Asset Restatement Account (FARA) which was previously required.

Revenue Expenditure
Day to day running costs of services.

Revenue Income
Day to day income received for services.

Revenue Support Grant
A Government grant paid towards the cost of General Fund services.

Running Expenses
The cost of running a service less employee expenses and capital charges.

Service Reporting Code of Practice (SeRCOP)
Established to modernise the system of Local Authority accounting and reporting, and ensure that it meets the changed and changing needs of modern Local Government; particularly the duty to secure and demonstrate best value in the provision of services to the community.

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.

Wiltshire Pension Fund

The Fund is administered by Wiltshire Council for local authorities within Wiltshire and other local government associated organisations. It meets the cost of pension benefits due to current and former employees of these organisations. The current membership as at 31 March 2017 included 21,245 active members, 15,523 pensioners and 28,087 deferred members.

Responsibility for the Report

Wiltshire Council

The Council has to arrange for the proper administration of the Wiltshire Pension Fund. In particular, it needs to ensure an economic, efficient and effective use of resources in carrying out this administration and that the Fund's investments are safeguarded.

The Council has delegated this responsibility to the Wiltshire Pension Fund Committee. It also, however, has to ensure that one of its officers has responsibility for the financial aspects of that administration, this being the Associate Director Finance.

Wiltshire Pension Fund Committee

There are seven elected members of the Committee, comprising five Wiltshire Councillors and two Swindon Borough Council members. In addition, there are two representatives of the admitted bodies and two observers representing staff interests. Details of the membership of the Committee in 2016/2017 are shown in the Wiltshire Pension Fund Annual Report.

Included amongst the powers delegated by the Council to the Committee are requirements to:

- arrange and keep under review the investments of the Fund through one or more properly authorised investment managers, and to

- appoint investment managers and external advisers as necessary to support the work of the Committee.

Local Pensions Board

The Local Pension Board was established in April 2015 to assist the Administering Authority in securing compliance with the scheme regulations and the effective and efficient governance and administration of the Fund. It is made up of 3 scheme members' representatives and 3 scheme employers' representatives along with a non-voting independent chairman

The Fund will liaise closely with the Local Pension Board, so they can fulfil their duties providing support and advice to the Administering Authority.

Chief Finance Officer

The Chief Finance Officer is responsible for preparing the financial statements of the Wiltshire Pension Fund, which must show the financial position of the Fund at the accounting date and its income and expenditure for the year.

In preparing the statements, suitable accounting policies must be selected and applied consistently and judgements and estimates made where necessary that are reasonable and prudent and comply with the appropriate accounting Code of Practice.

Proper accounting records must be maintained and kept up to date and all reasonable steps must be taken to prevent and detect fraud and other irregularities. An anti-fraud and corruption and whistle blowing policy has been implemented for the Fund.

Actuarial Statement

This statement has been prepared in accordance with Regulation 57(1)(d) of the Local Government Pension Scheme Regulations 2013. It has been prepared at the request of the Administering Authority of the Fund for the purpose of complying with the aforementioned regulation.

Description of Funding Policy

The funding policy is set out in the Administering Authority's Funding Strategy Statement (FSS), dated September 2016. In summary, the key funding principles are as follows:

- to ensure the long-term solvency of the Fund, using a prudent long term view. This will ensure that sufficient funds are available to meet all members' /dependants' benefits as they fall due for payment;
- to ensure that employer contribution rates are reasonably stable where appropriate;
- to minimise the long-term cash contributions which employers need to pay to the Fund, by recognising the link between assets and liabilities and adopting an investment strategy which balances risk and return (this will also minimise the costs to be borne by Council Tax payers);
- to reflect the different characteristics of different employers in determining contribution rates. This involves the Fund having a clear and transparent funding strategy to demonstrate how each employer can best meet its own liabilities over future years; and
- to use reasonable measures to reduce the risk to other employers and ultimately to the Council Tax payer from an employer defaulting on its pension obligations.

The FSS sets out how the administering Authority seeks to balance the conflicting aims of securing the solvency of the Fund and keeping employer contributions stable.

Funding Position as at the last formal valuation

The most recent actuarial valuation carried out under Regulation 62 of the Local Government Pension Scheme Regulations 2013 was as at 31 March 2016. This valuation revealed that the Fund's assets, which at 31 March 2016 were valued at £1,831 million, were sufficient to meet 82% of the liabilities (i.e. the present value of promised retirement benefits) accrued up to that date. The resulting deficit at the 2016 valuation was £415 million.

Each employer had contribution requirements set at the valuation, with the aim of achieving full funding within a time horizon and probability measure as per the FSS. Individual employers' contributions for the period 1 April 2017 to 31 March 2020 were set in accordance with the Fund's funding policy as set out in its FSS.

Principal Actuarial Assumptions and Methods used to value the liabilities

Full details of the methods and assumptions used are described in the 2016 valuation report.

Method

The liabilities were assessed using an accrued benefits method which takes into account pensionable membership up to the valuation date, and makes an allowance for expected future salary growth to retirement or expected earlier date of leaving pensionable membership.

Assumptions

A market-related approach was taken to valuing the liabilities, for consistency with the valuation of the Fund assets at their market value.

The key financial assumptions adopted for the 2016 valuation were as follows:

Financial Assumptions	**31 March 2016**
Discount rate	4.0%
Salary increase assumption	2.4%
Benefit increase assumption (CPI)	2.1%

The key demographic assumption was the allowance made for longevity. The life expectancy assumptions are based on the Funds VitaCurves with improvements in line with the CMI_2013 model, assuming the current rate of improvements has reached a peak and will converge to a long term rate of 1.25%p.a. Based on these assumptions, the average future life expectancies at age 65 are as follows:

	Males	**Females**
Current Pensioners	22.5 years	24.9 years
Future Pensioners*	24.1 years	26.7 years

*Aged 45 at the 2016 Valuation

Copies of the 2016 valuation report and Funding Strategy Statement are available on request from Wiltshire Council, the administering authority to the Fund.

Experience over the period since 31 March 2016

Since the last formal valuation, real bond yields have fallen placing a higher value on the liabilities. The effect of this has been broadly offset by strong asset returns. Both events have roughly cancelled each other out in terms of the impact on the funding position as at 31 March 2017.

The next actuarial valuation will be carried out as at 31 March 2019. The Funding Strategy statement will also be reviewed at that time.

Audit

KPMG LLP act as the external auditor of the Council, and therefore the pension fund.

Investment Management Policy

Overall responsibility for investment policy lies with the Wiltshire Pension Fund Committee, which reports directly to Wiltshire Council.

The Investment Strategy is revised annually by the Fund.

The current strategy has the dual aim of increasing returns and reducing risk by increasing diversification and alternative approaches. Details of the strategy are provided in the Fund's Statement of Investment Principles (SIP) for the period up to 31 March 2017 and in the Investment Strategy Statement (ISS) for the period from 1 April 2017– these documents can be supplied upon request or viewed at www.wiltshirepensionfund.org.uk.

The full list of managers as at 31 March 2017 were:

Company	Mandate	Share of Fund
Baillie Gifford	Global Equity	15.0%
CBRE Global Multi Manager	Property	13.0%
Loomis Sayles	Fixed Income	10.5%
Barings	Absolute Return Fund	10.0%
Legal & General	Passive UK Equity	12.5%
Legal & General	Global Equities	5.0%
Legal & General	Government Bonds	5.0%
Legal & General	Fundamental Equities	12.5%
Investec	Emerging Market Multi Asset	10.0%
Partners Group	Infrastructure	5.0%
M&G Investment Management	UK Companies Financing Fund	1.5%

During the year, the managers transacted purchases of £1039.4 million (£539.9m 2015/2016) and sales of £1,025.8 million (£523.4m 2015/2016). The value of assets under management at 31 March 2017 was £2,174.1 million, broken down by managers as follows:

Legal & General	£808.8	million
Baillie Gifford	£356.1	million
CBRE Global Multi Manager	£291.7	million
Barings Asset Management	£210.7	million
Loomis Sayles	£231.3	million
M&G Investment Management	£5.8	million
Partners Group	£37.1	million
Investec	£232.6	million
Total	£2,174.1	million

2017

		£ million	% of Fund total
Geographical analysis	United Kingdom	714.5	32.9
	North America	223.6	10.3
	Europe	78.3	3.6
	Asia, ex Japan	6.5	0.3
	Other - Overseas	78	3.6
	Other - Pooled Funds	1073.2	49.3
		2,174.1	100.0
Sector analysis	Equities	1266.8	58.3
	Fixed interest bonds	231.3	10.6
	Cash & Derivatives	20.0	0.9
	Property	262.8	12.1
	Long-Short Hedge Fund	0.0	0.0
	Emerging Market	232.6	10.7
	Infrastructure	35.7	1.6
	Index linked bonds	124.9	5.8
		2,174.1	100.0

Comparative figures for 2015/2016 are shown below.

		£ million	% of Fund total
Geographical analysis	United Kingdom	614.0	33.6
	North America	172.8	9.5
	Europe	67.8	3.7
	Asia, ex Japan	6.2	0.3
	Other - Overseas	60.6	3.3
	Other - Pooled Funds	905	49.6
		1,826.4	100.0
Sector analysis	Equities	1098.0	60.1
	Fixed interest bonds	202.2	11.1
	Cash & Derivatives	22.4	1.2
	Property	230.5	12.6
	Long-Short Hedge Fund	0.0	0.0
	Emerging Market	153.0	8.4
	Infrastructure	17.9	1.0
	Index linked bonds	102.4	5.6
		1,826.4	100.0

Safe custody of all investments is the responsibility of BNY Mellon and as such, they are registered in the name of, and are held by, its nominee companies or, alternatively, by overseas agents.

The Wiltshire Pension Fund

Fund Account **For the year ended 31 March**	**Notes**	**2016/2017**	**2015/2016**
		£000	**£000**
Contributions and benefits			
Contributions receivable	**5**	95,901	89,449
Individual transfers		3,604	2,491
		99,505	**91,940**
Benefits payable	**6**	(78,814)	(76,841)
Payments to and on account of leavers	**7**	(4,808)	(3,948)
		(83,622)	**(80,789)**
Management Expenses	**8&12**	(11,181)	(9,336)
		4,702	**1,815**
Returns on investments			
Investment income	**9**	10,076	11,764
Change in market value of investments	**11**	334,031	(27,521)
Net returns on investments		**344,107**	**(15,757)**
Net Increase in the fund during the year		**348,809**	**(13,942)**
Opening Net Assets of the Fund		1,838,661	1,852,603
Closing Net Assets of the Fund		**2,187,470**	**1,838,661**

Net Asset Statement

At 31 March

	Notes	31 March 2017	31 March 2016
		£000	£000
INVESTMENT ASSETS	11		
Equities		372,221	320,848
Pooled investment vehicles		1,519,157	1,252,637
Property		262,758	230,505
Derivative assets		0	4,170
Cash held on deposit		19,799	20,977
Other investment balances		170	179
		2,174,105	1,829,316
INVESTMENT LIABILITIES	11		
Derivatives liabilities		0	(2,924)
Total net investments		2,174,105	1,826,392
Current assets	13	17,047	16,183
Current liabilities	14	(3,682)	(3,914)
Net assets of the Fund at 31 March		**2,187,470**	**1,838,661**

The accounts summarise the transactions of the Fund and deal with the net assets at the disposal of Wiltshire Council. They do not take account of obligations to pay pensions and benefits which fall due after the end of the Fund year. The actuarial position of the Fund, which does take account of such obligations, is dealt with in the actuarial statements and these accounts should be read in conjunction with these.

Notes

Related notes form an integral part of these financial statements

1. Basis of Preparation

The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2016/2017 which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

IAS26 requires the actuarial present value of promised benefits to be disclosed. A separate report has been prepared by Hymans Robertson and is enclosed below after note 20. The Chancellor's budget statement on 22 June 2010 declared that future pension increases should be linked to the Consumer Prices Index (CPI) rather than the Retail Prices Index (RPI). The report after note 20 has been prepared on the CPI basis.

The accounts have been prepared on an accruals basis except where otherwise stated, i.e. income and expenditure is accounted for as it is earned or incurred, rather than as it is received and paid.

2. Accounting Policies

The principal accounting policies of the Fund are as follows:

Contributions

Contributions are received from employer bodies in respect of their own and their pensionable employees' contributions. Employers' contributions (for both Normal and Deficit Funding) are prescribed in the Actuary's Rates and Adjustment Certificate following the review of the Fund's assets and liabilities during the triennial valuation. The Employees' contributions are included at the rates prescribed by the Local Government Pension Scheme Regulations.

Employer augmentation contributions are accounted for in accordance with the agreement under which they are being paid.

Benefits and Refund of Contributions

The benefits payable and refunds of contributions have been brought into account on the basis of all valid claims approved during the year.

Transfers to and from Other Schemes

No account is taken of liabilities to pay pensions and other benefits after the year end. Transfer values, which are those sums paid to, or received from, other pension schemes relating to previous periods of employment, have been brought into account on a cash basis.

Investment Income

Dividends, interest and coupon receipts have been accounted for on an accruals basis. Income on pooled investments is accumulated and reflected in the valuation of units.

Valuation of Investments

Investments are shown in the accounts at market value, determined on the following basis:

(i) **Quoted securities**
Quoted Securities have been valued at 31 March 2017 by the Fund's custodian using the bid price where a quotation was available on a recognised stock exchange or unlisted securities market.

(ii) **Unquoted securities**
Unquoted securities have been valued according to the latest trades, professional valuation, asset values or other appropriate financial information.

(iii) **Pooled investment vehicles**
Pooled investments are stated at bid price for funds with bid/offer spreads, or single price/net asset value where there are no bid/offer spreads, as provided by the investment manager.

(iv) **Fixed Interest Stocks**
Segregated fixed interest stocks are valued on a clean basis. Accrued income is accounted for within investment income.

(v) **Derivative Contracts**
Derivatives are stated at market value. Exchange traded derivatives are stated at market values determined using quoted prices. For exchange traded derivative contracts which are assets, market value is based on quoted bid prices. For exchange traded derivative contracts which are liabilities, market value is based on quoted offer prices.

Over the Counter (OTC) derivatives are stated at market value using pricing models and relevant market data as at the year end date.

Forward foreign exchange contracts are valued by determining the gain or loss that would arise from closing out the contract at the reporting date by entering into an equal and opposite contract at that date.

All gains and losses arising on derivative contracts are reported within 'Change in Market Value'.

Reported changes in the market value of investments over the year of account include realised gains or losses arising upon the disposal of investments during the year.

Foreign Currency Translation

All investments held in foreign currencies are shown at market value translated into sterling using the WM 4PM rate on 31 March 2017.

Foreign currency transactions are accounted for on the basis of the equivalent sterling value of the underlying transactions, by applying the relevant exchange rate ruling at the time. Where overseas securities are acquired with currency either previously purchased directly or accruing from the sale of securities, the sterling book cost of the new security will be based on the exchange rate ruling at the time of the purchase of that security. Any profit or loss arising on currency transactions either realised or unrealised, will be reflected in the Net Asset Statement.

Management Expenses

The Fund discloses its management expenses in accordance with the CIPFA guidance Accounting for Local Government Pension Scheme Management Costs.

Investment management expenses are based on the quarter end market value of the investments held. The fees paid are determined by the agreed fee scales for each individual manager.

Where a management fee notification has not been received by the time of preparing the accounts, an estimate based upon the market value of the mandate is used for inclusion in the Fund account.

Acquisition Costs of Investments

Transaction costs are charged as part of investment management expenses. These include costs charged directly to the fund such as fees, commissions, stamp duty and other fees.

Administration Expenses

A proportion of the relevant officers' salaries, salary on-costs and general overheads, have been charged to the Fund on the basis of time spent on Fund administration.

Taxation

The Fund is a registered pension scheme for tax purposes and as such is not liable for UK income tax on investment income, nor capital gains tax. As Wiltshire Council is the administering authority, VAT input tax is recoverable on all expenditure.

Income earned from investments in stocks and securities in the USA is exempt from US tax and is not subject to withholding tax. Most tax deducted from income on European investments is also recoverable.

Additional Voluntary Contributions (AVCs)

The accounts of the Fund in accordance with regulation 5 (2) (C) of the Pension Scheme (Management and Investment of Funds) Regulations 1998 do not include transactions in respect of AVCs. These are money purchase arrangements made by individual Fund members under the umbrella of the Local Government Pension Scheme, to enhance pension benefits.

3. Critical Judgement in Applying Accounting Policies

Pension Fund Liability

The Pension Fund liability is calculated every three years by the appointed actuary, with annual updates in the intervening years. The methodology used is in line with accepted guidelines and in accordance with IAS19. Assumptions underpinning the valuations are agreed with the actuary and are summarised in the actuarial position statement (on page 108). This estimate is subject to significant variances based on changes to the underlying assumptions.

4. Assumptions made about the Future and Other Major Sources of Estimation Uncertainty

The Statements 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 net asset statement at 31 March 2017 for which there is significant risk of material adjustment in the forthcoming financial year are as follows:

Item	**Uncertainties**	**Effect if actual results differ from assumptions**
Debtors	At 31 March 2017, the fund had a balance of £17.0m for debtors (£2.9m relate to a long term debtor). A review of significant balances suggested that no impairment is currently necessary. However, in the current economic climate, it is not certain that all debts will be paid.	If collection rates deteriorate it may be necessary for an allowance to be included in the accounts for doubtful debts.

5. Contributions Receivable

	2016/2017 £000	**2015/2016 £000**
Employer		
- Normal	61,280	55,708
- Augmentation	1,401	1,068
- Deficit Funding*	14,064	13,344
Members		
- Normal	18,959	19,100
- Additional Contributions	197	229
	95,901	**89,449**

Analysis of contributions receivable

	2016/2017 £000	**2015/2016 £000**
Contributions from employees (Including Additional Contributions)		
- Wiltshire Council	7,063	7,693
- Other scheduled bodies	11,123	10,335
Admitted bodies	970	1,301
	19,156	**19,329**
Contributions from employers (Including Augmentations)		
- Wiltshire Council	30,194	27,882
- Other scheduled bodies	40,188	35,163
- Admitted bodies	6,363	7,075
	76,745	**70,120**
Total contributions receivable	**95,901**	**89,449**

* Deficit funding contributions are being paid by the employer for the three years commencing from 1 April 2014 with a minimum specified in the Rates and Adjustment Certificate dated 31 March 2014 in order to improve the Fund's funding position. The recovery period at the last valuation over which the deficit funding is recovered is mainly 20 years for scheduled bodies and 14 years or the length of the employer's contract (whichever is the shorter) for admitted bodies.

6. Benefits payable

	2016/2017 £000	2015/2016 £000
Pensions	65,540	63,698
Commutation and lump sum retirement benefits	11,141	11,495
Lump sum death benefits	2,133	1,648
	78,814	**76,841**

Analysis of benefits payable	**2016/2017 £000**	**2015/2016 £000**
Pensions payable		
- Wiltshire Council	34,940	34,705
- Other scheduled bodies	24,200	23,018
- Admitted bodies	6,400	5,975
	65,540	**63,698**
Retirement and Death grants payable		
- Wiltshire Council	5,651	4,832
- Other scheduled bodies	6,186	6,154
- Admitted bodies	1,437	2,157
	13,274	**13,143**
Total benefits payable	**78,814**	**76,841**

7. Payments to and on account of leavers

	2016/2017 £000	2015/2016 £000
Individual transfer out to other schemes	4,394	3,577
Bulk transfer out to other schemes	2	0
Refunds to members leaving service	269	258
State Scheme Premiums	143	113
	4,808	**3,948**

8. Management Expenses

	2016/2017 £000	2015/2016 £000
Administration costs	1,955	1,496
Investment Management expenses	9,117	7,731
Oversight & Governance	109	109
	11,181	**9,336**

The Fund has applied CIPFA's guidance Accounting for Local Government Pension Scheme Management Costs.

The guidance requires the reporting of external investment management fees that are deducted from asset values (rather than invoiced and paid directly). These are now shown gross. Wherever possible, these figures are based on actual costs disclosed by the manager; where actual costs were not available, best estimates have been made using other available information. It is important to note that this is a change in reporting only and does not represent an actual increase in costs, nor a decrease in Fund's resources available to pay pension benefits.

Investment Management expenses includes £2.3m of performance-related fees paid to the fund's investment managers (2015/2016: £1.8m).

9. Investment Income

	2016/2017 £000	2015/2016 £000
Quoted securities		
- UK fixed interest bonds (coupon receipts)	0	0
- Overseas fixed interest bonds (coupon receipts)	0	0
- UK index linked bonds (coupon receipts)	0	0
- UK equities	545	587
- Overseas equities	999	1,089
Pooled Investment Vehicles		
- Overseas equities	0	0
- UK property	8,616	10,018
- Infrastructure	0	0
Cash held on deposit		
- Sterling Cash	77	66
- Overseas Cash	-161	4
	10,076	**11,764**

10. Stock Lending

The Council participates in a securities lending programme administered by BNY Mellon. Securities in the beneficial ownership of the Council to a value of £77.8 million (3.6% of the total) were on loan at 31 March 2017. Collateral for these securities is held in a pooled form, the Wiltshire Pension Fund's share (0.014%) representing a value of £84.9 million (109.1%). Income earned from this programme amounted to £0.367 million in the year.

	£ million	£ million
WPF Securities on loan	77.8	5.7
(percentage of total)	3.60%	0.30%
WPF Collateral share of pool	0.01%	0.01%
Value of WPF pooled share	84.9	6.2
Percentage of securities on loan	109.1%	108.6%
Income earned in year	0.367	0.03

Wiltshire Council
Where everybody matters

11. Investments

Reconciliation of investments held at beginning and end of year

	Value at 01 April 2016 £000	Purchases at cost & derivative payments £000	Sales Proceeds and derivative receipts £000	Change in Market Value £000	Value at 31 March 2017 £000
Fixed interest securities	0	0	0	0	0
Index linked securities	0	0	0	0	0
Equities	320,848	39,154	(84,266)	96,485	372,221
Pooled funds:					
- Other	1,252,637	459,029	(486,619)	294,110	1,519,157
- Property	230,505	63,985	(30,907)	(825)	262,758
Derivative assets					
- Futures	0	0	0	0	0
- Options	0	0	0	0	0
- Forward FX	1,246	163,377	(117,950)	(46,673)	0
	1,805,236	725,545	(719,742)	343,097	2,154,136
Cash deposits	20,977	313,901	(305,993)	(9,086)	19,799
Other Investment Balances	179	0	(29)	20	170
	1,826,392	**1,039,446**	**(1,025,764)**	**334,031**	**2,174,105**

	Value at 01 April 2015 £000	Purchases at cost & derivative payments £000	Sales Proceeds and derivative receipts £000	Change in Market Value £000	Value at 31 March 2016 £000
Fixed interest securities	0	0	0	0	0
Index linked securities	0	0	0	0	0
Equities	342,126	56,753	(93,423)	15,392	320,848
Pooled funds:					
- Other	1,289,293	56,877	(61,734)	(31,799)	1,252,637
- Property	191,695	52,576	(28,845)	15,079	230,505
Derivative assets					
- Futures	0	0	0	0	0
- Options	0	0	0	0	0
- Forward FX	(1,531)	121,548	(94,942)	(23,829)	1,246
	1,821,583	287,754	(278,944)	(25,157)	1,805,236
Cash deposits	15,383	252,183	(244,205)	(2,384)	20,977
Other Investment Balances	431	0	(272)	20	179
	1,837,397	**539,937**	**(523,421)**	**(27,521)**	**1,826,392**

The PRAG guidance, Accounting for Derivatives in Pension Schemes, recommends that derivatives are set out separately in the investment reconciliation table for reasons of clarity and are reconciled on a 'net' basis as opposed to 'gross' as reported in the Net Assets Statement.

Transaction costs have been debited through the Fund Account and have been disclosed as part of the Investment Management Expenses. Costs are also borne by the Fund in relation to transactions in pooled investment vehicles.

Details of investments held at year end

	31 March 2017 £000	31 March 2016 £000
INVESTMENT ASSETS		
Equities		
- UK equities	23,851	31,597
- Overseas equities	348,370	289,251
	372,221	**320,848**
Pooled Investment Vehicles		
- UK equities	285,230	233,029
- Overseas equities	609,342	544,173
- Overseas fixed income	231,301	202,162
- UK index linked Government bonds	124,948	102,399
- Property	262,758	230,505
- Emerging Market Debt	93,038	84,601
- Emerging Market Equities	139,557	68,385
- Infrastructure	35,741	17,888
	1,781,915	**1,483,142**
Cash held on deposit		
- Sterling Cash	17,561	20,730
- Overseas Cash	2,238	247
	19,799	**20,977**
Other Investment Balances		
- Derivatives Assets	0	4,170
- Outstanding dividend entitlements	4	5
- Recoverable tax	166	174
	170	**4,349**
INVESTMENT LIABILITIES		
- Derivatives Liabilities	0	(2,924)
Total of investments held	**2,174,105**	**1,826,392**
NET CURRENT ASSETS & LIABILITIES		
Current Assets	17,047	16,183
Current Liabilities	(3,682)	(3,914)
Total net current assets	**13,365**	**12,269**
	2,187,470	**1,838,661**

Derivative Contracts

Objectives and Policies

The Wiltshire Pension Fund Committee have authorised the use of derivatives by their investment managers as part of the investment strategy for the Fund.

The main objective for the use of key classes of derivatives and the policies followed during the year are summarised as follows:

Options – The Fund allows its managers to invest in options as part of their portfolio construction to assist them in achieving performance targets. These options are limited to 'Over-the-Counter' contracts purchased on major exchanges and must not exceed specified limits. Option exposures are limited and hedged through the use of futures.

Futures – The Fund allows a number of its managers to invest in futures, within specified exposure limits, as part of their overall portfolio construction to assist them in achieving performance targets.

Forward foreign exchange – In order to maintain an appropriate diversification of investments within the Fund and take advantage of overseas investment returns a proportion of the investment portfolio is invested overseas. Wiltshire Pension Fund moved from a dynamic hedging arrangement to a 50% passive hedge of overseas equities during the year.

The Fund did not have any derivative contracts outstanding at the year end.

Financial Instruments

Classification of financial instruments

The accounting policies describe how different asset classes of financial instruments are measured, and how income and expenses, including fair value gains and losses are recognised. The following table analyses the carrying amounts of financial assets and liabilities by category and net asset statement heading. No financial assets were reclassified during the accounting period.

As at 31 March 2017	**Designated as Fair value through Profit and Loss**	**Loans and Receivables**	**Financial liabilities at amortised cost**
	£000	**£000**	**£000**
Financial assets			
Fixed interest securities	0	0	0
Index linked securities	0	0	0
Equities	367,664	4,557	0
Pooled investment vehicles	1,519,157	0	0
Property	262,758	0	0
Derivative assets	0	0	0
Cash held on deposit	0	25,468	0
Other Investment balances	170	0	0
Debtors	0	11,378	0
	2,149,749	41,403	0
Financial Liabilties			
Derivative Liabilities	0	0	0
Creditors	0	(3,682)	0
	0	(3,682)	0
	2,149,749	37,721	0

As at 31 March 2016

	Designated as Fair value through Profit and Loss	Loans and Receivables	Financial liabilities at amortised cost
	£000	£000	£000
Financial assets			
Fixed interest securities	0	0	0
Index linked securities	0	0	0
Equities	311,049	9,799	0
Pooled investment vehicles	1,252,637	0	0
Property	230,505	0	0
Derivative assets	4,170	0	0
Cash held on deposit	0	24,962	0
Other Investment balances	179	0	0
Debtors	0	12,198	0
	1,798,540	46,959	0
Financial Liabilties			
Derivative Liabilities	(2,924)	0	0
Creditors	0	(3,914)	0
	(2,924)	(3,914)	0
	1,795,616	43,045	0

Net gains/(losses) on financial instruments

	2017	2016
	£000	**£000**
Financial assets		
Fair value through profit and loss	327,104	(29,810)
Loans and receivables	(9,079)	(2,378)
Financial liabilities		
Fair value through profit and loss		(2,924)
Loans and receivables		
Total	318,025	(35,112)

Financial Risk Disclosure

As an LGPS Pension Fund, the Fund's objective is to achieve a relatively stable "real" return above the rate of inflation over the long term. In order to achieve this objective the Fund holds financial instruments such as securities (equities, bonds), property, pooled funds (collective investment schemes) and cash and cash equivalents. The Fund's activities expose it to a variety of financial risks including Market Risk, Credit Risk and Liquidity Risk.

All the Fund's investments are managed by appointed Investment Managers. All investments are held by BNY Mellon who act as custodian on behalf of the Fund. Each investment manager is required to invest the assets managed by them in accordance with the terms of a written investment mandate or pooled fund prospectus.

The Wiltshire Pension Fund Committee has determined that these managers are appropriate for the Fund and are in accordance with its investment strategy. The Committee obtains regular reports from each investment manager and its Investment Consultant on the nature of investments made and associated risks.

The analysis below is designed to meet the disclosure requirements of IFRS 7.

a) Market Risk

Market risk represents the risk that the fair value of a financial instrument will fluctuate because of changes in market prices. This could be as a result of changes in market price, interest rates or currencies. The objective of the Funds Investment strategy is to manage and control market risk exposure within acceptable parameters, while optimising the return.

In general excessive volatility in market risk is managed through diversification across asset class and investment manager. Each manager is also expected to maintain a diversified portfolio within their allocation.

1) Market Price Risk

Market price risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting the market in general.

By diversifying investments across asset classes and managers, the Fund aims to reduce the exposure to price risk. Diversification of asset classes seeks to reduce correlation of price movements, whilst the appointment of specialist managers enables the Fund to gain from their investment expertise.

Market Price - Sensitivity Analysis

The sensitivity of the Fund’s investments to changes in market prices has been analysed using the volatility of returns experienced by asset classes. The volatility data has been provided by the Fund’s Investment Advisor (Mercers) and is broadly consistent with a one-standard deviation movement. The volatility is measured by the (annualised) estimated standard deviation of the returns of the assets relative to the liability returns. Such a measure is appropriate for measuring “typical” variations in the relative values of the assets and liabilities over short time periods. It is not appropriate for assessing longer term strategic issues. The analysis assumes that all other variables, in particular, interest rates and foreign exchange rates, remain constant.

Movements in market prices would have increased or decreased the net assets valued at 31 March 2017 and 2016 by the amounts shown below.

As at 31 March 2017	**Value £000**	**Volatility of return**	**Increase £000**	**Decrease £000**
Baillie Gifford - Global Equity	356,091	17.30%	61,604	(61,604)
CBRE - Property	291,670	14.50%	42,292	(42,292)
Legal & General - Equity	285,230	17.00%	48,489	(48,489)
Legal & General - Gilts	124,949	8.80%	10,996	(10,996)
Legal & General - Global Equity	96,098	17.00%	16,337	(16,337)
Legal & General - Fundamentals	302,496	17.00%	51,424	(51,424)
Barings - Dynamic Assets Allocation	210,749	11.90%	25,079	(25,079)
Partners Group - Infrastructure	37,111	15.00%	5,567	(5,567)
Investec - Emerging Markets	232,595	20.10%	46,752	(46,752)
Loomis Sayles - Multi Asset Credit	92,798	6.00%	5,568	(5,568)
Loomis Sayles - Absolute Return Bond Fund	138,504	6.00%	8,310	(8,310)
M&G - Financing Fund	5,807	0.00%	0	0
Berenberg Bank - Dynamic Currency Fund	7	0.00%	0	0
	2,174,105		**322,418**	**(322,418)**

As at 31 March 2016	**Value £000**	**Volatility of return**	**Increase £000**	**Decrease £000**
Baillie Gifford - Global Equity	299,625	17.30%	51,835	(51,835)
CBRE - Property	254,412	14.70%	37,399	(37,399)
Legal & General - Equity	233,029	17.30%	40,314	(40,314)
Legal & General - Gilts	102,399	8.50%	8,704	(8,704)
Legal & General - Global Equity	107,282	17.30%	18,560	(18,560)
Legal & General - Fundamentals	253,529	17.30%	43,861	(43,861)
Barings - Dynamic Assets Allocation	190,362	12.10%	23,034	(23,034)
Partners Group - Infrastructure	17,908	15.50%	2,776	(2,776)
Investec - Emerging Markets	152,985	21.50%	32,892	(32,892)
Loomis Sayles - Multi Asset Credit	82,208	6.00%	4,932	(4,932)
Loomis Sayles - Absolute Return Bond Fund	119,954	6.00%	7,197	(7,197)
M&G - Financing Fund	9,799	0.00%	0	0
Berenberg Bank - Dynamic Currency Fund	2,875	0.00%	0	0
Capital International - Global Equity	17	0.00%	0	0
Capital International - Absolute Income Grower	8	0.00%	0	0
	1,826,392		**271,504**	**(271,504)**

2) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Fund's exposure to interest rate movements from its investments in cash & cash equivalents, fixed interest and loans at 31 March 2017 and 2016 are provided below.

	31 March 2017 £000
Cash held on deposit	19,799
Fixed Interest Securities	231,301
Loans	4,557
	255,657

	31 March 2016 £000
Cash held on deposit	20,977
Fixed Interest Securities	202,162
Loans	9,799
	232,938

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Interest Rate – Sensitivity Analysis

The Pension Fund recognises that interest rates vary and can impact on the fair value of the assets. The sensitivity of the Fund's investments to changes in interest rates has been analysed by showing the effect of a 100 basis point (1%) change in interest rates. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

As at 31 March 2017	Value £000	Change in net assets £000 +100 BP	£000 -100 BP
Cash held on deposit	19,799	198	(198)
Fixed Interest Securities	231,301	(6,676)	6,676
Loans	4,557	0	0
	255,657	**(6,478)**	**6,478**

As at 31 March 2016	Value £000	Change in net assets £000 +100 BP	£000 -100 BP
Cash held on deposit	20,977	210	(210)
Fixed Interest Securities	202,162	(5,827)	5,827
Loans	9,799	0	0
	232,938	**(5,617)**	**5,617**

A 1% increase in interest rates will reduce the fair value of the relevant net assets and vice versa. The loans identified are part of the M&G Financing Fund. Borrowers pay a fixed annual interest rate agreed at the outset.

3) Currency Risk

Currency risk represents the risk that the fair value of financial instruments will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency risk on financial instruments that are denominated in a currency other than sterling. When sterling depreciates the sterling value of foreign currency denominated investments will rise and when sterling appreciates the sterling value of foreign currency denominated investments will fall.

Wiltshire Pension Fund moved from a dynamic hedging arrangement to a 50% passive hedge of overseas equities during the year.

The tables below show approximate exposures to each of the three major foreign currencies based on manager benchmarks and target allocations. This is based on the two global equity managers Baillie Gifford and Legal & General.

2017	US Dollar	Euro	Yen
Benchmark Weights	12.85%	3.04%	0.02%
	£'000	**£'000**	**£'000**
Net Currency Exposure	**279,400**	**66,015**	**530**

2016	US Dollar	Euro	Yen
Benchmark Weights	20.89%	4.86%	1.96%
	£'000	**£'000**	**£'000**
Net Currency Exposure	**381,611**	**88,782**	**35,759**

Currency Risk – Sensitivity Analysis

The sensitivity of the Fund's investments to changes in foreign currency rates has been analysed using a 10% movement in exchange rates in either direction. This analysis assumes that all variables, in particular interest rates, remain constant.

A 10% strengthening or weakening of Sterling against the various currencies at 31 March 2017 and 31 March 2016 would have increased or decreased the net assets by the amount shown below.

2017	**Assets Held at Fair Value**	**Change in net assets**	
		+10%	**-10%**
	£000	**£000**	**£000**
US Dollar	279,400	27,940	(27,940)
Euro	66,015	6,602	(6,602)
Yen	530	53	(53)
Net Currency Exposure	**345,945**	**34,595**	**(34,595)**

2016	**Assets Held at Fair Value**	**Change in net assets**	
		+10%	**-10%**
	£000	**£000**	**£000**
US Dollar	381,611	38,161	(38,161)
Euro	88,782	8,878	(8,878)
Yen	35,759	3,576	(3,576)
Net Currency Exposure	**506,152**	**50,615**	**(50,615)**

The Fund does hedge 50% of its overseas equity holdings therefore only a proportion of the gains/losses would be experienced. One important point to note is that currency movements are not independent of each other. If sterling strengthened generally it may rise against all the above currencies producing losses across all the currencies.

b) Credit Risk

Credit risk represents the risk that the counterparty to the financial instrument will fail to meet their obligations and the Fund will incur a financial loss.

The Fund is exposed to credit risk through its investment managers, custodian and its daily treasury management activities. Credit risk is minimised through the careful selection and monitoring of counterparties.

A securities lending programme is run by the Fund's custodian, BNY Mellon, who manage and monitor the counterparty risk, collateral risk and the overall lending programme. The minimum level of collateral for securities on loan is 102%, however more collateral may be required depending upon the type of transaction. This level is assessed daily to ensure it takes account of market movements. The current collateral Wiltshire Pension Fund accepts is AAA rated supranational debt, AA rated debt and FTSE 350 Equity DBV. Securities lending is capped by investment regulations and statutory limits are in place to ensure that no more than 35% of eligible assets can be on loan at any one time.

Another source of credit risk is the cash balances held internally or by managers. The Pension Fund's bank account is held at HSBC, which holds a AA- long term credit rating and it maintains its status as a well capitalised and strong financial institution. The management of the cash held in this account is managed by the Council's Treasury Management Team in line with the Fund's Treasury Management Strategy which sets out the permitted counterparties and limits. Cash held by investment managers is invested with the custodian in a diversified money market fund rated AAAm.

The Fund's exposure to credit risk at 31 March 2017 and 2016 is the carrying amount of the financial assets.

2017

	£000
Global Fixed interest pooled	231,301
Cash held on deposit	19,799
Other investment balances	170
Current assets	17,047
	268,317

2016

	£000
Global Fixed interest pooled	202,162
Cash held on deposit	20,977
Other investment balances	179
Current assets	16,183
	239,501

c) Liquidity Risk

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due. The main liabilities of the Fund relate to the benefits payable which fall due over a long period of time. The investment strategy reflects this and set out the strategic asset allocation of the Fund. Liquidity risk is mitigated by investing a proportion of the Fund in actively traded instruments in particular equities and fixed income investments. The Fund maintains a cash balance to meet operational requirements.

The following tables analyse the Fund's financial liabilities as at 31 March 2017 and 2016, grouped into relevant maturity dates.

2017	**Carrying Amount £000**	**Less than 12 months £000**	**Greater than 12 months £000**
Accounts Payable	143	143	0
Benefits Payable	493	493	0
Sundry Creditors	3,046	3,046	0
	3,682	**3,682**	**0**

2016	**Carrying Amount £000**	**Less than 12 months £000**	**Greater than 12 months £000**
Accounts Payable	51	51	0
Benefits Payable	500	500	0
Sundry Creditors	3,363	3,363	0
	3,914	**3,914**	**0**

Fair Value Hierarchy

The Fund measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: Unadjusted quoted prices in an active market for identical assets or liabilities that the Fund has the ability to access at the measurement date.

- Level 2: Inputs other than quoted prices under Level 1 that are observable for the asset or liability, either directly or indirectly.

- Level 3: Unobservable inputs for the asset or liability used to measure fair value that rely on the Funds own assumptions concerning the assumptions that market participants would use in pricing an asset or liability.

The tables below analyse financial instruments, measured at fair value at the end of the reporting period 31 March 2017 and 31 March 2016, by the level in the fair value hierarchy into which the fair value measurement is categorised. This has been produced from analysis provided by our custodian BNY Mellon.

2017	£000 Level 1	£000 Level 2	£000 Level 3	£000 Total
Fixed Interest Securities				0
Index Linked Securities				0
Equities	365,698		6,523	372,221
Pooled Funds:				0
- Other		1,483,417	35,740	1,519,157
- Property		106,923	155,835	262,758
Derivative assets				0
- Futures				0
- Options				0
- Forward FX				0
	365,698	**1,590,340**	**198,098**	**2,154,136**
Cash Deposits	19,799			19,799
Other Investment balances	170			170
	385,667	**1,590,340**	**198,098**	**2,174,105**

2016	£000 Level 1	£000 Level 2	£000 Level 3	£000 Total
Fixed Interest Securities				0
Index Linked Securities				0
Equities	307,771		13,077	320,848
Pooled Funds:				0
- Other		1,234,749	17,888	1,252,637
- Property		113,247	117,258	230,505
Derivative assets				0
- Futures				0
- Options				0
- Forward FX				0
	307,771	**1,347,996**	**148,223**	**1,803,990**
Cash Deposits	22,223			22,223
Other Investment balances	179			179
	330,173	**1,347,996**	**148,223**	**1,826,392**

During 2016/17 there were no transfers between level 1 and 2 of the fair value hierarchy.

The following tables present the movement in level 3 instruments for the year end 31 March 2017 and 31 March 2016.

2017	£000
Opening balance	148,223
Total gains/losses	2,618
Purchases	70,693
Sales	(23,436)
Transfer out of Level 3	0
Closing balance	**198,098**

2016	£000
Opening balance	87,727
Total gains/losses	24,358
Purchases	39,537
Sales	(3,399)
Transfer out of Level 3	0
Closing balance	**148,223**

The following table shows the sensitivity of assets valued

Sensitivity of assets valued at level 3

	Assessed Valuation range (+/-)	Value at 31 March 2017 £'000	Value on increase £'000	Value on decrease £'000
Pooled Property	14.50%	157,801	180,682	134,920
M&G Financing Fund	0.00%	4,557	4,557	4,557
Infrastructure	15.00%	35,741	41,102	30,380
		198,099	**226,341**	**169,857**

The following investments represent more than 5% of the net assets of the scheme:

Security	31 March 2017 Market value £m	31 March 2017 % of total market value
L&G UK Passive Equities	285.2	13.1
Investec - Emerging Market Mult Asset	232.6	10.7
Barings - Dynamic Asset Allocation Fund	210.7	9.7
Loomis Sayles Strategic Alpha Fund	138.5	6.4
	867.0	**39.9**

12 Investment management expenses

	2016/2017 £000	2015/2016 £000
Management & Investment Admin Fees	9,047	7,644
Custody & Performance Measurement	70	87
	9,117	**7,731**

13 Current assets

	31 March 2017 £000	31 March 2016 £000
Contributions due from other authorities and bodies		
- Employees	1,536	1,390
- Employers	5,199	5,386
Income due from external managers and custodians	0	0
Debtors (Magistrates)	2,895	3,860
Other	1,748	1,562
Cash balances	5,669	3,985
	17,047	**16,183**
Less:		
Long term debtors (Magistrates)	2,895	3,860
Net Current Assets	**14,152**	**12,323**

Contributions due at the year end have been paid to the Fund subsequent to the year end in accordance with the Rates & Adjustment Certificate.

On 8 April 2011 Wiltshire Pension Fund received confirmation from the Government Actuary's Department that they agreed to make a payment to the Fund to cover the liabilities in respect of the Magistrates Courts. In the past active members employed by the Magistrates Courts were transferred out of the LGPS but pensioners/deferred members remained in. The payment would be in 10 instalments over the next 10 years. The total amount of the remaining debt is £3.86m, of this the following year's instalment (£0.965m) is classified as a debt repayable in one year, and the remaining balance £2.895m is a long term debtor.

14 Current Liabilities

	31 March 2017 £000	31 March 2016 £000
Managers / Custody fees	1,510	1,873
HMRC	717	737
Other	1,455	1,304
	3,682	**3,914**

15. Additional Voluntary Contributions (AVCs)

Fund members paid contributions totalling £0.782 million (£0.649 million in 2015/2016) into their AVC funds during the year. At the year end, the value of funds invested on behalf of Fund members totalled £4.529 million (£3.700 million in 2015/2016), made up as follows:

	£ million
Equitable Life Assurance Society	
- With Profits Fund	0.486
- Unit Linked Managed Fund	0.216
- Building Society Fund	0
Clerical Medical Funds	
- With Profits Fund	0.160
- Unit Linked Managed Fund	0.939
NPI Funds	
- Managed Fund	0.012
- With Profits Fund	0.097
- Global Care Unit Linked Fund	0.062
- Cash Deposit Fund	0.024
Prudential	
- With Profits Cash Accumulation Fund	0.893
- Deposit Fund	0.444
- Diversified Growth Fund	0.422
- Equity Passive	0.059
- Long Term Growth Fund	0.340
- Pre-Retirement Fund	0.187
- Property Fund	0.188
	4.529

As mentioned earlier, AVC investments are not included in the Fund's financial statements.

16. Employer Related Assets

There are no employer related assets within the Fund.

17. Related Party Transactions

The Wiltshire Pension Fund is administered by Wiltshire Council. Consequently there is a strong relationship between the Council and the Pension Fund.

The Council incurred costs of £1.430m (2015/2016: £1.174m) in relation to the administration of the Fund and was subsequently reimbursed by the Fund for these expenses. The Council is also the single largest employer of members of the Pension Fund and contributed £30m to the Fund in 2016/2017 (2015/2016: £28m). A balance of £1.2m was owed by the Pension Fund to the Council at year end.

Part of the pension fund cash holdings are invested on the money markets by the treasury management operations of Wiltshire Council, through a service level agreement. During the year to 31 March 2017, the fund had an average investment balance of £5.6m (31 March 2016: £5m), earning interest of £21k (2015/2016: £27k) in these funds.

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Governance

There are two members of the Pension Fund Committee D Hall and L Stuart that are active members of the Pension Fund. These individuals are the employer bodies' representatives. Councillor Roy While is also a pensioner member of the Pension Fund.

18. Guaranteed Minimum Pension

The Fund continues to make progress on updating the details of Guaranteed Minimum Pensions (GMP) that were not previously shown on member's records. The Fund is working with HMRC on the GMP reconciliation project where all records will need to be reconciled by March 2018.

GMP elements of member's LGPS pension whose State Pension Age (SPA) is prior to 06/04/2016 are not increased by the Fund for Pre 1988 GMP (in respect of the period 06/04/1978 to 05/04/1988). But for Post 1988 element (in respect of the period 06/04/1988 to 05/04/1997) it is increased by a maximum of 3%. The Government increase the State Pension for the member fully on the Pre 1988 GMP element and for Post 1988 GMP element it is only increased if CPI is above 3%.

The effect of LGPS pensions not showing the correct amount of GMP for its members would mean that their pension would be increased by more than it should be.

Although these overpayments are costs to the Fund they have been included as expenditure in previous pension fund accounts, therefore no restatement is necessary.

The Government has announced that future GMP increases will be met in full by the Fund where a member's SPA falls between 06/04/2016 and 05/12/2018. However, we are awaiting further confirmation from the Government as to how GMPs will be increased for those member's whose SPA is after 05/12/2018.

19. Contingent Liabilities and Contractual Commitments

Outstanding capital commitments (investments) at 31 March 2017 totalled Euro 24.9m and USD 48.2m; representing GBP 59.84m (31 March 2016: Euro 30.550m; GBP 24.193m).

These commitments relate to outstanding call payments due on unquoted limited partnership funds held in the infrastructure part of the portfolio. The amounts 'called' are irregular in both size and timing from the original commitment.

20. Post Balance Sheet Event

On 25th November 2015 the Department of Communities and Local Government (DCLG) issued a consultation titled "Investment Reform Criteria and Guidance" inviting administering authorities to submit by 19th February 2016 their initial proposals for pooling LGPS assets into six 'British Wealth Funds' from April 2018 onwards, each containing at least £25bn of assets with the intention to reduce investment management costs while improving the net performance.

In response to the government agenda, Project Brunel was set up to explore the options for pooling investment assets across ten Funds. The founding Funds include The Environment Agency Pension Fund, and the Local Government Funds of Avon, Buckinghamshire, Cornwall, Devon, Dorset, Gloucestershire, Oxfordshire, Somerset and Wiltshire. The collective assets of the pool was approximately £23 billion as at March 2015.

Significant progress has been made by officers to set up a FCA regulated company called Brunel Pension Partnership. It is anticipated that key legal documents will be signed July 2017 formally establishing the company. Following this the FCA application will be submitted with the expected commencement date of pooling assets from April 2018.

Actuarial Statement in respect of IAS26 as at 31.03.2017

Introduction

CIPFA's Code of Practice on Local Authority Accounting 2016/17 requires administering authorities of LGPS funds that prepare pension fund accounts to disclose what IAS26 refers to as the actuarial present value of promised retirement benefits. I have been instructed by the Administering Authority to provide the necessary information for the Wiltshire Pension Fund ("the Fund").

The actuarial present value of promised retirement benefits is to be calculated similarly to the Defined Benefit Obligation under IAS19. There are three options for its disclosure in pension fund accounts:

- Showing the figure in the Net Assets Statement, in which case it requires the statement to disclose the resulting surplus or deficit;
- As a note to the accounts; or
- By reference to this information in an accompanying actuarial report.

If an actuarial valuation has not been prepared at the date of the financial statements, IAS26 requires the most recent valuation to be used as a base and the date of the valuation disclosed. The valuation should be carried out using assumptions in line with IAS19 and not the Pension Fund's funding assumptions.

Present value of Promised Retirement Benefits

£m	**Year ended**	
	31 March 2017	**31 March 2016**
Active members	1,349	1,318
Deferred pensioners	853	558
Pensioners	1,163	881
Total	**3,365**	**2,757**

The promised retirement benefits at 31 March 2017 (2016) have been projected using a roll forward approximation from the latest formal funding valuation as at 31 March 2016 (2013). The approximation involved in the roll forward model means that the split of benefits between the three classes of member may not be reliable. However, I am satisfied that the total figure is a reasonable estimate of the actuarial present value of the benefit promises.

The above figures include both vested and non-vested benefits, although the latter is assumed to have a negligible value. Further, I have not made any allowance for unfunded benefits.

It should be noted the above figures are appropriate for the Administering Authority only for preparation of the Pension Fund accounts. They should not be used for any other purpose (i.e. comparing against liability measures on a funding basis or a cessation basis).

Assumptions

The assumptions used are those adopted for the Administering Authority's IAS19 report and are different as at 31 March 2017 and 31 March 2016. I estimate that the impact of the change of assumptions to 31 March 2017 is to increase the actuarial present value by £505m. I estimate that the impact of the change in demographic and longevity assumptions is to decrease the actuarial present value by £42m.

Financial assumptions

Year ended (%p.a.)	**31 Mar 2017**	**31 Mar 2016**
Pension Increase Rate	2.4%	2.2%
Salary Increase Rate	2.7%	4.2%
Discount Rate	2.5%	3.5%

Longevity assumption
Life expectancy is based on the Fund's VitaCurves with improvements in line with the CMI_2013 model, assuming the current rate of improvements has reached a peak and will converge to a long term rate of 1.25% p.a. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Males	**Females**
Current Pensioners	22.5 years	24.9 years
Future Pensioners*	24.1 years	26.7 years

**Future pensioners (assumed to be aged 45 at the latest formal valuation)*

Please note that the longevity assumptions have changed since the previous IAS26 disclosure for the Fund.

Commutation assumptions
An allowance is included for future retirements to elect to take 50% of the maximum additional tax-free cash up to HMRC limits for pre-April 2008 service and 75% of the maximum tax-free cash for post-April 2008 service.

Sensitivity Analysis
CIPFA guidance requires the disclosure of the sensitivity of the results to the methods and assumptions used. The sensitivities regarding the principal assumptions used to measure the liabilities are set out below:

Change in assumptions for the year ended 31 March 2016	Approximate % Increase in liabilities	Approximate monetary amount (£m)
0.5% p.a. increase in the Pension Increase Rate	8%	282
0.5% p.a. increase in Salary Increase Rate	3%	90
0.5% decrease in Real Discount Rate	11%	379

The principal demographic assumption is the longevity assumption. For sensitivity purposes, I estimate that a 1 year increase in life expectancy would approximately increase the liabilities by around 3-5%.

Professional notes
This paper accompanies my covering report titled 'Actuarial Valuation as at 31 March 2017 for accounting purposes'. The covering report identifies the appropriate reliances and limitations for the use of the figures in this paper, together with further details regarding the professional requirements and assumptions.

Robert McInroy FFA

3 May 2017

For and on behalf of Hymans Robertson LLP

Schedule of Employer Bodies

Scheduled/Resolution bodies

Wiltshire Council
Swindon Borough Council
Wiltshire & Swindon Fire Authority
Wiltshire Police PCC & CC
Alderbury Parish Council
Amesbury Parish Council
Blunsdon St Andrews Parish Council
Bradford-on-Avon Town Council
Calne Town Council
Chippenham Town Council
Corsham Town Council
Cricklade Town Council
Devizes Town Council
Haydon Wick Parish Council
Highworth Town Council
Malmesbury Town Council
Marlborough Town Council
Melksham Town Council
Melksham Without Parish Council
Mere Parish Council
Purton Parish Council
Redlynch
Royal Wootton Bassett Town Council
Salisbury City Council
Steeple Ashton Parish Council
Stratton St Margaret Parish Council
Trowbridge Town Council
Wanborough Town Council
Warminster Town Council
Westbury Town Council
Wilton Town Council
Wroughton Parish Council
All Saints (Netheravon) Academy
Acorn Academy
ATOM
Athelston Trust (Bradon Forest)
Athelston Trust (Malmesbury Academy)
Bishop Wordsworth Academy
Blue kite Academy
Bybrook Valley Academy
Christian Malford Academy
Churchfield Academy
Colebrook Infants Academy
Commonweal Academy
Corsham Primary Academy
Corsham Secondary Academy
inc Corsham Regis
Dauntseys Academy
Devizes Academy
Diocese of Bristol Academy Trust
Diocese of Salisbury Academy Trust
Dorcan Technology Academy
Eastrop Infants Academy
Education Fellowship
Excalibur Academy
Goddards Park Academy
Gorse Hill Academy
Hardenhuish School Ltd
Hazelwood Academy
Highworth Warneford Academy
Holy Family Academy
Holy Rood PrimaryAcademy
Holy Cross Catholic Primary
Holy Trinity Calne Academy
Holy Trinity Devizes Academy
John Bentley Academy
John of Gaunt Academy
King William Academy
Kingsdown Academy
Lavington Academy
Lethbridge Academy
Lydiard Academy
Malmesbury Primary Academy
The Mead Primary Academy
inc Castle Mead Academy
inc River Mead Academy
Millbrook Academy
Morgan Vale Academy
New College
Oasis Community Learning
Peatmoor Primary Academy
Pewsey Primary Academy
Pewsey Vale Academy
Queens Crescent Academy
Rowde Academy
Royal Wootton Bassett School
Salisbury 6th Form Academy
Sarum Academy
Sevenfields Academy
Shaw Ridge Academy
Sheldon Academy
Somerset Road Academy
Southbroom Infants Academy
South Wilts Grammar School
South Wilts UTC
Southfield Junior Academy
Springfields Academy
St Augustine's School
St Catherine's Academy
St Edmund's Calne Academy
St Edmunds Girls Academy Salisbury
St Joseph's Academy Devizes
St Joseph's Academy Swindon
St Laurence Academy
St Leonard's Academy
St Mary's Swindon Academy
Swindon College
The Parks Academy Trust
United Learning Trust
Uplands Education Trust
UTC Swindon
Wansdyke Academy
Wellington Academy
West Ashton Academy
Westlea Academy
White Horse Academies
Wiltshire College
Woodford Valley Academy

Admitted bodies

Agincare
Aster Communities
Aster Group
Aster Living
Aster Property Management
Atkins Ltd
Capita Business Services Ltd
Care Home Select (CHS)
Caterlink 1
Caterlink 2
Caterlink 3
Churchill Services 1
Churchill Services 2
CIPFA
Collaborative Schools
Create Studios
Community First
Change Grow Live
Devizes Museum
Direct Cleaning
Direct Cleaning Wansdyke
Edwards and Wards
Elior UK
First City Nursing
FCC Environment
GLL
Greenwich Leisure Limited pt2
Great Western Hospital
Greenwich Leisure Limited
Innovate Services
Idverde
Lifeways
Mears Care Ltd North 1
Mears care Ltd West 1
Mears Care East 2
Places For People Leisure
The Order Of St John Care Trust
Oxford Health NHS Trust
Ringway
Reach
Salisbury and South Wilts Museum
Sarsen Housing
Selwood Housing
Sodexo
Seren Group
Somerset Care Ltd
Southern Health NHS Foundation Trust
Spurgeons
Public Power Solutions
Swindon Wildcats
Swindon Dance
The Cleaning Company
Twigmarket
Visit Wiltshire
Greensquare (Westlea Housing Association)
Wiltshire and Swindon Sports Partnership
Wiltshire CCG

These accounts form a summary from the Wiltshire Pension Fund Annual Report and Financial Statements publication. This provides information on its activities and a full detailed statement of its accounts. Requests for this report, or any other queries arising from the Wiltshire Pension Fund Accounts, should be addressed to the Chief Financial Officer, County Hall, Bythesea Road, Trowbridge, BA14 8JN.

Wiltshire Council

Audit Committee

26th July 2017

Information Governance

Executive summary

The purpose of this report is to update the Audit Committee on progress with the information governance improvement programme.

The programme continues to address the findings identified by the Information Commissioner's Office (ICO), with key actions already having been delivered and a 2-year programme in place, identifying timescales for further improvements, which are beyond the scope of the ICO audit and will seek to provide the organisation with a robust framework for even better compliance with statutory Governance requirements.

Proposal

That the Committee notes:

a) the significant steps that have been taken to address and rectify the findings identified by the Information Commissioner's Office (ICO) and the audit engagement with them is now complete.

b) the continued progress to address the actions identified in the two year improvement programme, which goes beyond the ICO requirements to fully instil a new information governance culture and practices across the organisation, whilst ensuring compliance with statutory legislation.

Reason for proposal

Report provided for information only.

Dr. Carlton Brand, Corporate Director
Wiltshire Council

Information Governance

Purpose of report

1. To inform the Audit Committee of the progress of the improvement programme that has been set up to address the findings identified by the ICO.

Background

2. An information governance improvement programme has been developed to address the recommendations in the ICO's report and is based on the NHS and Local Authority Information Governance Toolkit (version 13), which is recognised as providing a comprehensive set of standards for information governance and meets with the approval of the ICO.

3. The ICO provided some constructive feedback on the action plan in April 2016 and advised that the audit engagement is now complete. It is acknowledged that whilst some of the timescales have moved from the original plan, the ICO Board felt it is important that the organisation does not have a rapid, quick fix approach to put things right; but that there is the creation of a much more sustainable framework and strategy for Information Governance across the Council.

4. Information Governance was and is specifically included in reports of the 27th October 2015, 26th January 2016, 27th July 2016, 26th October 2016 and 24th January 2017.

Main Considerations for the Committee

ICO Recommendations update

5. Substantial progress is being made in the areas for improvement identified in the ICO's report. The current position is as follows:

Scope area	**Number of recommendations in each scope area from the original audit report**	**Number of actions complete, partially complete and not implemented.** **Last report Jan 17**	**Number of actions complete, partially complete and not implemented.** **Current Status**
Records Management	31	20 Completed 11 in progress	30 Completed 1 in progress
Subject Access Requests	27	16 Completed 11 in progress	27 Completed
Data Sharing	16	8 Completed 8 in progress	12 Completed 4 in progress
TOTAL **TOTAL COMPLETE** **TOTAL IN PROGRESS**	**74** **69 (93**%) **5 (7%)**		

6. The Information Governance Assurance Steering Group will continue to monitor Information Governance Risk for the Council, reporting into the Information Governance Programme Board. All IG risks are updated on a quarterly basis as part of the Corporate Performance and Risk report into Cabinet.

Data Protection

7. New European regulations, the General Data Protection Regulation (GDPR) have been passed into law for all member states. These will come into effect on 25th May 2018.

8. The Council must have achieved compliance by this date. Failure to do may lead to significant enforcement action being issued by the Information Commissioner's Office and could involve a significant fine of up to 20 million Euros or 4% of turnover. Much of the change improves upon current requirements, but there are a number of important elements which will impact across all services within the Council. Key elements that have all been modified and will be embedded in processes by May next year include:

- information required to be given to data subjects when collecting data from them,
- the legal basis for processing, data subjects' rights,
  the timeframe for responding to subject access requests

9. A project to implement the new regulations across the Council has been formed and will meet monthly until summer next year, to ensure the Council is GDPR ready. It will report to the IG Board, with updates to other committees as required. A project team has been identified to represent key services where the impact will be greatest, and a communications strategy will lead to regular information releases to inform staff of the changes.

Freedom of Information

10. Following the introduction of updated practices and procedures, the processing of requests for information has improved to the point where we can now focus on the information we place into the public domain.

11. All local authorities are obliged to proactively publish information for public consumption. The purpose of making information available is not only to improve openness and transparency, but also to reduce the number of requests for information the authority must process, consequentially reducing pressure on resources.

12. A gap analysis is ongoing to identify what is currently published to meet our responsibilities under the Freedom of Information Act, the Environmental Information Regulations and the Local Government Transparency Code.

13. Initial discussions have taken place with ICT and the Web Team to produce a single page on our public facing website, which will contain a list of all the categories of information we are obliged to publish, together with hyperlinks to each page on the website where the information is held. Service areas will be

responsible for placing the information on the appropriate pages to an agreed timetable with the FoI Lead monitoring the publication frequency.

14. Work is also underway with data.gov.uk, the governments searchable website, to publish datasets and implement the automatic updating of those datasets from our website using harvesting tools.

Records Management

15. The project to remove paper storage from sites across the County, is now complete. Completion was due by the end of March and was Finished early, by 6th March.

16. The IM Connect portal for services to retrieve and return files is up and running, being well utilised by staff. This is now the principle way for managing paper records. We continue to work with Iron Mountain to ensure the file catalogue is complete to ensure services understand what is held and how they can access it.

17. A review of the Council's retention schedule continues. The schedule contains the Council's policy for how long it keeps various types of record and what it does with them once that period of retention has expired. The exiting schedule is incomplete and not particularly user friendly. The IG team have now contacted all services to review their parts of the retention schedule. A new version will be available by the end of June and will be a living document which teams will have access to update when needed. The IG team will continue to monitor this to ensure that teams maintain and dispose of records in line with a single and consistent policy.

Information Asset Register

18. A composite Information Asset Register to record all the Council's information assets has been designed, successfully piloted and was rolled out across the organisation at the beginning of October, for completion by the Information Asset Owners (Heads of Service) by the first week of December 2016. This was Phase 1.

19. Phase 1 responses have been reviewed and assessed and Phase 2 has now been launched. This will enable the extraction of more detail and enable better clarification from services to ensure the organisation can understand and manage its assets and the risks associated with them. This will ensure better protection of information held and ensure that the information we do hold is current and relevant and contributes to the business of the Council, rather than being historic information that is no longer fit for purpose.

20. The response rate from Heads of Service for this phase currently stands at 80%. There has been some significant restructuring in certain service areas and this is where the focus has been. The IG team has worked with these services to ensure that support was given to encourage completion as soon as possible and for the majority of services this has been achieved. The IG Programme Board is overseeing the progress of this work.

PSN

21. In order for the Council to exchange data securely with central government and other public sector partners, it is necessary for it to be part of and therefore compliant with the Public Services Network requirements for information security. Compliance and approval are subject to annual review, which includes penetration testing, both on the IT system itself and physical entry into buildings.

22. The most recent review identified several areas of improvement, for both the physical and technological elements. These issues have been ranked from critical to low. Progress has been significant since last year.

Main Outstanding Issues

A PSN compliance certificate was granted on 24th May. The certificate is conditional on completion of actions in two areas:

1. Remediation of 1 critical and 3 high risks identified as part of the penetration testing. These were completed by the end of June.
2. Remediation of a critical risk relating to a complex upgrade of a major application. This will be completed by the end of August.

Completion of these action will ensure that the Council retains its PSN certificate.

SharePoint

23. Together with IT and the Programme Office, IG are currently developing a team site on SharePoint which is hoped will provide a template for team sites across the organisation. The project has fallen into two distinct phases. The first phase is focusing on developing the look and functionality of a team site. Exploring what the site needs to do for each team, the visual look and feel of the site to ensure staff engagement and considering how information can be managed and stored.

24. Progress on developing the team site remains steady. In order to transfer content to the new sites, a migration tool is required, which needs to work for both the Council and the Police. This is currently being considered by ICT.

25. The second issue is around information security of material on SharePoint and permissions to SharePoint sites, which must be managed via active directory and it is anticipated that this work will commence in September/October 2017.

Communications and Training Programme

26. A Communication/Awareness plan document together with an Information Governance Training strategy was approved by the IG Board in March and May. It is important to note that the continued success of the improvement

programme remains reliant on culture change and embedding the importance of information governance across the organisation. Both these plans aim to steer that change forward and endeavour to ensure that Information Governance remains the change agenda for services across the Council.

28. The IG team continue to deliver bespoke training to relevant service areas and will continue to promote and provide professional support and guidance across the organisation.

29. Work is also being undertaken to look at requirements to train staff within the organisation, through an eLearning package. HR & OD are currently undertaking a procurement process for e-learning, which includes Information Governance modules.

30. A monthly IG Newsletter is published via the Electric Wire, which commenced at the end of June and provides information, advice and support to the organisation around Information Governance.

31. A IG workspace via GROW is currently being developed. This will be an information hub that people can access for further advice and guidance.

Environmental Impact

32. There are no environmental impact implications.

Procurement Implications

33. Procurement guidance has been updated to support proposed changes to the Council's Procurement Rules, which include requirements for data sharing and information security. The guidance will cover the Council's obligations in respect of information governance and seeks to ensure engagement of Information Security at the point of initiation to provide the relevant safeguards for new specifications.

Equality and Diversity Impact

34. There are no equality and diversity impact implications.

Risk Assessment

35. Failure to implement improvement actions will increase the risk of non-compliance with information legislation resulting in reputational harm, litigation, fines and costs.

Financial Implications

36. Work is being undertaken to ensure the budgetary transfers required from across the Authority which will cover the cost of the records contract with Iron Mountain.

Legal Implications

37. The measures that are being taken under the Improvement Programme will ensure that the Council meets its obligations under information legislation.

Conclusion

38. Significant steps continue to be taken and actioned to address and rectify the findings identified by the Information Commissioner's Office, with 93% of all actions having been completed

39. The IG team continues to drive both the ICO requirements and meet the demands of complying with statutory legislation to encourage a new information governance culture across the organisation.

40. A further 12 month IG programme plan for continuing improvements outside of the ICO requirements is being developed.

41. It remains key to the continuing success of the IG programme to raise the profile of IG across the organisation and to encourage both staff and managers to engage with and take responsibility for managing their information.

Robin Townsend,
Associate Director, Corporate Function, Procurement and Programme Office

Report Author:

Sarah Butler, Information Governance Manager

sarah.butler@wiltshire.gov.uk

01225 718446

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Wiltshire Council
Where everybody matters

AUDIT FORWARD PLAN

PROPOSED WORK PROGRAMME FOR THE AUDIT COMMITTEE - 2017/18

Meeting Date and Time	Name of Report	Report Author	Deadline for submission of reports	Legal publication date
September TBC	IA Annual Report 16/17 and Healthy Organisations	SWAP	TBC	TBC
	Q1 IA report and Healthy Organisations	SWAP	TBC	TBC
	Internal Audit Plan 2017/18	SWAP	TBC	TBC
	Counter Fraud Plan 2017/18	SWAP	TBC	TBC
Thursday 9 November 2017 10am	Q2 IA report and Healthy Organisations	SWAP	24/10/17	01/11/17
	Annual audit letter	KPMG	24/10/17	01/11/17
	KPMG Audit Fee Letter	KPMG	24/10/17	01/11/17
	KPMG External Audit Plan	KPMG	24/10/17	01/11/17

PROPOSED WORK PROGRAMME FOR THE AUDIT COMMITTEE - 2017/18

Wednesday 14 February 2018 10am	Q3 IA report and Healthy Organisations	SWAP	27/01/18	06/02/18
	Grant Certification Report 2016/17	KPMG	27/01/18	06/02/18

AUDIT CONTACTS

Finance: Michael Hudson – Assoc. Director- Finance, Matthew Tiller – Chief Accountant
Legal: Ian Gibbons – Associate Director, Legal & Governance
Corporate Office: Robin Townsend – Associate Director, Corporate Function, Procurement and Programme Office

SWAP:

Ian Withers
Assistant Director
SWAP Internal Audit Services
01225 763495 (Trowbridge Office)
ian.withers@southwestaudit.co.uk

Nicky Mudd
PA to Chief Executive
South West Audit Partnership Ltd
01935 385906
nicky.mudd@southwestaudit.co.uk

David Hill CMIIA QIAL CIA .
Director of Planning, South West Audit Partnership Ltd
01935 385906 (Head Office)
07595 711087;
david.hill@southwestaudit.co.uk

KPMG:

Adam Bunting, LLB (Hons) LLM ACA
Manager, Public Sector Audit
KPMG LLP
100 Temple Street
Bristol, BS1 6AG
T: +44 (0)117 905 4470
M: +44 (0)787 613 7589
adam.bunting@kpmg.co.uk

Darren Gilbert – Director, KPMG
Darren.Gilbert@KPMG.co.uk
Rob Andrews Rob.Andrews@KPMG.co.uk