

AGENDA

Meeting: Audit Committee

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

Date: Wednesday 24 July 2019

Time: 10.00 am

Please direct any enquiries on this Agenda to Jessica Croman, of Democratic Services, County Hall, Bythesea Road, Trowbridge, direct line 01225 718262 or email jessica.croman@wiltshire.gov.uk

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

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Membership:

Cllr Richard Britton (Chairman)
Cllr Stewart Dobson (Vice-Chairman)
Cllr Gavin Grant
Cllr Mike Hewitt
Cllr Edward Kirk
Cllr Tony Jackson

Cllr Andy Phillips
Cllr Ian Thorn
Cllr John Walsh
Cllr Anna Cuthbert
Cllr Stuart Wheeler

Substitutes:

Cllr Peter Evans
Cllr Ross Henning
Cllr Ruth Hopkinson
Cllr Jon Hubbard

Cllr Jim Lynch
Cllr Ricky Rogers
Cllr Pip Ridout
Cllr Roy While

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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 - 14*)

To confirm and sign the minutes of the meeting held on 26 June 2019.

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 **(4 clear working days, e.g. Wednesday of week before a Wednesday meeting)** in order to be guaranteed of a written response. In order to receive a verbal response questions must be submitted no later than 5pm on **(2 clear working days, eg Friday of week before a Wednesday meeting)**. Please contact the officer named on the front of this agenda for further advice. Questions may be asked without notice if the Chairman decides that the matter is urgent.

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

6 **Report to those Charged with Governance (ISA 260) 2018/2019** *(Pages 15 - 18)*

The committee is requested to consider the ISA260 report from external auditors in its receipt of the draft accounts for 2018/19. 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.

7 **Pension Assurance on the Statement of the Pension Fund Accounts**

To receive assurance from the Pension Committee on the Statement of the Pension Fund Accounts.

8 **Statement of Accounts** *(Pages 19 - 144)*

The Committee is asked to consider the Statement of Accounts for 2018/19.

9 **Annual Governance Statement** *(Pages 145 - 160)*

The Committee is asked to consider officer reports and to approve the Annual Governance Statement for 2018/19 for publication with the Statement of Accounts.

10 **IA Annual Report 2018/2019** *(Pages 161 - 182)*

To consider the report and note the findings of the internal auditors.

11 **Q1 IA Report** *(Pages 183 - 204)*

To consider the report and note the findings of the internal auditors.

12 **Action Plans on Money Laundering, Anti-Fraud, Theft, Bribery and Anti-Corruption** *(Pages 205 - 222)*

To note and comment upon the action plan and flowchart.

13 **Appointment to the Constitution Focus Group**

To appoint a Member to the Constitution Focus Group.

14 **Task and Finish Group Update** *(Pages 223 - 224)*

To note the initial proposals for the scope of the Task & Finish Group.

15 **Forward Work Programme** *(Pages 225 - 226)*

To note the Forward Work Programme

16 **Date of Next Meeting**

To note that the next regular meeting of the Committee will be held on 7 November 2019.

17 **Urgent Items**

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

Part II

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

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AUDIT COMMITTEE

DRAFT MINUTES OF THE AUDIT COMMITTEE MEETING HELD ON 26 JUNE 2019 AT KENNET ROOM - COUNTY HALL, BYTHESEA ROAD, TROWBRIDGE, BA14 8JN.

Present:

Cllr Richard Britton (Chairman), Cllr Stewart Dobson (Vice-Chairman), Cllr Gavin Grant, Cllr Mike Hewitt, Cllr Edward Kirk, Cllr Tony Jackson, Cllr Ian Thorn, Cllr John Walsh and Cllr Peter Evans (Substitute - Part II)

Also Present:

Cllr Philip Whitehead

34 **Apologies**

Apologies were received from Cllr Stuart Wheeler.

Cllr Stuart Wheeler was substituted by Cllr Peter Evans.

35 **Minutes of the Previous Meeting**

Decision:

To approve the minutes of the meeting held on 17 April 2019.

36 **Declarations of Interests**

There were no declarations of interest.

37 **Chairman's Announcements**

The Chairman made the following announcements:

1. The Chairman welcomed Charlotte Wilson from SWAP, to the meeting.

2. The Chairman reported that he had recently attended the Local Audit Quality Forum. One of the discussions at the Forum centred around guidance from the Chartered Institute of Public Finance and Accountancy, about the inclusion of an independent co-opted person on Audit Committees. The Chairman suggested that this was an issue that could be explored further for Wiltshire Council's Audit Committee and he proposed that a Task and Finish Group be established to take this forward and report back to a future Audit Committee meeting.

Cllrs Dobson and Grant expressed an interest in being involved in the Task and Finish Group. The Chair would prepare the Group's Terms of Reference and circulate them to the Committee in due course.

Resolved: That a Task and Finish Group, with a membership as detailed below, be established to consider the possibility of the Audit Committee including a Co-Opted Independent Person(s) in its membership:

Membership: Cllr Richard Britton, Cllr Stewart Dobson and Cllr Gavin Grant.

38 **Public Participation**

There were no public in attendance or any questions received.

39 **Draft Annual Governance Statement**

Cllr Philip Whitehead introduced the Draft Annual Governance Statement and explained that the Audit Committee had an opportunity to comment on the draft Statement prior to Cabinet's consideration on 2 July 2019. He noted that the Council had a requirement to produce the Statement as part of the Council's annual review of the effectiveness of its governance arrangements.

The Committee noted that the report format had been changed from previous years to bring about major improvements to the readability of the document and include best practice from other authorities.

The following observations and comments were made during the Committee's consideration of the Statement:

- Would prefer comments from the Council's external auditors, Deloitte LLP, to be included in the draft document in preference to their comments only appearing in the final version which would be considered by the Audit Committee on 24 July 2019.
- The Committee were reassured that the governance issues detailed in the report as 'areas for improvement', were areas currently receiving

attention as part of an ongoing review and did not require much additional work to resolve.

- It was felt that Governance issues were slightly fragmented in their consideration by a number of Committees and this should be consolidated to one Committee.
- Principle B box 2 – to amend the word ‘consultation’ to read ‘engagement’.
- Principle B box 4 – to clarify that it was the role of local members to call-in planning applications that were of local concern, rather than the local Planning Committee.
- Principle B box 7 – references to the Wiltshire Compact would be refreshed in the final document.
- Principle C box 7 – it was felt that the public are aware of the policy to encourage asset transfer and to amend the section with new wording to emphasise asset transfer packages are being offered and encouraged throughout the county’
- Principle C box 7 – to remove the word ‘eventually’ in the last line of this section.
- Principle D box one - to include the full name of the Financial Planning Task Group.
- Principle D box two - to include the full name of the Corporate Leadership Team in place of the acronym CLT.

The Chairman thanked all involved in the preparation of the Statement and reminded members that the final version would be considered further by the Audit Committee at its meeting on 24 July 2019.

Resolved:

- 1. The draft Annual Governance Statement as set out in Appendix 1 of the report was considered and comments made, as detailed above.**
- 2. To note that the draft Annual Governance Statement will be revised in the light of the above comments before final approval by the Audit Committee and publication with the Statement of Accounts and Senior Information Risk Owner Annual Report at the end of July 2019.**

40 **Draft Statement of Accounts**

Matt Tiller, Chief Accountant introduced the Statement of Accounts 2018/19 report and explained that the document presented the overall financial position of the Council reflecting the outturn position detailed in the report. It was noted that there was a delay in obtaining final external valuation figures, including for

County farms and the final statement would be updated to reflect the final valuations.

The Committee noted that the Council's auditors, Deloitte LLP, had commenced the year end audit, which was proceeding well following good cooperation with Council officers. Cllr Whitehead reported that the Comprehensive Income and Expenditure Statement summarised the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from the Council tax.

The following observations and comments were made during the Committee's consideration of the Statement of Accounts:

- Underspends in the Housing Revenue Account and details assets under construction.
- The number of Technical adjustments to the Comprehensive Income and Expenditure Account to ensure consistency.
- Disposal of assets and the variations between re-evaluations undertaken every three years and the amount an asset achieved during a sale.
- Details in relation to the current housing fund for capital projects.
- The terminology included in the report for sources of financing a project.
- Comparisons between cashflow in 2017/18 and 2018/19
- Scheduled Private Finance Initiative payments
- The management of the payments for Housing Private Finance Initiatives.
- Investment property and the direct operating expenses which refer to management fees.
- The need to reword Note 24 on Intangible Assets.
- Confirmation of the other Local Authorities that owe sums to the Council for supplies and services provided prior to 31 March 2018 and not received to date.
- Details about the breakdown of general fund debtors, with the majority of debt arising from housing benefit overpayments.
- The need for Council partners to promote direct payment of housing benefit.
- Details of accumulated absences and how the figure refers to the level of leave taken by staff.
- The discount rate employed in relation to the fair values of financial assets and liabilities.
- Community Infrastructure Levy and how it is accounted for, in particular the Parish Council element.
- To include a note about the element of Short Term Debtors at Note 26, to the Government for supplies and services from the HMRC.
- Loans to primary schools to provide cash flow and how it is recorded in the Draft Statement of Accounts.

The Chairman confirmed that the report would be updated and considered further by the Committee at its next meeting on 24 July 2019.

Resolved: To receive and note the draft Statement of Accounts for 2018/19, subject to the amendments as detailed above.

41 **Annual SIRO Report**

Robin Townsend MBE, Director of Corporate Services and the Council's Senior Information Risk Owner (SIRO) presented the Information Governance SIRO Annual Report for the period of April 2018-March 2019.

The report provided an overview of the current Information Governance status including compliance with key standards and information about data incidents. The report ensures that the Corporate Leadership Team and Cabinet are advised of the most significant current and emerging Information Governance issues and the measures being taken by the Authority to ensure it meets the national and mandatory standards.

The SIRO commented on the marked increase in requests under the Freedom of Information and Environmental Information Regulations and the Council's responsibility to respond to the requests. He indicated that the Council was adding information to the its website over and above that defined by the publication scheme and the Local Government Transparency Code. The Committee noted that a small number of officers make up the Information Governance Team and they undertake a disproportionate amount of work. The recent audit undertaken by SWAP concluded that significant work appeared to have been undertaken by the team and individual service areas in relation to General Data Protection Regulation compliance, which has contributed towards actively ensuring compliance and raising staff awareness across the Council.

The following observations and comments were made during the Committee's consideration of the Annual report:

- Details about the Council's retention schedule.
- The timeframes for full responses to be sent to FOI requests.
- The significant upward trend in the number of Subject Access Requests made under Data Protection legislation, in particular for three key areas - Public Health, Adult Social Care and Children Services requests.
- The significance of ensuring that Information Security is starting to do something we all do every day, rather than something that the Information Governance Team do.

The Chairman thanked the SIRO for producing and excellent Annual Report.

Resolved: That the Information Governance SIRO Annual Report for the period of April 2018-March 2019 be approved.

42 **Outstanding Internal Audit Recommendations**

Charlotte Wilson, SWAP introduced the report on outstanding internal audit recommendations. The report indicated that the majority of outstanding recommendations referred to priority 3 – a finding that required attention and mainly for schools.

The Chairman expressed a concern that a number of recommendations for priority 3 had not received a response, where one was merited. The Director of Legal, Elections and Registration Services and Council's Monitoring Officer explained that the lack of response was due to work load issues at the time. He suggested that the Corporate Governance Working group would undertake an ongoing monitoring function as part of the governance arrangements. Cllr Whitehead confirmed that work was being undertaken on responding to the recommendations in the majority of cases.

Officers and Cllr Whitehead responded to the issues raised in relation to the Whistleblowing Policy, online Register of Interests and close personal relationships, Homelessness Strategy and disaster recovery continuity plans.

Resolved: That the outstanding Internal Audit Recommendations be noted.

43 **Forward Work Programme**

The Forward Work Programme was noted.

44 **Date of Next Meeting**

The next meeting would be held on 24 July 2019.

45 **Urgent Items**

There were no urgent items.

(Duration of meeting: 2.00 - 4.00 pm)

The Officer who has produced these minutes is Stuart Figini of Democratic Services,
direct line 01225 7182621, e-mail jessica.croman@wiltshire.gov.uk

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WILTSHIRE COUNCIL

AUDIT COMMITTEE

24 JULY 2019

Subject: DELOITTE: REPORT TO THOSE CHARGED WITH GOVERNANCE (ISA 260) 2018/2019

Cabinet member: Philip Whitehead – Leader of Council

Key Decision: No

Purpose of Report

1. To present Deloitte's "Report to those charged with governance" to the Audit Committee and to invite Members to consider their response. Deloitte will attend the meeting of the Audit Committee to present the report and to respond to any queries. The detailed report is currently being finalised with the auditors and will follow as a supplementary report.

Background

2. The report is prepared by the Council's external auditor (Deloitte) 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. This is the first year of Deloitte's audit of Wiltshire Council. Work is progressing, but there are still some areas where work is still to be completed. The main area for this is Fixed Assets. Once this work has been completed a final report will follow as a supplementary item.

Overview and Scrutiny Engagement

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

Safeguarding Implications

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

Public Health Implications

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

Procurement Implications

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

Equalities Impact of the Proposal

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

Environmental and Climate Change Considerations

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

Risk Assessment

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

Financial Implications

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

Legal Implications

12. Deloitte'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 2018/2019. 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 Deloitte's Report to those charged to governance to the Audit Committee and to invite Members to consider their response.

BECKY HELLARD

Interim Director, Finance & Procurement

Report Author: Matthew Tiller – Chief Accountant

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

None.

Appendices:

Appendix A - Deloitte Report to Those Charged with Governance (ISA 260)
2018/2019 TO FOLLOW

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WILTSHIRE COUNCIL AUDIT

24 JULY 2019

WILTSHIRE COUNCIL: STATEMENT OF ACCOUNTS 2018/2019

Purpose of Report

1. To present the Statement of Accounts in respect of the 2018/2019 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 2018/19 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 outturn position above.

Background and Introduction

3. The draft Statement of Accounts were brought to the previous Audit Committee on 26 June 2019.
4. The draft Statement of Accounts have been subject to external audit by the Council's appointed auditors (Deloitte) 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 constitution, in Wiltshire the Statement of Accounts are adopted by the Audit Committee.
5. Deloitte 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 report to those charged with governance. This report should be read in conjunction with this document and the proposal is subject to any issues arising from that report.

Key Issues Arising

6. The draft accounts were signed by the Chief Finance Officer on 31 May 2019, in line with the revised statutory deadline. Deloitte commenced the year end audit on 3 June 2019. The draft accounts were taken to Cabinet on 11 June 2019 and then Audit Committee on 26 June 2019.

7. During the audit, some formatting and presentational changes were agreed. These have been included in this final draft Statement of Accounts. As covered in the report to those charged with governance. Deloitte are currently finalising their audit work. Any further changes required will be presented to the Audit Committee at this meeting.
8. This is ahead of the Statutory Deadline of 31 July.
9. The draft outturn on the General Revenue Fund reported to Cabinet on 11 June 2019 was an underspend of £0.357 million and an additional top up deposit of £1.800 million which was returned to General Revenue Fund Reserves. Further details of this were reported to Cabinet on 11 June 2019 in the Revenue Outturn Report.
10. The Housing Revenue Account had a final unaudited outturn underspend of £2.119 million. Additionally, there was a planned draw of £6.503 million from reserves to support the HRA new build programme. This results in an overall draw from reserves of £4.384 million.

Statement of Accounts format

11. 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.

Overview and Scrutiny Engagement

12. There is a 30 working day public inspection period where interested parties may come in to inspect the accounts. This runs from 3 June 2019 to 12 July 2019.
13. The Wiltshire Pension Fund Statement of Accounts will be reported to the Pension Committee on 20 June 2019. Once approved, subject to the completion of the audit, the Wiltshire Pension Fund Financial Statements 2018/19 will be referred to the Audit Committee on 24 July 2019 as part of the Final Accounts.

Safeguarding Implications

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

Public Health Implications

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

Procurement Implications

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

Equalities Impact of the Proposal

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

Environmental and Climate Change Considerations

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

Risk Assessment

19. None.

Financial Implications

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

Legal Implications

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

Recommendations

22. That the Audit Committee receives and notes the final draft Statement of Accounts for 2018/2019.

Reason for Recommendations

23. To ensure the Audit Committee are aware of the final draft Statement of Accounts for 2018/2019.

BECKY HELLARD

Interim Director, Finance & Procurement

Report Author

Matthew Tiller, Chief Accountant

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

Appendices:

Appendix A

Wiltshire Council Statement of Accounts 2018/2019

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Wiltshire Council

FINAL DRAFT

Annual Report and Statement of Accounts

2018/2019

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Leader's introduction

2018/2019 has been a challenging but successful year as the Council delivered against our Business Plan. Despite funding pressures and significant levels of demand, the Council has made strong progress in its priorities.

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

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

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

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

2018/2019 has been another challenging year financial, yet I am delighted that the attached statements show yet again we have delivered our budget and this year we have succeeded in returning £2.2 million to the General Fund Reserve.

This has been achieved whilst delivering £26 million of in year saving proposals in the face of £33 million of growth in demand for critical services.

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

- Continuation of the adult social care transformation programme;
- Continuation of the families and children's service transformation programme, with an aim of significantly improving the chances of all our children living safely,

- healthily and happily in their own families and communities; and
- investment in a new children's case management system, to replace 5 legacy systems

The political uncertainties around the United Kingdom's departure from the European Union and the question mark over local authority funding posed by the Government's delayed fair funding review lead to future financial uncertainties. Additionally, there are proposed changes with business rates devolution and the government's future finance settlements. The outcomes of all these changes are not yet known but may impact significantly on the council's finances. However, the Council remains absolutely committed to deliver its priorities and on delivering vital services for its communities, residents and businesses.

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

Finally, I would like to pay tribute to Baroness Scott of Bybrook who recently stood down as Leader after 16 years. Her vision and leadership have been instrumental in transforming the Council and bringing it to the successful position it is today.



Cllr Philip Whitehead

Leader of Wiltshire Council 24 July 2019

Director of Finance's Narrative Report

Wiltshire is a County with a proud heritage. The Council, like its peers and public sector partners has had to deal with a significant reduction in government funding and unprecedented increases in demand for services. In total Government funding has fallen by nearly £130 million since 2009. Disproportionate increases in demand for services has compounded this with pressures of £33 million being contained and mitigated. Yet despite this, and through effective financial management, the Council has every year set and delivered a balanced budget. At the same time improving its performance in key areas.

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

Looking back on 2018/2019, the Council has had another successful year financially. In setting the 2018/2019 budget the Council planned to deliver £26 million of savings in the face of £33 million of growth in demand for services. The outturn shows that we have delivered a small underspend of £0.357 million and thus delivered again on the saving goals.

Service Area	2018/2019 £m	2017/2018 £m
Adults	152.646	144.593
Children	75.502	68.676
Growth, Investment & Place	106.847	104.093
Corporate	(5.805)	(6.241)
Net position	329.189	310.941
Net Budget	(329.546)	(311.351)
Surplus	(0.357)	(0.410)

At the same time, we have continued to resource high levels of performance in other key financial targets notably:

Accountancy staff have successfully closed down the financial year end and produced the attached set of Accounts efficiently and within the shortened statutory deadlines, and I express my thanks for their hard work and dedication.

As the financial pressures facing councils increase, we have and will continue to put financial acumen at the heart of all decision making to continue delivering an innovative, strong, resilient and sustainable financial environment.

I recognise that to the ordinary reader the set of accounts can appear complicated, so the remainder of this narrative highlights simply some of the key outcomes contained in the 2018/2019 Statement of Accounts.



Becky Hellard
Interim Director of Finance & Procurement
Wiltshire Council
24 July 2019

2018/2019 Financial and Performance Review

Overall Financial Outturn

The Accounts report a minor underspend for 2018/2019. This has been achieved after a challenging year where we again saw an increase in demand for local services whilst facing further reductions in government funding.

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

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

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

	2018/2019 £000	2017/2018 £000
Adults Care	152,645	144,593
Childrens & Education	75,502	68,676
Growth, Investment & Place	106,847	104,093
Corporate	(5,805)	(6,421)
Budget Requirement	329,189	310,941
Funding	(329,546)	(311,351)
Surplus in year	(357)	(410)

The following pages set out how this financial outturn links to performance and demand. In setting the 2019/2020 Budget the Council took account of its Business Plan to reprioritise funding where required

and identified £26 million of savings to be delivered. Details are available in the budget setting papers on the Council's website.

Impact on the Council's Assets and Liabilities

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

	31 March 2019 £000	31 March 2018 £000
Long Term Assets	1,187,523	1,176,412
Current Assets	160,300	123,850
Current Liabilities	(112,163)	(109,600)
Net Pension Liability	(613,750)	(550,836)
Other long Term liabilities	(435,256)	(422,050)
Net Assets	186,654	217,776
Financed by		
Usable Reserves	(146,365)	(139,975)
Unusable Reserves	(40,289)	(77,801)
Total Reserves	(186,654)	(217,776)

Delivery of the Capital Programme

The Council's 2018/2019 programme saw £106 million spent to deliver a wide range of capital works. The programme being funded by large elements of this programme from £78 million in grants & contributions, £12 million from receipts, £14 million HRA contribution and £2 million from borrowing.

2018/2019 Financial and Performance Review, continued

The main areas of capital spend where £33m of highways spend, £31m on education schemes and £15m on council house build programmes and refurbishment of council stock.

Note 25 on Assets Held for Sale identifies that as at 31 March 2019, £8 million of Council property is expected to be sold in 2019/2020. These sales will continue to support the Council's capital investment plans.

Impact on Treasury Management and cash flow

The Council's internal Treasury Management team manages its cash within the strategy approved by Full Council. The Treasury Management Strategy was fully adhered to in 2018/2019. The average long-term borrowing rate was 3.76%; and the return on short term investments was 0.97%

At the end of 2018/19 the Council has £345.2 million of outstanding borrowing. That is £15 million more than as at 31 March 2018. In order to take advantage of borrowing rates, that are currently low, and to reduce the refinancing risk associated with existing external borrowing the Council has taken out £30 million of external borrowing (from the PWLB) in order to improve the ability to manage the level at which it is internally borrowed.

Pension Fund

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

As such the increase to the pension deficit to £614 million reflects an ongoing risk to the Council. This risk is being mitigated through a recovery plan agreed with

Wiltshire Pension Fund's actuary that will see the employer's liability fall in the future.

Financial Risks

The Council seeks to manage its financial risk through prudent controls, with business case assessments, always assessing the value of its assets and investments. Overall risks are well managed and set out in Note 43 to the accounts. There is £3.596 million set aside in provisions, mainly relating to insurance claims and NNDR appeals. More details are set out at Note 29 to the Accounts.

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

A major risk during 2018/2019 related to the implications of and uncertainty around Brexit. The Council has worked closely with its partners through civil contingency arrangements to address this possibility; and a greater understanding of financial risk including income generation and implication on properties valuations.

General Fund & Earmarked Reserves

Overall the outturn has meant that the Council's General Fund Reserve is £15.1 million, this is an increase of £2.2 million in year. The level of general fund reserves remains still one of the lowest in the Country in proportion to the size of the Council it is still within the level recommended by the Chief Finance Officer. Other earmarked reserves have slightly decreased due to use of earmarked reserves.

2018/2019 Financial and Performance Review, continued

Financial & activity / performance

In setting the 2018/2019 budget the Council faced a 56% reduction in its revenue support grant funding (£10 million). This meant in 2018/2019 an additional £13.8 million was needed to be raised from Council Tax, and £7.3 million from the Social Care Levy to fund adult care pressures. The shift to less government grant also means over 98% of our funds now come from local residents and businesses, up from 94% in 2017/2018.

However, the Council continues to face demand and inflationary pressures of circa £15 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.

Per the 2018/2019 revenue outturn report the general fund reported an underspend of £0.4 million. This is 0.1% of the Council's net budget. An additional top up to reserves of £1.8 million leaves the

General Fund Reserve at £15.1 million, a net increase of £2.2 million in the year.

The majority of service expenditure was in line with budget profiles and forecasts. Directors and Heads of Service worked to bring Services that identified large variances during the year back into a balance. In particular, Adults and Childrens services experienced significant demand pressures in year.

The service with the greatest budget pressure in year was Waste Services which reported a net overspend of £4.1 million. The majority of this overspend was due to the significant delay in the Councils Contractor obtaining planning permission for construction of a Materials Recovery Facility (MRF) to sort dry recyclable materials. The Waste budget has been rebased for 2019/2020 based on the forecast contract models and tonnage expectations.

The report also includes commentary on the Dedicated Schools Grant (DSG). This is coming under increased pressure in Wiltshire as it is across the country. The outturn is a £4.2 million overspend.

Annual Governance Statement

The Annual Governance Statement will be added upon its completion and approval at Audit Committee

Statements to the Accounts

The Statement of Responsibilities for the Statement of Accounts

The Council's Responsibilities

The Council is required to:

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

The Chief Financial Officer's Responsibilities

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

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

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

The Statement of the Chief Financial Officer

I certify that the Statement of Accounts gives a true and fair view of the financial position of Wiltshire Council at 31 March 2019 and of its income and expenditure for the year then ended.

This statement will be signed following the completion of the Audit.

Becky Hellard

Interim Director, Finance & Procurement (Chief Financial Officer/Section 151 Officer)
Wiltshire Council
24 July 2019

Approval of the Statement of Accounts

I can confirm that these accounts were approved by the Audit Committee at its meeting held on 24 July 2019.

This statement will be signed following the completion of the Audit.

Councillor Richard Britton

Chairman of the Audit Committee
24 July 2019

Independent Auditors' Report to the Members of Wiltshire Council

This will be added following the completion of the annual audit

KEY FINANCIAL STATEMENTS

Comprehensive Income & Expenditure Statement

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

	2018/2019			2017/2018		
	Expenditure £000	Income £000	Net Expenditure £000	Expenditure £000	Income £000	Net Expenditure £000
General Fund Services						
ASC Operations - Access & Reablement	75,993	(21,857)	54,136	71,278	(17,590)	53,688
Learning Disability & Mental Health	78,360	(10,933)	67,427	75,113	(9,056)	66,057
Commissioning	77,658	(48,802)	28,856	66,086	(45,359)	20,727
Public Health & Protection	20,522	(18,477)	2,045	20,473	(17,177)	3,296
Legal & Democratic	6,903	(2,087)	4,816	8,588	(2,966)	5,622
Family & Children Services	110,750	(41,833)	68,917	99,012	(38,418)	60,594
Education & Skills	198,598	(174,899)	23,699	189,773	(171,937)	17,836
Communities & Communications	20,580	(9,919)	10,661	22,865	(9,388)	13,477
Human Resources & Org Development	5,218	(1,757)	3,461	5,458	(1,570)	3,888
Economic Development & Planning	15,663	(8,501)	7,162	22,353	(7,736)	14,617
Highways & Transport	54,505	(13,892)	40,613	51,569	(12,422)	39,147
Waste & Environment	53,012	(8,049)	44,963	45,743	(7,703)	38,040
Housing & Commercial Development	39,659	(11,718)	27,941	39,453	(10,516)	28,937
Corporate Services & Digital	21,606	(5,539)	16,067	20,619	(3,794)	16,825
Finance	108,230	(100,819)	7,411	122,088	(115,998)	6,090
Corporate Directors	3,302	(33)	3,269	3,128	(13)	3,115
Corporate	14,000	(4,964)	9,036	13,847	(8,864)	4,983
Housing Revenue Account (HRA)	22,377	(26,253)	(3,876)	20,856	(25,675)	(4,819)
Net Cost of Service	926,936	(510,332)	416,604	898,302	(506,182)	392,120
Other Operating Expenditure		Note 3	46,019			30,200
Financing and Investment Income and Expenditure		Note 4	24,889			27,091
Taxation and non-specific grant income		Note 5	(470,087)			(457,232)
(Surplus)/ Deficit on Provision of Services			17,425			(7,821)
(Surplus) or deficit on revaluation of Property, Plant and Equipment Assets			(20,788)			(39,406)
Actuarial (gains)/losses on pension assets / liabilities			34,485			(91,485)
Other Comprehensive Income and Expenditure			13,697			(130,891)
Total Comprehensive Income and Expenditure			31,122			(138,712)

Movement in Reserves Statement

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

	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves (Restated) £000	Total Authority Reserves £000
Balance at 1 April 2017	(43,379)	(23,170)	(9,722)	(1,182)	(34,790)	(112,243)	33,179	(79,064)
Movement in reserves during 2017/2018								
Total Comprehensive Income and Expenditure	(11,648)	3,827	0	0	0	(7,821)	(130,891)	(138,712)
Adjustments between accounting basis & funding basis under regulations	1,596	1,392	(3,275)	(417)	(19,207)	(19,911)	19,911	0
Net (Increase)/Decrease before Transfers	(10,052)	5,219	(3,275)	(417)	(19,207)	(27,732)	(110,980)	(138,712)
Balance at 31 March 2018 carried forward	(53,431)	(17,951)	(12,997)	(1,599)	(53,997)	(139,975)	(77,801)	(217,776)
Movement in reserves during 2018/2019								
Total Comprehensive Income and Expenditure	13,035	4,390	0	0	0	17,425	13,697	31,122
Adjustments between accounting basis & funding basis under regulations	(11,947)	(6)	1,027	(3,140)	(9,749)	(23,815)	23,815	0
Net (Increase)/Decrease before Transfers	1,088	4,384	1,027	(3,140)	(9,749)	(6,390)	37,512	31,122
Balance at 31 March 2019 carried forward	(52,343)	(13,567)	(11,970)	(4,739)	(63,746)	(146,365)	(40,289)	(186,654)

Balance Sheet

This statement summarises the Council's assets and liabilities at 31 March for the years 2019 and 2018.

	NOTES	31 March 2019		31 March 2018
		£000	£000	£000
Property, Plant and Equipment	15			
Council Dwellings & Garages		272,259		270,823
Other Land and Buildings		355,028		354,635
Vehicles, Plant, Furniture and Equipment		66,393		74,993
Infrastructure		388,208		357,494
Community Assets		6,061		6,160
Assets Under Construction		50,673		62,806
Surplus Assets Not Held for Sale		8,634		9,890
			1,147,256	1,136,801
Investment Properties	23	23,452		23,244
Intangible Assets	24	1,985		564
Long Term Debtors		6,403		5,638
			31,840	29,446
Long Term Assets			1,179,096	1,166,247
Current Assets				
Short Term Investments		102,277		63,805
Assets Held for Sale	25	8,427		10,165
Inventories		789		737
Short Term Debtors	26	50,531		50,614
Cur Cash and Cash Equivalents	27	6,703		8,694
			168,727	134,015
Current Liabilities				
Short Term Creditors	28	(95,689)		(86,079)
Short Term Borrowing	30	(10,172)		(16,951)
Short Term PFI Creditors	22	(2,706)		(2,553)
Provisions	29	(3,596)		(4,017)
Current Liabilities			(112,163)	(109,600)
Long Term Liabilities				
Long Term PFI Creditors	22	(45,360)		(48,367)
Long Term Borrowing	30	(335,029)		(313,037)
Other Long Term Liabilities		(2,241)		(7,376)
Pension Fund Liability	38	(613,750)		(550,836)
Lon Planning Deposits		(52,626)		(53,270)
			(1,049,006)	(972,886)
Net Assets			186,654	217,776
Financed by				
Usable Reserves	31		(146,365)	(139,975)
Unusable Reserves	35		(40,289)	(77,801)
Total Reserves			(186,654)	(217,776)

Becky HellardInterim Director, Finance & Procurement (Section 151 Officer)
31 May 2019

Cash Flow Statement

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

	NOTES	2018/2019 £000	2017/2018 £000
Net (surplus) or deficit on the provision of services		17,425	(7,821)
Adjustments to net surplus or deficit on the provision of services for non-cash movements		(14,464)	13,750
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	39	(11,368)	(12,162)
Net cash flows from Operating Activities		(8,407)	(6,233)
Investing Activities	40	25,611	(1,011)
Financing Activities	41	(15,213)	12,554
Net decrease or (increase) in cash and cash equivalents		<u>1,991</u>	<u>5,310</u>
Cash and cash equivalents at the beginning of the reporting period		8,694	14,004
Cash and cash equivalents at the end of the reporting period		6,703	8,694

Expenditure & Funding Analysis Statement

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

	2018/2019			2017/2018		
	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 & Expenditure 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 & Expenditure Statement £000
General Fund Services						
ASC Operations - Access & Reablement	51,935	2,201	54,136	52,024	1,664	53,688
Learning Disability & Mental Health	66,375	1,052	67,427	65,189	868	66,057
Commissioning	28,538	318	28,856	20,497	230	20,727
Public Health & Protection	1,515	530	2,045	1,739	1,557	3,296
Legal & Democratic	4,282	534	4,816	5,144	478	5,622
Family & Children Services	66,049	2,868	68,917	57,759	2,835	60,594
Education & Skills	(441)	24,140	23,699	714	17,122	17,836
Communities & Communications	6,833	3,828	10,661	6,720	6,757	13,477
Human Resources & Org Development	3,061	400	3,461	3,483	405	3,888
Economic Development & Planning	2,837	4,325	7,162	2,542	12,075	14,617
Highways & Transport	28,640	11,973	40,613	29,469	9,678	39,147
Waste & Environment	40,436	4,527	44,963	36,599	1,441	38,040
Housing & Commercial Development	14,479	13,462	27,941	15,370	13,567	28,937
Corporate Services & Digital	14,054	2,013	16,067	14,823	2,002	16,825
Finance	6,401	1,010	7,411	5,290	800	6,090
Corporate Directors	3,192	77	3,269	3,049	66	3,115
Corporate	(10,797)	19,833	9,036	(9,470)	14,453	4,983
Net Cost of Service General Fund	327,389	93,091	420,480	310,941	85,998	396,939
Housing Revenue Account (HRA)	4,384	(8,260)	(3,876)	5,219	(10,038)	(4,819)
Transfer to Earmarked Reserves	3,245	(3,245)	0	(9,642)	9,642	0
Net Cost of Service	335,018	81,586	416,604	306,518	85,602	392,120
Other Operating Expenditure	0	46,019	46,019	0	30,200	30,200
Financing and Investment Income and Expenditure	0	24,889	24,889	0	27,091	27,091
Taxation and non-specific grant income	(329,546)	(140,541)	(470,087)	(311,351)	(145,881)	(457,232)
(Surplus)/ Deficit	5,472	11,953	17,425	(4,833)	(2,988)	(7,821)
Balance Summary						
Opening General Fund & HRA Balance at 1 April	(71,382)			(66,549)		
Add (Surplus)/ Deficit on General Fund & HRA Balances in Year	5,472			(4,833)		
Closing General Fund and HRA Balance at 31 March	(65,910)			(71,382)		

Analysed between type of balance	General Fund	Earmarked Reserves	HRA	Total Balances
Opening Balance at 1 April 2017	(12,533)	(30,846)	(23,170)	(66,549)
Add (Surplus)/ Deficit in year 2017/2018	(410)	(9,642)	5,219	(4,833)
Closing Balance at 31 March 2018	(12,943)	(40,488)	(17,951)	(71,382)
Add (Surplus) in year 2018/2019	(2,157)	3,245	4,384	5,472
Closing balances at 31 March 2019	(15,100)	(37,243)	(13,567)	(65,910)

Notes to the Core Financial Statements

Introduction to the Explanatory Notes

The Statement of Accounts summarises the Council's transactions for the 2018/2019 financial year and its position at the year-end of 31 March 2019. The Statement of Accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2018/2019 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 1a Revenue outturn

In respect of net revenue outturn, the Council's 2018/2019 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)	327.746	327.746	327.389	(0.357)
Additional financial stability top up to reserves			(1.800)	(1.800)
Funded by:				
Draw from General Fund reserves				
Formula Grant	(8.050)	(8.050)	(8.046)	0.004
Business Rates Retained	(55.700)	(55.700)	(56.993)	(1.293)
Council Tax	(240.033)	(240.033)	(240.033)	0.000
Social Care Levy	(18.417)	(18.417)	(18.417)	0.000
Collection Fund (Surplus)/Deficit Council Tax	(1.546)	(1.546)	(5.506)	(3.960)
Collection Fund (Surplus)/Deficit NNDR	(4.000)	(4.000)	1.249	5.249
Total Funding (b)	(327.746)	(327.746)	(327.746)	0.000
Movement on General Fund (a) + (b)	(0.000)	(0.000)	(2.157)	(2.157)

The overall underspend against the revised 2018/2019 budget was £0.357 million. The Council made an additional financial stability top up to reserves of £1.800 million. Therefore the overall movement on the General Fund is a £2.157 million return to reserves. More details about the Council's revenue spending on services are given, with notes, in the Comprehensive Income & Expenditure Statement and subsequent notes.

Note 1b Expenditure and Income Analysed by Nature

	2018/2019 £000	2017/2018 £000
Expenditure		
Employee expenses	270,112	264,043
Other Services expenses	608,008	589,707
Depreciation, amortisation and impairment	64,222	60,760
Interest payments	12,328	12,590
Precept and levies	19,804	16,954
Loss on disposal of assets	25,298	12,491
Total Expenditure	999,772	956,545
Income		
Fees, charges and other service income	(510,332)	(506,182)
Interest and investment income	(960)	(428)
Movements in the market value of Investment Properties	(968)	(524)
Income from Council Tax and Business Rates	(339,225)	(306,826)
Government Grants and contributions	(42,766)	(59,524)
Other grants and contributions	(88,096)	(90,882)
Total Income	(982,347)	(964,366)
Deficit on the Provision of Services	17,425	(7,821)

Note 1c Income from Revenue Contracts

The adoption of IFRS 15 (Revenue from Contracts with Customers) has been adopted by the Council for 2018/2019. This standard requires disclosure concerning income arising from contracts with service recipients. Most of the Council's income streams are outside of the scope of IFRS 15 as the majority of income that the Council receives/collects is government grants, council tax, retained business rates and pay as you go charges (e.g. car parking charges). The Council has reviewed the value of income covered by IFRS 15 and considers this to be an immaterial amount therefore no further disclosures are required.

Note 2 Exceptional Items

There are no exceptional items in the accounts for either 2018/2019 or 2017/2018.

Note 3 Other Operating Expenditure

	2018/2019 £000	2017/2018 £000
Parish council precepts	19,804	16,954
Payments to the Government Housing Capital Receipts Pool	917	755
(Gains)/losses on the disposal of non-current assets	25,298	12,491
Total	46,019	30,200

Note 4 Financing and Investment Income and Expenditure

	2018/2019 £000	2017/2018 £000
Interest payable and similar charges	12,328	12,590
Interest and investment income	(960)	(428)
Pension Interest Costs and expected return on pension assets	14,489	15,453
Movements in the market value of Investment Properties	(968)	(524)
Total	24,889	27,091

Note 5 Taxation and Non-specific Grant Income

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

	2018/2019	2017/2018
	£000	£000
Council Tax Transfer	(258,450)	(237,304)
Collection Fund Surplus	(5,506)	(2,530)
Parish Council Precepts	(19,804)	(16,954)
Adjustment for statutory requirements	2,079	3,191
Council Tax Income	(281,681)	(253,597)
General Government Grants	(34,720)	(41,236)
Formula Grant	(8,046)	(18,288)
Business Rates Retention Scheme	(55,744)	(53,229)
Additional reserves contribution	(1,800)	0
Capital grants and contributions	(88,096)	(90,882)
Total	(470,087)	(457,232)

Note 6 Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2018/2019:

	2018/2019 £000	2017/2018 £000
Credited to Taxation and Non Specific Grant Income		
General Government Grants	(34,720)	(41,236)
Formula Grant	(8,046)	(18,288)
Business Rates Retention Scheme	(55,744)	(53,229)
Total	(98,510)	(112,753)
Credited to Services		
Dedicated Schools Grant	(180,474)	(177,679)
Public Health Grant	(17,361)	(17,819)
Pupil Premium Grant	(7,454)	(7,788)
Learning & Skills Council	(1,482)	(1,512)
Universal Infant Free School Meals	(3,980)	(4,350)
PFI	(7,541)	(7,541)
Housing Benefit & Council Tax Admin Grant	(1,469)	(1,597)
Salisbury Recovery	(3,149)	0
Other Grants	(62,216)	(40,591)
Other Contributions	(1,836)	(7,637)
Donations	(895)	(871)
Total	(287,857)	(267,385)
Total Grants, Contributions & Donations	(386,367)	(380,138)

The Council has received a number of grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that will require the monies to be repaid in the next financial year. The balances at the year end are as follows:

	2018/2019 £000	2017/2018 £000
Revenue Grants to be returned (Creditor)		
Other Grants	7	76
Total	7	76

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

	2018/2019 £000	2017/2018 £000
Revenue Grants Receipts in Advance		
MOD Education Support Fund	(363)	0
SEND Reform Grant 2018/2019	0	(245)
Other Grants	0	(76)
Total	(363)	(321)

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 2018/2019 and 2017/2018 are as follows:

	Central Expenditure £000	Individual Schools Budget (ISB) £000	2018/2019 Total £000	2017/2018 Total £000
Final DSG for year before academy recoupment			(343,264)	(330,349)
Academy figure recouped			162,790	152,675
Total DSG after academy recoupment			(180,474)	(177,674)
Brought forward from previous year			(846)	(583)
Agreed initial budget distribution	(69,372)	(111,948)	(181,320)	(178,257)
In Year Adjustments	36		36	246
Final budgeted distribution	(69,336)	(111,948)	(181,284)	(178,011)
Less actual central expenditure	72,709		72,709	63,016
Less actual ISB deployed to schools		111,948	111,948	114,149
Local Authority Contribution	(1,300)		(1,300)	0
Carry forward	2,073	0	2,073	(846)

Note 8 Pooled Budgets

Partnerships Schemes under S31 Health Act

Better Care Fund

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

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

	2018/2019 £000	2017/2018 £000
Self Care, Self Support	1,645	1,569
Intermediate Care	14,267	13,503
Access, rapid response 7 day working	3,534	3,777
Care Bill	2,500	2,500
Protecting Social Care	18,810	12,577
Invest in Engagement with Heathwatch	0	100
Scheme Management	433	248
Social Care Capital	3,828	2,275
Workforce and bought forward schemes	0	0
Integrated Community Equipment	5,328	4,971
Total Expenditure before return to partners	50,345	41,520
Return to Partners CCG	0	0
Return to Partners Wiltshire Council	0	3,435
Total Schemes	50,345	44,955

This was funded from income and grants as follows:

	2018/2019 £000	2017/2018 £000
Wiltshire CCG BCF Contribution	(31,776)	(31,551)
Wiltshire Council BCF Contribution	(8,943)	(4,524)
Disabled Facilities Grant	0	(3,070)
Improved Better Care Fund	(9,626)	(5,810)
Total Income and Grants	(50,345)	(44,955)

Note 9 Members' Allowances

The Council paid the following amounts to Members of the Council

	2018/2019 £000	2017/2018 £000
Allowances	1,908	1,860
Expenses	76	78
Total	1,984	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 £	2018/2019	2017/2018
	No. Employees	No. Employees
50,000-54,999	91	95
55,000-59,999	70	84
60,000-64,999	57	48
65,000-69,999	30	18
70,000-74,999	16	18
75,000-79,999	15	4
80,000-84,999	7	3
85,000-89,999	6	3
90,000-94,999	3	3
95,000-99,999	6	3
100,000-104,999	7	2
105,000-109,999	1	1
110,000-114,999	1	0
115,000-119,999	0	0
120,000-124,999	2	0
125,000-129,999	2	1
130,000-134,999	0	1
135,000-139,999	0	0
140,000-144,999	1	1
145,000-149,999	2	0
150,000-154,999	1	1
155,000-159,999	0	1
160,000-164,999	0	1
165,000-169,999	0	0
170,000-174,999	0	1
175,000-179,999	0	1
TOTAL	318	290

Notes:

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

2018/2019 Remuneration for Senior Employees - Salary is £150,000 or more per year

(Included in Officer's Remuneration Bandings)

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

2017/2018 Remuneration for Senior Employees - Salary is £150,000 or more per year
(Included in Officer's Remuneration Bandings)

Post Holder	Salary (including fees and allowances) £	Bonuses £	Expense Allowances £	Compensation for loss of Office £	Benefits in Kind £	Total Remuneration excluding pension contributions 2017/2018 £	Employers Pension Contributions £	Total Remuneration including pension contributions 2017/2018 £
Corporate Director, Communities, Resources & Digital - Carlton Brand (Subnote F)	151,265	0	179	0	0	151,444	28,740	180,184
	151,265	0	179	0	0	151,444	28,740	180,184

2018/2019 Remuneration for Senior Employees - Salary is less than £150,000 but equal to or more than £50,000 per year (Included in Officer's Remuneration Bandings)

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

2017/2018 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)

2017/2018	Post Holder	Salary (including fees and allowances) £	Bonuses £	Expense Allowances £	Compensation for loss of Office £	Benefits in Kind £	Total Remuneration excluding pension contributions 2017/2018 £	Employers Pension Contributions £	Total Remuneration including pension contributions 2017/2018 £
	Corporate Director, Growth, Investment & Place (Subnote A & F)	124,437	0	1,448	0	0	125,885	23,643	149,528
	Corporate Director, Children & Education (Subnote B & F)	133,215	0	986	0	0	134,201	25,311	159,512
	Corporate Director C (Subnote C & F)	88,238	0	0	0	0	88,238	16,765	105,003
	Associate Director, People & Business (Subnote D & F)	96,919	0	228	81,169	0	178,316	13,402	191,718
	Director, Human Resources & Organisational Development (Subnote E & F)	82,750	0	0	0	0	82,750	15,723	98,473
	Director, Finance & Procurement - s151 Officer	105,810	0	318	0	0	106,128	20,104	126,232
	Director Legal & Democratic - Monitoring Officer	102,528	0	0	0	0	102,528	19,480	122,008
		733,897	0	2,980	81,169	0	818,046	134,428	952,474

Subnote A:

Corporate Director, Growth, Investment & Place was appointed on 14 August 2017. The annualised salary for the post is £137,210. Prior to 14 August 2017, the post holder was previously the Associate Director, Economy & Planning. The annualised salary was £101,513.

Subnote B:

Corporate Director, Children & Education was appointed on 14 August 2017 and is designated as the Director of Children's Services (which is a required statutory role) from this date. The annualised salary for the post is £137,210. Prior to 14 August 2017, the post holder was previously the Associate Director, Operational Children's Services. The annualised salary was £104,761.

Subnote C:

Corporate Director C is designated as the Director of Adult Social Services which is a required statutory role, and was designated as the Director of Children's Services (which is a required statutory role) until 13 August 2017. Corporate Director C left the employment of the Council on 31 October 2017. The annualised salary was £149,767.

Subnote D:

Associate Director, People & Business left the employment of the Council on 30 November 2017 following a senior management restructure. The postholder received £81,169 as a severance payment. The annualised salary was £104,761.

Subnote E:

Director, Human Resources & Organisational Development was appointed on 6 November 2017 and is designated as the Head of Paid Service (which is a statutory role) from this date. The annualised salary for the post is £95,978. Prior to 6 November 2017, the post holder was previously the Head of Human Resources & Organisational Development. The annualised salary was £73,097.

Subnote F:

As of November 2013, the statutory role of Head of Paid service is discharged between the Corporate Directors on a rotational basis. Following a report to Cabinet on 20 June 2017, this designation was transferred to the Associate Director role with responsibility for HR, which at the time was the Associate Director, People & Business. Per Subnote E, this designation transferred to the Director, Human Resources & Organisational Development on 6 November 2017.

Subnote G:

Director, Finance & Procurement left the employment of the Council on 23 April 2018 and has since been filled on an interim basis pending recruitment of a new permanent postholder. The annualised salary for the post was £105,809.

Exit Packages

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

Exit Package Cost Band (including special payments)	Number of Compulsory Redundancies		Number of Other Departures Agreed		Total Number of Exit Packages by Cost Band		Total Cost of Exit Packages in Each Band	
	2017/2018	2018/2019	2017/2018	2018/2019	2017/2018	2018/2019	2017/2018	2018/2019
£							£	£
0-20,000	3	2	90	56	93	58	794,469	480,768
20,001-40,000	0	0	7	19	7	19	196,692	553,735
40,001-60,000	0	0	1	14	1	14	58,989	671,465
60,001-80,000	0	0	2	1	2	1	152,270	63,030
80,001-100,000	0	0	1	0	1	0	81,169	0
Total	3	2	101	90	104	92	1,283,589	1,768,998

In 2018/2019 there were 26 exit packages relating to schools, with a value of £220,429.

Note 11 External Audit Fees

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

	2018/2019 £000	2017/2018 £000
Fees payable for external audit services carried out by the appointed auditor	129	180
Fees payable for the certification of grant claims and returns	24	27
Fees payable in respect of other services provided by external auditors during the year	0	0
Total	153	207

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 2018/2019 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 2018/2019 the Council charged the fund £1.478 million (£1.472 million in 2017/2018) 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

	2017/2018			Total Adjustments
	Capital Purposes (Note 13a)	Pension Adjustments (Note 13b)	Other Differences (Note 13c)	
	£000	£000	£000	£000
General Fund Services				
ASC Operations - Access & Reablement	646	1,016	2	1,664
Learning Disability & Mental Health	203	654	11	868
Commissioning	0	232	(2)	230
Public Health & Protection	1,029	516	12	1,557
Legal & Democratic	5	487	(14)	478
Family & Children Services	233	2,601	1	2,835
Education & Skills	16,084	1,966	(928)	17,122
Communities & Communications	5,622	1,156	(21)	6,757
Human Resources & Org Development	35	372	(2)	405
Economic Development & Planning	11,284	788	3	12,075
Highways & Transport	8,996	677	5	9,678
Waste & Environment	804	644	(7)	1,441
Housing & Commercial Development	14,825	436	(1,694)	13,567
Corporate Services & Digital	991	985	26	2,002
Finance	0	803	(3)	800
Corporate Directors	0	65	1	66
Corporate	3	376	23,716	24,095
Housing Revenue Account (HRA)	0	263	(10,301)	(10,038)
Net Cost of Service	60,760	14,037	10,805	85,602
Other operating Expenditure	12,491		17,709	30,200
Financing and Investment Income and Expenditure	(524)	15,453	12,162	27,091
Taxation and non-specific grant income			(145,881)	(145,881)
(Surplus)/ Deficit	72,727	29,490	(105,205)	(2,988)

	2018/2019			Total Adjustments £000
	Capital Purposes (Note 13a) £000	Pension Adjustments (Note 13b) £000	Other Differences (Note 13c) £000	
General Fund Services				
ASC Operations - Access & Reablement	1,176	1,004	21	2,201
Learning Disability & Mental Health	346	667	39	1,052
Commissioning	1	297	20	318
Public Health & Protection	14	510	6	530
Legal & Democratic	65	464	5	534
Family & Children Services	307	2,532	29	2,868
Education & Skills	23,961	1,782	(1,603)	24,140
Communities & Communications	2,688	1,135	5	3,828
Human Resources & Org Development	36	359	5	400
Economic Development & Planning	3,570	750	5	4,325
Highways & Transport	11,291	674	8	11,973
Waste & Environment	4,196	397	(66)	4,527
Housing & Commercial Development	14,782	469	(1,789)	13,462
Corporate Services & Digital	1,047	950	16	2,013
Finance	279	735	(4)	1,010
Corporate Directors	0	70	7	77
Corporate	0	872	15,716	16,588
Housing Revenue Account (HRA)	463	264	(8,987)	(8,260)
Net Cost of Service	64,222	13,931	3,433	81,586
Other operating Expenditure	25,298		20,721	46,019
Financing and Investment Income and Expenditure	(968)	14,489	11,368	24,889
Taxation and non-specific grant income			(140,541)	(140,541)
(Surplus)/ Deficit	88,552	28,420	(105,019)	11,953

Note 13a Adjustments for Capital Funding and Expenditure Purposes

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

Note 13b Net changes for the removal of pension contributions and the addition of pension (IAS19) related expenditure and income

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

Note 13c Other Differences

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

Note 14 Adjustments between accounting basis and funding basis under regulations

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

Reserves 2018/2019	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Total Unusable Reserves £000
Adjustments primarily involving the Capital Adjustment Account						
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement						
Charges for depreciation of non-current assets	(24,228)			(12,153)		36,381
Charges for impairment/ revaluations of plant, property and equipment	(21,332)	(464)				21,796
Movements in the market value of Investment Properties	969					(969)
Amortisation of intangible assets	(356)					356
Revenue expenditure funded from capital under statute	(17,842)					17,842
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(20,539)	(4,759)	(16,033)			41,331
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:						
Statutory provision for the financing of capital investment	13,842					(13,842)
Capital expenditure charged against the General Fund and HRA balances		5,486				(5,486)
Adjustments primarily involving the Capital Grants Unapplied Account:						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement and Expenditure Statement	88,096				(88,096)	0
Application of grants to capital financing transferred to the Capital Adjustment Account					78,347	(78,347)
Adjustments primarily involving the Capital Receipts Reserve:						
Use of the Capital Receipts Reserve to finance new capital expenditure			11,602			(11,602)
Use of the Capital Receipts Reserve to finance repayment of HRA debt			4,810			(4,810)
Reserve to finance the payments to the Government capital receipts pool	(917)		917			0
Adjustments primarily involving the Deferred Capital Receipts Reserve						
Transfer of deferred sale proceeds credited as part of the gain/ loss on disposal to the Comprehensive Income and Expenditure Statement	165		(269)			104
Adjustment primarily involving the Major Repairs Reserve						
Use of the Major Repairs Reserve to finance new capital expenditure and depreciation				9,013		(9,013)
Adjustment primarily involving the Financial Instruments						
Adjustments Account:						
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	2					(2)
Adjustments primarily involving the Pensions Reserve						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 49)	(28,166)	(263)				28,429
Adjustments primarily involving the Collection Fund Adjustment Account:						
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(3,030)					3,030
Amount by which non-domestic rate income credited to the Comprehensive Income and Expenditure Statement is different from non-domestic rates income calculated for the year in accordance with statutory requirements	950					(950)
Adjustment primarily involving the Accumulated Absences Account						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	439	(6)				(433)
Total Adjustments	(11,947)	(6)	1,027	(3,140)	(9,749)	23,815

Reserves 2017/2018	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	(20,837)			(11,548)		32,385
Charges for impairment/ revaluations of plant, property and equipment	(20,357)					20,357
Movements in the market value of Investment Properties	524					(524)
Amortisation of intangible assets	(446)					446
Revenue expenditure funded from capital under statute	(19,119)					19,119
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	(7,383)	(5,108)	(9,905)			22,396
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:						
Statutory provision for the financing of capital investment	11,472					(11,472)
Capital expenditure charged against the General Fund and HRA balances	0	6,762				(6,762)
Adjustments primarily involving the Capital Grants Unapplied Account:						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement and Expenditure Statement	90,882				(90,882)	0
Application of grants to capital financing transferred to the Capital Adjustment Account					71,675	(71,675)
Adjustments primarily involving the Capital Receipts Reserve:						
Use of the Capital Receipts Reserve to finance new capital expenditure			6,104			(6,104)
Reserve to finance the payments to the Government capital receipts pool	(755)		755			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	130		(229)			99
Adjustment primarily involving the Major Repairs Reserve						
Reversal of Major Repairs Allowance credited to the HRA						0
Use of the Major Repairs Reserve to finance new capital expenditure and depreciation				11,131		(11,131)
Adjustment primarily involving the Financial Instruments						
Adjustments Account:						
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	2					(2)
Adjustments primarily involving the Pensions Reserve						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 49)	(29,267)	(263)				29,530
Employer's pensions contributions and direct payments to pensioners payable in the year						0
Adjustments primarily involving the Collection Fund Adjustment Account:						
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	3,206					(3,206)
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	(6,397)					6,397
Adjustment primarily involving the Accumulated Absences Account						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(59)	1				58
Total Adjustments	1,596	1,392	(3,275)	(417)	(19,207)	19,911

BALANCE SHEET NOTES RELATING TO CAPITAL**Note 15 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 2018	384,670	715,970	228,259	436,525	7,098	77,522	11,988	1,862,032	92,284
Additions	8,810	21,836	7,213	9,095	0	40,268	18	87,240	(14)
Derecognition - Disposals	(1,989)	(12,043)	(11,948)	0	(99)	0	(1,263)	(27,342)	0
Derecognition - Other	0	(14,946)	(618)	0	0	0	0	(15,564)	0
Revaluation increases recognised in the Revaluation Reserve	0	32,505	5,318	0	0	0	1,683	39,506	7,506
Revaluation decreases recognised in the Revaluation Reserve	(8,810)	(9,465)	(1,658)	0	0	0	(1,250)	(21,183)	0
Category Adjustments	9,548	8,605	2,870	29,409	0	(52,401)	108	(1,861)	0
At 31 March 2019	392,229	742,462	229,436	475,029	6,999	65,389	11,284	1,922,828	99,776
Depreciation and Impairments									
Opening Balance 1 April 2018	(113,847)	(361,335)	(153,266)	(79,031)	(938)	(14,716)	(2,098)	(725,231)	(28,208)
Depreciation	(5,659)	(11,509)	(10,824)	(7,790)	0	0	(444)	(36,226)	(1,962)
Accumulated depreciation written back on derecognition of assets	0	6,342	1,054	0	0	0	193	7,589	0
Revaluation losses/impairment recognised in the surplus/deficit on provision of services	(464)	(20,932)	(7)	0	0	0	(301)	(21,704)	0
At 31 March 2019	(119,970)	(387,434)	(163,043)	(86,821)	(938)	(14,716)	(2,650)	(775,572)	(30,170)
Net Book Value at 31 March 2019	272,259	355,028	66,393	388,208	6,061	50,673	8,634	1,147,256	69,606
Net Book Value at 31 March 2018	270,823	354,635	74,993	357,494	6,160	62,806	9,890	1,136,801	64,076

Note 16 Information about Depreciation Methodologies

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

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

The total depreciation charged to tangible Property Plant and Equipment fixed assets for 2018/2019 is £36,226,390. (£32,176,741 in 2017/2018)

Note 17 Capital Expenditure and Capital Financing

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

	31 March 2019		31 March 2018
	£000	£000	£000
Opening Capital Financing Requirement (see below)		539,328	537,296
Capital Investment			
Plant Property & equipment Assets	87,254		89,485
Plant Property & equipment PFI Assets	(14)		52
Investment Properties	27		405
Intangible assets	1,184		22
Revenue Expenditure Funded from Capital under Statute	17,842		19,119
		106,293	109,083
Sources of Finance			
Government Grants		(78,345)	(71,675)
Major Repairs Reserve		(9,013)	(11,131)
Capital Receipts		(11,602)	(6,104)
Assets purchased through Revenue (inc HRA)		(5,487)	(6,762)
Repayment of capital long term assets		(39)	93
Minimum Revenue Provision		(10,727)	(8,542)
Voluntary Revenue Provision		(261)	(261)
Minimum Revenue Provision - PFI Schemes		(2,854)	(2,669)
Use of capital receipts reserve to finance HRA debt repayment		(4,810)	0
		(123,138)	(107,051)
Closing Capital Financing Requirement		522,483	539,328
Explanation of Movements in the Year			
Increase / (decrease) in underlying need to borrow		(16,845)	2,032
Increase / (decrease) in Capital Financing Requirement		(16,845)	2,032

Note 18 Fixed Asset Valuation

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

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

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

The assets revalued during 2018/2019 include Primary, Secondary, Special, Foundation & PFI Schools as well as the Investment Estate, Surplus Assets Not Held for Sale and any new assets acquired during 2018/2019 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 2018/2019.

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	0	5,786	6,025	388,208	1,009	50,673	0	451,701
Valued at current value in:								
2018/2019	272,259	183,296	45,955	0	0	0	8,634	510,144
2017/2018	0	75,668	9,789	0	114	0	0	85,571
2016/2017	0	84,470	4,624	0	4,938	0	0	94,032
2015/2016	0	5,808	0	0	0	0	0	5,808
Book Value at 31 March 2019	272,259	355,028	66,393	388,208	6,061	50,673	8,634	1,147,256

Schools Assets

During the 2018/2019 financial year any schools that became Academy schools have had their assets removed from the Balance Sheet. This is shown as a derecognition in the note for Property plant and equipment above. The Council does not recognise Academy, Voluntary Controlled and Voluntary Aided schools in its 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 19 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 15.

Impairments relating to Property, Plant & Equipment total £21.704 million in 2018/2019. This total primarily relates to 4 specific assets that have all incurred significant amounts of construction costs in year. These assets are:

- The Vale Community Campus
- Princecroft Primary School
- Stonehenge Secondary School
- Corsham Mansion house

As it is good practice to revalue properties when they are complete to ensure the carrying values are appropriate, the external valuers provided valuations for the new/refurbished buildings as at 31 March 2019.

The total impairment costs are charged to the Comprehensive Income & Expenditure Statement but do not reflect any loss to the Council as these downward valuation charges are reversed out (as statutorily required) so that they have no impact on the General Fund balance.

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 held outside the Library in Trowbridge; various statues in parks and open spaces across the county. In addition there are various collections such as the Local Collections at Salisbury, the Savernake Collection, Arundell of Wardour collection amongst others. These items have been investigated and it is felt the cost of obtaining valuations far exceeds the benefit to the users in all these cases. Therefore these items are disclosed in this note only.

Note 21 Leases**Finance leases**

A finance lease is a lease that transfers substantially all the risks and rewards of ownership of an asset to the lessee. The Council had no finance leases in 2018/2019.

Operating leases

An operating lease is a lease that is not a finance lease (see above) and includes vehicles and other equipment particularly in schools. The Council had no operating leases in 2018/2019.

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 2018	(25,527)	(5,464)	(19,929)	(50,920)
Payments during the year to reduce capital liability	1,051	467	1,336	2,854
Liability outstanding 31 March 2019	(24,476)	(4,997)	(18,593)	(48,066)
Split				
Due within 1 year	(1,134)	(498)	(1,074)	(2,706)
Due in over 1 year	(23,342)	(4,499)	(17,519)	(45,360)
Liability outstanding 31 March 2019	(24,476)	(4,997)	(18,593)	(48,066)

North Wiltshire Schools PFI & Additional 6th Form Units.

Wiltshire Council has a Private Finance Initiative (PFI) for three secondary schools with White Horse Education Partnership (WHEP). WHEP is responsible for maintaining and operating the facilities for 30 years from when the first school became operational (March 2002). These are included in the non-current assets in the Balance Sheet with an associated liability.

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

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

Period	Liability	Interest	Service charges	2018/2019 Total	2017/2018 Total
	£000	£000	£000	£000	£000
Within 1 years	(1,134)	(1,605)	(3,478)	(6,217)	(5,947)
Within 2-5 years	(5,517)	(5,475)	(14,802)	(25,794)	(24,644)
Within 6-10 years	(9,772)	(4,054)	(20,681)	(34,507)	(32,900)
Within 11-15 years	(8,053)	(810)	(12,736)	(21,599)	(27,763)
Within 16-20 years	0	0	0	0	0
Total	(24,476)	(11,944)	(51,697)	(88,117)	(91,254)

Monkton Park Offices Modified PFI Scheme

North Wiltshire District Council entered into a long-term contract for the provision and management of Monkton Park offices. This contract is for a period of 25 years from the year 2000. The full PFI contract was modified in January 2011. Therefore only the loan associated with the capital and interest cost of building Monkton Park still has to be repaid. This is repaid directly to the Bank rather than to the former PFI joint vehicle.

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

Period			2018/2019	2017/2018
	Liability £000	Interest £000	Total £000	Total £000
Within 1 years	(498)	(1,058)	(1,556)	(1,502)
Within 2-5 years	(2,336)	(4,449)	(6,785)	(6,555)
Within 6-10 years	(2,163)	(3,574)	(5,737)	(7,523)
Within 11-15 years			0	0
Main Scheme Total	(4,997)	(9,081)	(14,078)	(15,580)
Equalisation Fund	0	0	0	0
Total	(4,997)	(9,081)	(14,078)	(15,580)

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			2018/2019	2017/2018
	Liability £000	Interest £000	Total £000	Total £000
Within 1 years	(1,074)	(1,065)	(2,139)	(2,190)
Within 2-5 years	(4,317)	(3,766)	(8,083)	(8,271)
Within 6-10 years	(6,450)	(2,665)	(9,115)	(9,326)
Within 11-15 years	(6,752)	(751)	(7,503)	(8,322)
Within 16-20 years			0	(1,221)
Total	(18,593)	(8,247)	(26,840)	(29,330)

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.

	2018/2019 £000	2017/2018 £000
Rental income from investment property	(2,459)	(2,761)
Direct operating expenses arising from investment properties	418	592
Net (Gain)/ Loss	<u>(2,041)</u>	<u>(2,169)</u>

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:

	2018/2019 £000	2017/2018 £000
Balance at start of the year	23,244	22,952
Additions: Subsequent expenditure	27	405
Disposals	(10)	(819)
Gains from fair value adjustments	969	1,021
Losses from fair value adjustments	0	0
Impairments losses	(83)	(497)
Transfers (to)/from Property, Plant and Equipment	(695)	182
Balance at end of the year	<u>23,452</u>	<u>23,244</u>

Note 24 Intangible Assets

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

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

	Carrying amount		Remaining Amortisation Period
	31 March 2019 £000	31 March 2018 £000	
Children's Case Management System	1,514	0	5 Years
Planning System	0	197	0 years
Other items of software	471	367	1 - 5 years
Total	<u>1,985</u>	<u>564</u>	

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £0.356 million charged to revenue in 2018/2019 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.

	2018/2019	2017/2018
	Purchased	Purchased
	Software	Software
	Licences	Licences
	£000	£000
Gross carrying amounts	21,775	21,753
Accumulated amortisation	(21,211)	(20,765)
Net Carrying amount	564	988
Purchases	1,184	22
Amortisation for the period	(356)	(446)
Disposals	(14)	0
Category Adjustments	607	0
Net carrying amount at end of year	1,985	564
Comprising:		
Gross carrying amounts	23,552	21,775
Accumulated amortisation	(21,567)	(21,211)
	1,985	564

Note 25 Assets Held for Sale

The Council held the following amounts as assets held for sale as at 31 March 2019. 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.

	2018/2019	2017/2018
	£000	£000
Balance at start of the year	10,165	8,750
Assets newly classified as held for sale	1,949	1,896
Depreciation	(164)	(207)
Assets Sold	(5,988)	(1,110)
Revaluations	2,465	836
Balance at end of the year	8,427	10,165

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 2019 but not received at that date.

	2018/2019	2017/2018
	£000	£000
Other Local Authorities	1,436	1,795
Government Departments	10,029	11,976
NHS Bodies	3,346	3,063
Other entities & individuals:		
Share of Business Rates and Council Tax	14,099	12,510
Housing Tenants	1,698	1,497
Housing Benefit Overpayments	8,564	9,177
Other Sundry Debtors	27,051	22,191
Payments in Advance	6,720	4,647
Total Debtors	72,943	66,856
Less: Impairment allowance		
General Fund debtors	(9,303)	(2,825)
Housing Benefit Overpayments	(8,564)	(9,177)
Housing Rent arrears	(1,556)	(1,349)
Council Tax arrears	(2,744)	(2,540)
Business Rates Arrears	(245)	(351)
Total Impairment allowance	(22,412)	(16,242)
Net Debtors	50,531	50,614

Note 27 Cash and Cash Equivalents

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

	2018/2019	2017/2018
	£000	£000
Cash & Bank	(8,567)	(5,740)
Schools' bank accounts	15,270	14,434
	6,703	8,694

Note 28 Short Term Creditors

These represent sums owed by the Council for supplies and services received before 31 March 2019 but not paid for at that date, or provisions created in accordance with the accounting policies.

	2018/2019	2017/2018
	£000	£000
Other Local Authorities	(4,390)	(3,453)
Government Departments	(10,892)	(7,019)
NHS Bodies	(2,532)	(3,878)
Sundry Creditors	(57,874)	(51,918)
Receipts in Advance	(14,085)	(13,462)
Accumulated Absences	(5,916)	(6,349)
	(95,689)	(86,079)

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) that a transfer of economic benefits will be required to settle the obligation and a reliable estimate can be made. If these conditions are not met no provision should be recognised. Amounts set aside for purposes falling outside the definition of provisions should be considered as earmarked reserves.

	Legal Claims £000	Insurance Claims £000	Business Rate Retention Scheme Appeals £000	Termination Benefits £000	Other £000	Total £000
Balance at 1 April 2018	(474)	(1,266)	(1,804)	(329)	(144)	(4,017)
Additional provisions made in year	(25)	(423)	(1,884)	(71)	0	(2,403)
Amounts used in year	0	330	1,804	267	144	2,545
Unused amounts reversed in year	0	217	0	62	0	279
Balance at 31 March 2019	(499)	(1,142)	(1,884)	(71)	0	(3,596)

Legal Claims

The Council has made provisions in respect of legal claims which may become payable by the Council depending on the outcome of a small number of individual cases totalling £0.499 million. In order not to prejudice seriously the Council's position in these cases any further information has been withheld from this publication. It is currently expected that all of these claims will be settled during the 2019/2020 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 2018/2019 is made up of 22 claims totalling £1.142 million. The 22 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 up to £0.400 million for own property claims. It is currently expected that all of these claims will be settled during 2019/2020.

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

Termination Benefits

As at 31 March 2019 the Council made a total provision of £0.071 million in respect of termination benefits, relating to redundancy costs for 2 employees. It is expected that all cases will be resolved during the first half of the 2019/2020 financial year.

Business Rate Retention Scheme Appeals

The Council is required to make provision for the costs associated with refunding business ratepayers with regard to current and prior year appeals against the rateable values of their properties on the rating list. The Council has estimated the total value of this provision to be £3.845 million as at 31 March 2019. This liability however, is shared between Wiltshire Council (49%), Central Government (50%) and Dorset and Wiltshire Fire & Rescue Authority (1%). The Council's share of this provision is therefore £1.884 million.

Other Provisions

There are no Other Provisions as at 31 March 2019.

Note 30 Borrowing

An analysis of loans by maturity is as follows:

	2018/2019 £000	2017/2018 £000
Short Term Borrowing		
Maturing within 1 year Temporary Loans	0	0
Maturing within 1 year Long Term Borrowing	(10,172)	(16,951)
	<u>(10,172)</u>	<u>(16,951)</u>
Long Term Borrowing		
Maturing in 1 to 2 years	(4,000)	(8,000)
Maturing in 2 to 5 years	(28,000)	(22,000)
Maturing in 5 to 10 years	(50,123)	(50,123)
Maturing in more than 10 years	(252,906)	(232,914)
Total Maturing after 1 year	<u>(335,029)</u>	<u>(313,037)</u>
	<u>(345,201)</u>	<u>(329,988)</u>
Total Borrowing	<u>(345,201)</u>	<u>(329,988)</u>

The total borrowing can be further analysed by lender category:

	2018/2019 £000	2017/2018 £000
Temporary Loans	0	0
Long Term Loans:		
Public Works Loans Board	(283,220)	(267,995)
Money Market	(61,981)	(61,993)
	<u>(345,201)</u>	<u>(329,988)</u>

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	2018/2019 £000	2017/2018 £000
General Fund		(15,100)	(12,943)
Earmarked Reserves	32	(37,243)	(40,488)
General Fund balance per Movement in Reserves Statement		(52,343)	(53,431)
Housing Revenue Account Balance		(13,567)	(17,951)
Closing General fund and HRA balance per Expenditure & Funding Statement		(65,910)	(71,382)
Other Usable Reserves			
Major Repairs Reserve	33	(4,739)	(1,599)
Usable Capital Receipts Reserve	34	(11,970)	(12,997)
Capital Grants and Contributions		(63,746)	(53,997)
Unapplied Account			
Total Usable Reserves		<u>(146,365)</u>	<u>(139,975)</u>

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 2018/2019 and 2017/2018.

Earmarked Reserves	2017/2018	Movement	2018/2019
	£000	in 2018/2019 £000	£000
PFI Reserve	(3,873)	390	(3,483)
Insurance Reserve	(3,239)	(175)	(3,414)
Locally Managed Schools' Balances	(5,930)	(1,848)	(7,778)
Elections Reserve	(200)	(200)	(400)
Area Board Reserve	(34)	(134)	(168)
Revenue Grants Earmarked Reserve	(6,714)	3,282	(3,432)
PFI Housing Scheme Earmarked Reserve	(2,851)	90	(2,761)
Economic Development & Planning Reserve	(21)	(31)	(52)
Single View of the Customer Reserve	(829)	88	(741)
Play Area Asset Transfers	(80)	(19)	(99)
Enabling Fund	(5,227)	1,816	(3,411)
Business Rates Equalisation Fund	(4,828)	(1,030)	(5,858)
Housing Benefit Subsidy Clawback	(500)	500	0
Children's Management System	(325)	325	0
Disabled Facilities Grant	(274)	274	0
Adoption West	(200)	127	(73)
Waste Transformation	(1,250)	1,250	0
Area Board Pavements	(150)	(150)	(300)
Leisure	(67)	10	(57)
Capital Financing	(3,300)	972	(2,328)
Development of Local Plan	(500)	200	(300)
Building control	(30)	30	0
Development control cyclical fund	(66)	66	0
Reducing Parental Conflict	0	(40)	(40)
CAMHS Funding	0	(76)	(76)
Pewsey Campus	0	(32)	(32)
National Armed Forces Day	0	(35)	(35)
Culver Street Car Park	0	(25)	(25)
Microsoft Contract	0	(800)	(800)
Young Parents Support	0	(250)	(250)
Oxenwood	0	(80)	(80)
Ofsted	0	(450)	(450)
School Readiness	0	(300)	(300)
Salisbury Recovery	0	(500)	(500)
Total	(40,488)	3,245	(37,243)

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.

	2018/2019	2017/2018
	£000	£000
Transfer to Capital	9,013	11,131
HRA Depreciation	(12,153)	(11,548)
Movement in Year	(3,140)	(417)
Balance at 1 April	(1,599)	(1,182)
Balance at 31 March	(4,739)	(1,599)

Note 34 Usable Capital Receipts Reserve

	2018/2019		2017/2018
	£000	£000	£000
Amounts Receivable in year			
- disposal of land and buildings	(14,737)		(8,798)
- Other capital receipts - mortgages	(269)		(229)
- Other capital receipts	(421)		(352)
- Housing Pooled Capital Receipt	(875)		(755)
		(16,302)	(10,134)
Amounts applied to finance new capital investment in year			
- capital receipts utilised	11,602		6,104
- capital receipts utilised for HRA repayment	4,810		0
- transfer to I&E for administration costs of Housing Pooling	42		0
- transfer to I&E equal to contribution to Housing Pooled Capital receipt	875		755
		17,329	6,859
Movement in Year		1,027	(3,275)
Balance at 1 April		(12,997)	(9,722)
Balance at 31 March		(11,970)	(12,997)

Note 35 Unusable Reserves

Reserve	Note	2018/2019	2017/2018
		£000	£000
Revaluation Reserve	36	(249,625)	(250,631)
Capital Adjustment Account	37	(409,269)	(381,111)
Financial Instruments		951	953
Adjustment Account			
Deferred capital receipts		(1,701)	(1,806)
Pensions Reserve	38	613,750	550,836
Collection Fund Adjustment Account		(311)	(2,391)
Accumulated Absences Account		5,916	6,349
Total Unusable Reserves		(40,289)	(77,801)

Note 36 Revaluation Reserve

The balance of this account represents the revaluation gains (as certified by the Council's external valuer - GVA Grimley, and the Council's internal valuer for farms) made by the Council arising from increases in the value of its Property, Plant and Equipment assets. The 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	2018/2019	2017/2018
	£000	£000
Balance at 1 April	(250,631)	(229,778)
Upward revaluation of assets	(43,641)	(47,905)
Downward revaluations not charged to surplus/ deficit on the provision of services	22,853	8,499
Surplus or deficit on revaluation of non-current assets not posted to surplus/ deficit on the provision of services	(271,419)	(269,184)
Difference between fair value depreciation and historic cost depreciation	10,398	9,323
Accumulated gains on assets sold or scrapped	11,396	9,230
Balance at 31 March	(249,625)	(250,631)

Note 37 Capital Adjustment Account

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

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

Capital Adjustment Account

	2018/2019	2017/2018
	£000	£000
Opening balance at 1 April	(381,111)	(349,593)
Reversal of items relating to capital expenditure debited or credited to the comprehensive income and expenditure account		
- charges for depreciation of non-current assets	36,381	32,385
- charges for impairment/revaluations of plant, property and equipment	21,796	20,357
- gains in fair value on Investment properties	(969)	(524)
- amortisation of intangible assets	356	446
- revenue expenditure funded from capital under statute	17,842	19,119
- disposals	41,329	22,396
	116,735	94,179
Adjusting amounts written out of Revaluation Reserve	(21,794)	(18,553)
Other Adjustment to Revaluation Reserve		
Net written out amount of the cost of non-current assets consumed in the year	(286,170)	(273,967)
Capital financing applied in the year		
-Use of capital receipts reserve to finance new capital expenditure	(11,602)	(6,104)
-Use of major repairs reserve to finance new capital expenditure	(9,013)	(11,131)
-application of capital grants	(78,346)	(71,675)
-statutory provision for the financing of capital investment charged against the general fund and HRA balances	(13,842)	(11,472)
-capital expenditure charged against the general fund and HRA balances	(5,486)	(6,762)
-Use of capital receipts reserve to finance HRA debt repayment	(4,810)	0
Balance at 31 March	(409,269)	(381,111)

Note 38 Pension Fund Liability

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

	Period ended 31 March 2019			Period ended 31 March 2018		
	Assets		Net (liability)/	Assets		Net (liability)/
	Obligations	Liabilities	asset	Obligations	Liabilities	asset
	£000	£000	£000	£000	£000	£000
Fair value of employer assets	1,044,986	0	1,044,986	971,217	0	971,217
Present value of funded liabilities	0	(1,539,538)	(1,539,538)	0	(1,525,509)	(1,525,509)
Present value of unfunded liabilities	0	(56,284)	(56,284)	0	(58,499)	(58,499)
Opening Position	1,044,986	(1,595,822)	(550,836)	971,217	(1,584,008)	(612,791)
Service cost						
Current service cost*	0	(49,915)	(49,915)	0	(50,252)	(50,252)
Past service cost (including curtailments)	0	(872)	(872)	0	(376)	(376)
Effect of settlements	(985)	1,583	598	(4,440)	7,377	2,937
Total service cost	(985)	(49,204)	(50,189)	(4,440)	(43,251)	(47,691)
Net interest						
Interest income on plan assets	27,035	0	27,035	24,064	0	24,064
Interest cost on defined benefit obligation	0	(41,524)	(41,524)	0	(39,517)	(39,517)
Impact of asset ceiling on net interest	0	0	0	0	0	0
Total net interest	27,035	(41,524)	(14,489)	24,064	(39,517)	(15,453)
Total defined benefit cost recognised in Profit or (Loss)	26,050	(90,728)	(64,678)	19,624	(82,768)	(63,144)
Cash flows						
Plan participants' contributions	7,781	(7,781)	0	7,577	(7,577)	0
Employer contributions	32,702	0	32,702	30,134	0	30,134
Contributions in respect of unfunded benefits	3,547	0	3,547	3,480	0	3,480
Benefits paid	(48,200)	48,200	0	(45,849)	45,849	0
Unfunded benefits paid	(3,547)	3,547	0	(3,480)	3,480	0
Expected closing position	1,063,319	(1,642,584)	(579,265)	982,703	(1,625,024)	(642,321)
Remeasurements						
Change in demographic assumptions	0	0	0	0	0	0
Change in financial assumptions	0	(95,154)	(95,154)	0	29,294	29,294
Other experience	0	(430)	(430)	0	(92)	(92)
Return on assets excluding amounts included in net interest	61,099	0	61,099	62,283	0	62,283
Total remeasurements recognised in Other Comprehensive Income (OCI)	61,099	(95,584)	(34,485)	62,283	29,202	91,485
Effect of business combination and disposals	0	0	0	0	0	0
Fair value of employer assets	1,124,418	0	1,124,418	1,044,986	0	1,044,986
Present value of funded liabilities	0	(1,682,916)	(1,682,916)	0	(1,539,538)	(1,539,538)
Present value of unfunded liabilities	0	(55,252)	(55,252)	0	(56,284)	(56,284)
Closing position	1,124,418	(1,738,168)	(613,750)	1,044,986	(1,595,822)	(550,836)

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

NOTES TO THE CASH FLOW STATEMENT**Note 39 Cash Flow Operating Activities**

The cash flows for operating activities include the following items:

	2018/2019	2017/2018
	£000	£000
Interest Received	(960)	(428)
Interest Payable	12,328	12,590
	<u>11,368</u>	<u>12,162</u>

Note 40 Cash Flow Investing Activities

	2018/2019	2017/2018
	£000	£000
Purchase of Property, plant and equipment, investment property and intangible assets	91,305	92,798
Net Investments	38,472	7,014
Proceeds from sale of property, plant and equipment, investment property and intangible assets	(16,071)	(9,941)
Other receipts from investing activities	(88,095)	(90,882)
Net cash flows from investing activities	<u><u>25,611</u></u>	<u><u>(1,011)</u></u>

Note 41 Cash Flow Financing Activities

	2018/2019	2017/2018
	£000	£000
Cash Receipts of short and long term borrowing	(15,213)	12,554
Net cash flows from financing activities	<u><u>(15,213)</u></u>	<u><u>12,554</u></u>

NOTES RELATING TO ACCOUNTING DECISION-MAKING**Note 42 Accounting Standards that have been issued but have not yet been adopted**

For 2018/2019, there are a number of accounting policy changes that have been issued but not yet adopted. The standards introduced in the 2019/2020 Code of Practice that have not yet been adopted are:

- Amendments to IAS 40 Investment Property: Transfers of Investment Property
- Annual Improvements to IFRS Standards 2014-2016 Cycle
- IFRIC 22 Foreign Currency Transactions and Advance Consideration
- IFRIC 23 Uncertainty Over Income Tax Treatments
- Amendments to IFRS 9 Financial Instruments: Prepayment Features with Negative Compensation

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 2019 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 2018/2019 on PPE assets was £36 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.

Fair measurements value

When the fair values of financial assets and financial liabilities cannot be measured based on quoted prices in active markets (i.e. Level 1 inputs), their fair value is measured using valuation techniques (e.g. quoted prices for similar assets or liabilities in active markets or the discounted cash flow (DCF) model), however per note 53, the Council does not hold any of this type of asset at present. Where possible, the inputs to these valuation techniques are based on observable data, but where this is not possible judgement is required in establishing fair values. These judgements typically include considerations such as uncertainty and risk. However, changes in the assumptions used could affect the fair value of the Council's assets and liabilities.

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

Provisions

The Council has made a number of provisions in the accounts, totalling £3.596 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 2019, the Council had a balance of short term debtors of £72.9 million. An impairment allowance of £22.4 million or around 31% of the debt has been made. In the current economic climate it is difficult to assess the accuracy of this provision, but this will be continually kept under review.

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

Note 45 Authorisation of Accounts for Issue

These accounts were considered and authorised by the Chief Financial Officer of Wiltshire Council on 31 May 2019. The final audited version of these accounts was considered for approval by the Audit Committee at its meeting on 24 July 2019.

Note 46 Events after the Balance Sheet Date

The Statement of Accounts were authorised by the Chief Financial Officer on 31 May 2019. 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 2018/2019.

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 four contingent liabilities as at 31 March 2019.

Insurance Claims

As at 31 March 2019 there are 20 insurance claims where liability has yet to be established. The estimated value of these claims should the Council be found liable in every instance is £0.570 million.

Legal Claim

As at 31 March 2019 there was 1 legal claim pending a tribunal. The estimated value of this claim should the Council be found liable is £0.080 million.

NHS Trusts – Business Rates

As at 31 March 2019 a date of 4 November 2019 has been set regarding the High Court challenge by NHS Trusts over whether or not they are entitled to claim 80% mandatory charitable relief on their business rates. The Local Government Association retains the view that NHS trusts and foundation trusts are not charities and, therefore, not eligible for mandatory business rate relief. As at 31 March 2019 it is not possible to estimate the amount of this potential liability.

McCloud/Sargeant

In December 2018 the Court of Appeal upheld a ruling (“McCloud/Sargeant”) that similar transitional protections in the Judges’ and Firefighters’ Pension Schemes were unlawful on the grounds of age discrimination. The implications of the ruling are expected to apply to the LGPS (and other public service schemes) as well. Quantifying the impact at this stage is very difficult because it will depend on the compensation awarded, members’ future salary increases, length of service and retirement age, and whether (and when) members withdraw from active service.

Note 48 Pension Schemes Accounted for as defined contribution Schemes

Teachers pension scheme

In 2018/2019 the Council paid £9.58 million (£9.81 million in 2017/2018) to the Department for Education and Skills in respect of teachers’ pension costs which represents 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 2018/2019 these amounted to £2.38 million (£2.37 million in 2017/2018).

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 for the LGPS pension scheme 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 2019.

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 2019 actuarial valuation report dated 31 March 2019. 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 2019 and 2018 are as follows:

Local Government Pension Scheme	31 March 2019 £000	31 March 2018 £000
Fair Value of Employer Assets	1,124,418	1,044,986
Present Value of Funded Liabilities	(1,682,916)	(1,539,538)
Net (Under)/Overfunding in Funded Plans	(558,498)	(494,552)
Present value of Unfunded Liabilities	(55,252)	(56,284)
Net Asset/(Liability)	(613,750)	(550,836)
Amount on balance sheet		
Asset	1,124,418	1,044,986
Liability	(1,738,168)	(1,595,822)
Liability Amount in Balance Sheet	(613,750)	(550,836)

A more detailed breakdown is included in note 38

Information about the defined benefit obligation

	Liability split £000	Liability split %	Duration years
Active members	675,815	40.2	23.8
Deferred members	429,174	25.5	21.6
Pensioner members	577,927	34.3	10.1
Total	1,682,916	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 2019 % per annum	31 March 2018 % per annum
Pension Increase Rate	2.5%	2.4%
Salary Increase Rate	2.8%	2.7%
Discount Rate	2.4%	2.6%

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 2018

CMI 2013 model assuming the current rate of improvements has peaked and will converge to a long term rate of 1.25% p.a.

CMI 2013 model assuming the current rate of improvements has peaked and will converge to a long term rate of 1.25% 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 2019				31 March 2018			
	Quoted Prices in Active Markets £000	Prices not quoted in Active Markets £000	Total £000	%	Quoted Prices in Active Markets £000	Prices not quoted in Active Markets £000	Total £000	%
Equity Securities:								
Consumer	23,342	0	23,342	2%	21,693	0	21,693	2%
Manufacturing	17,380	0	17,380	2%	16,152	0	16,152	2%
Financial								
Institutions	3,178	0	3,178	0%	2,954	0	2,954	0%
Health & Care	5,028	0	5,028	0%	4,673	0	4,673	0%
Information								
Technology	115,462	0	115,462	10%	107,305	0	107,305	10%
Other	9,399	0	9,399	1%	8,735	0	8,735	1%
Real Estate:								
UK Property	0	117,928	117,928	11%	0	109,598	109,598	11%
Overseas Property	0	25,691	25,691	2%	0	23,876	23,876	2%
Investment Funds & Unit Trusts:								
Equities	0	591,598	591,598	53%	0	549,806	549,806	53%
Bonds	0	184,071	184,071	16%	0	171,067	171,067	16%
Infrastructure	0	19,855	19,855	2%	0	18,453	18,453	2%
Other	0	3,132	3,132	0%	0	2,910	2,910	0%
Cash & Cash Equivalents								
All	8,354	0	8,354	1%	7,764	0	7,764	1%
Total	182,143	942,275	1,124,418	100%	169,276	875,710	1,044,986	100%

Projected defined benefit costs for the period to 31 March 2020

The estimated employer contributions for the year to 31 March 2020 will be approximately £31.392 million.

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

Period Ending 31 March 2020	Assets	Obligations	Net (Liability)/Asset	
	£000	£000	£000	% of Payroll
Projected Current Service Cost	0	55,381	(55,381)	(45.3%)
Total Service Costs	0	55,381	(55,381)	(45.3%)
Interest Income on Plan Assets	26,878	0	26,878	22.0%
Interest Cost on Defined Benefit Obligation	0	41,851	(41,851)	(34.2%)
Total Net Interest Cost	26,878	41,851	(14,973)	(12.2%)
Total included in Profit or Loss	26,878	97,232	(70,354)	(57.5%)

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 2019	Approximate	Approximate
	% increase to Employer	monetary amount (£000)
0.5% decrease in Real Discount Rate	10%	173,223
0.5% increase in the Salary Increase Rate	1%	18,965
0.5% increase in the Pension Increase Rate	9%	151,839

Further information can be found in the Wiltshire Pension Fund annual report 2018/2019 which is available on request. Requests for this report, or any other queries arising from the Wiltshire Pension Fund Accounts, should be addressed to the Director, Finance & Procurement, Wiltshire Council, County Hall, Bythesea Road, Trowbridge, BA14 8JN.

Note 50 Nature and Extent of risks arising from Financial Instruments

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

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

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

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

Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers.

This risk is minimised through the Annual Investment Strategy, which is available on the Council's website.

The Annual Investment Strategy requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, in accordance with the Fitch, Moody's and Standard & Poor's Credit Ratings

Services. The Annual Investment Strategy also considers maximum amounts and time limits with a financial institution located in each category.

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

The Council uses the creditworthiness service provided by Link Asset Services. This service uses a sophisticated modelling approach with credit ratings from all three rating agencies - Fitch, Moody's and Standard & Poor's, forming the core element. However, it does not rely solely on the current credit ratings of counterparties but also uses the following as overlays:

- credit watches and credit outlooks from credit rating agencies
- CDS spreads to give early warning of likely changes in credit ratings
- sovereign ratings to select counterparties from only the most creditworthy countries

The full Investment Strategy for 2018/2019 was approved by Full Council on 20 February 2018 and is available on the Council's website.

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

The Council's maximum exposure to credit risk in relation to its investments in financial institutions of £102.249 million cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Council's deposits, but there was no evidence at 31 March 2019 that this was likely to crystallise.

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

Amounts Arising from Expected Credit Losses

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

The 12 month Expected Credit Loss for Individual Financial Assets (Fixed Term Deposits) recognised at amortised cost during 2018/2019 is £6,984.69.

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

As the calculated impairment of £6,984.69 is considered to be immaterial there is no need to recognise this in the Comprehensive Income & Expenditure Statement.

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

Credit Risk Exposure

The Council has the following exposure to credit risk at 31 March 2019.

	Credit Risk Rating	Gross Carrying Amount £000s
12 month expected credit losses	AAA	54,037
	AA	13
	AA-	24,136
	A+	16,053
	A	8,010
	BBB	0
	Sub BBB	0
Maximum Credit Risk Exposure		102,249
Landsbanki Winding Up Board		28
Total Carrying Amount of all Investments		102,277

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

During 2018/2019 the council held no collateral as security.

Liquidity Risk

The Council manages its liquidity position through the risk management procedures above (the setting and approval of prudential indicators and the approval of the treasury and investment strategy reports), as well as through a comprehensive cash flow management system, as required by the CIPFA Code of Practice. This seeks to ensure that cash is available when needed.

The Council has ready access to borrowings from the money markets to cover any day to day cash flow need, and the PWLB and money markets for access to longer term funds. The Council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

Outstanding investments (£102.277 million) are all due to be repaid in less than one year.

Refinancing and Maturity Risk

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

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

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

The maturity analysis of financial liabilities is as follows, with the maximum and minimum limits for fixed interest rates maturing in each period (as approved in the Treasury Management Strategy 2018/2019):

Maturity Analysis of Financial Liabilities

	Approved Minimum Limits	Approved Maximum Limits	Actual 31 March 2019		Actual 31 March 2018	
			£000s	%	£000s	%
Less than 1 Year	0%	25%	10,172	2.9%	16,951	5.1%
Between 1 and 2 Years	0%	25%	4,000	1.2%	8,000	2.4%
Between 2 and 5 Years	0%	45%	28,000	8.1%	22,000	6.7%
Between 5 and 10 Years	0%	75%	50,123	14.5%	50,123	15.2%
More than 10 Years	0%	100%	252,906	73.3%	232,914	70.6%
			345,201	100.0%	329,988	100.0%

Market Risk – Interest Rate Risk

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

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

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

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

According to this assessment strategy, at 31 March 2019, 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	2018/2019
	£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	(312)
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)	59,872

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

Market Risk - Price Risk

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

Market Risk - Foreign Exchange Risk

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

Note 51 Fair Value

All financial liabilities and financial assets represented by 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; and
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

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

Financial Liabilities	31 March 2019		31 March 2018	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£000	£000	£000	£000
Long Term Debt:				
Non-PWLB (Market) Debt	(61,981)	(93,298)	(61,993)	(91,725)
PWLB Debt	(283,220)	(345,810)	(267,995)	(323,216)
Total Long Term Debt	(345,201)	(439,108)	(329,988)	(414,941)
Temporary Debt	0	0	0	0
Short Term Debt	0	0	0	0
Total Debt Value	(345,201)	(439,108)	(329,988)	(414,941)
Short Term Creditors	(95,689)	(95,689)	(86,079)	(86,079)
Long Term Creditors	(2,241)	(2,241)	(7,376)	(7,376)
Total Financial Liabilities	(443,131)	(537,038)	(423,443)	(508,396)

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

Financial Liabilities	31 March 2019		31 March 2018	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£000	£000	£000	£000
Long Term Debt:				
Non-PWLB (Market) Debt	(61,981)	(115,586)	(61,993)	(113,966)
PWLB Debt	(283,220)	(394,816)	(267,995)	(363,610)
Total Long Term Loans	(345,201)	(510,402)	(329,988)	(477,576)
Temporary Debt	0	0	0	0
Short Term Debt	0	0	0	0
Total Loans Value	(345,201)	(510,402)	(329,988)	(477,576)
Short Term Creditors	(95,689)	(95,689)	(86,079)	(86,079)
Long Term Creditors	(2,241)	(2,241)	(7,376)	(7,376)
Total Financial Liabilities	(443,131)	(608,332)	(423,443)	(571,031)

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 2019) 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 £283.220 million would be valued at £345.810 million. But, if the Council were to seek to avoid the projected loss by repaying the loans to the PWLB, the PWLB would raise a penalty charge for early redemption in addition to charging a premium for the additional interest that will not now be paid. The exit price for the PWLB loans including the penalty charge would be £394.816 million.

Financial Assets	31 March 2019		31 March 2018	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Loans and Receivables:	£000	£000	£000	£000
Cash and Cash Equivalents	6,703	6,703	8,694	8,694
Money markets Loans < 1 Year	14,938	14,938	13,700	13,700
Short Term investment	87,339	87,339	50,106	50,106
Total Loans and Receivables	108,980	108,980	72,500	72,500
Short Term Debtors	50,531	39,421	50,614	40,995
Long Term Debtors	6,403	6,403	5,638	5,638
Total Financial Assets	165,914	154,804	128,752	119,133

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

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

Note 52 Fair Value Measurement of Investment Properties

Fair Value Hierarchy

Details of the Council's investment properties and information about the fair value hierarchy as at 31 March 2019 and 2018 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 2019
	£000	£000	£000	£000
Main Portfolio	0	0	23,452	23,452
Other	0	0	0	0
Total	0	0	23,452	23,452

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 2018
	£000	£000	£000	£000
Main Portfolio	0	0	23,244	23,244
Other	0	0	0	0
Total	0	0	23,244	23,244

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 2019	Valuation technique used to measure fair value	Unobservable inputs	Sensitivity
Main Portfolio	£000 23,452,300	Income Market Rentals Yields	Comparables Databases (Public & GVA Internal) Rents, yields, capital costs	Medium

Valuation Process for Investment Properties

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

Notes to Accounts Annex 1 Accounting Policies

i. General Principles

The Statement of Accounts summarises the Council's transactions for the 2018/2019 financial year and its position at the year-end of 31 March 2019. 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 2018/2019 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 contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption; they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

iii. Provisions

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

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties. When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Council settles the obligation.

Landfill Allowance Schemes

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

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

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

Contingent Liabilities

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

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

Contingent Assets

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

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

iv. Reserves

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

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

v. Government Grants and Contributions

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

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

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or

contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

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

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

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

Community Infrastructure Levy

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

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

vi. Employee Benefits

Benefits Payable During Employment

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

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

Termination Benefits

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

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

Post-Employment Benefits

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

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

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

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

The Local Government Pension Scheme

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

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

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

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

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

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

- current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked
- past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non-Distributed Costs
- interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- expected return on assets – the annual investment return on the fund assets attributable to the Council, based on an average of the expected long-term return – credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement

- gains or losses on settlements and curtailments – the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non-Distributed Costs
- actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Pensions Reserve
- contributions paid to the Wiltshire pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

Discretionary Benefits

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

vii. VAT

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

viii. Overheads and Support Services

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

ix. Intangible Fixed Assets

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

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

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

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

x. Property, Plant and Equipment

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

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

Measurement: Assets are initially measured at cost, comprising the purchase price and any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Assets are carried in the Balance Sheet using the following measurement bases:

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

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

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

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

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

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

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

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

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

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

Depreciation

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

Depreciation is calculated on the following bases:

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

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

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

Disposals and Non-current Assets Held for Sale

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

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

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

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

xi. Investment Property

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

Investment properties are measured initially at cost and subsequently at fair value, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. As a non-financial asset, investment properties are measured at the highest and best use. Properties are not depreciated but revalued annually according to market conditions at the year end. Gains and losses on revaluation are posted to the financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal. Rentals received in relation to investment properties result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance and are therefore reserved out in the Movement in Reserves Statement.

xii. Charges to Revenue for Non-Current Assets

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

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

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

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

xiii. Revenue Expenditure Funded from Capital Under Statute

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

xiv. Leases

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

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

The Council as Lessee**Finance Leases**

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

Lease payments are apportioned between:

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

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

Operating Leases

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

The Council as Lessor**Finance Leases**

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

Lease rentals receivable are apportioned between:

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

Operating Leases

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

xv. Financial Instruments**Financial Liabilities**

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

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

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

Loans and receivables**Financial Assets**

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

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

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

Financial Assets Measured at Amortised Cost

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

Expected Credit Loss Model

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

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

Financial Assets measured at Fair Value through Profit or Loss

Financial assets that are measured at FVPL are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arrive in the Surplus or Deficit on the Provision of Services.

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

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

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

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

xvi. Inventories and Long-Term Contracts

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

xvii. Interest in companies and other entities

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

xviii. Private Finance Initiative (PFI) and similar contracts

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

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

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

- i. Fair value of the services received during the year – debited to the relevant service in the Comprehensive Income and Expenditure Statement
- ii. Finance cost – an interest charge made on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement

- iii. Contingent rent – increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- iv. Payment towards liability – applied to write down the Balance Sheet liability towards the PFI operator (the profile of write-downs is calculated using the same principles as for a finance lease)
- v. Lifecycle replacement costs – proportion of the amounts payable is posted to the Balance Sheet as a prepayment and then recognised as additions to Property, Plant and Equipment when the relevant works are eventually carried out.

xix. Exceptional Items

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

xx. Cash and Cash Equivalents

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

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

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

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

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

xxii. Events after the Balance Sheet Date

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

Two types of events can be identified:

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

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

xxiii. Non-Compliance with Code of Practice

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

xxiv. Foreign Currency

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

xxv. Heritage Assets

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

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

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

xxvi. 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.

xxviii. Council Tax and Non-domestic Rates

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

Accounting for Council Tax and Non-Domestic Rates (NDR)

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

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

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	2018/2019		2017/2018	
		£000	£000	£000	£000
Income					
Rents (gross):					
- dwellings		(24,371)		(24,334)	
- garages		(374)		(359)	
- other		(611)	(25,356)	(349)	(25,042)
Charges for services and facilities			(901)		(633)
Total Income			<u>(26,257)</u>		<u>(25,675)</u>
Expenditure					
Repairs and Maintenance			5,217		5,219
Supervision and Management:					
- general		2,895		2,554	
- special services		997	3,892	844	3,398
Increase in allowance for bad debts			334		370
Depreciation & Impairments of Fixed Assets					
- On dwellings	3	12,003		11,348	
- On garages	3	570		148	
- On other Assets	3	44		52	
			12,617		11,548
Total Expenditure			<u>22,060</u>		<u>20,535</u>
Net Cost Of Services per Income & Expenditure Account			<u>(4,197)</u>		<u>(5,140)</u>
HRA Services share of Corporate and Democratic Core			321		321
Net Cost of HRA Services			<u>(3,876)</u>		<u>(4,819)</u>
(Gain)/Loss on sale of HRA fixed assets			4,759		5,108
Interest Payable			3,672		3,673
Interest:					
- on balances		(110)		(75)	
- on mortgages		(55)	(165)	(60)	(135)
(Surplus)/Deficit for the Year on HRA services			<u>4,390</u>		<u>3,827</u>

Statement of Movement on the HRA Balances

	2018/2019 £000	2017/2018 £000
Balance on HRA at the end of previous year	(17,951)	(23,170)
(Surplus)/ Deficit for year on HRA Income and Expenditure Account	4,390	3,827
Adjustments between accounting basis and funding basis under statute	(6)	1,392
Net (increase)/decrease before transfers to/ from reserves	4,384	5,219
Transfer to/ from reserves		
Net (increase)/decrease in year on HRA	4,384	5,219
Balance on HRA at the end of current year	(13,567)	(17,951)

Note to Statement of Movement on the HRA Balances

	2018/2019 £000	2017/2018 £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	(4,759)	(5,108)
Items not included in the HRA Income and Expenditure Account but included from the movement on HRA balance for the year		
Transfer to/from Pension Reserve note 6	(263)	(263)
Transfer to/from Capital Adjustment Account	(464)	
Transfer to/from accumulated absences	(6)	1
Revenue Contributions to Capital Expenditure	5,486	6,762
Net Additional amount required by statute to be credited to the HRA balance for the year	(6)	1,392

Housing Revenue Account Notes

1 Housing Stock

	31 March 2019	31 March 2018
Houses and Bungalows		
- 1 bedroom	278	278
- 2 bedrooms	1,439	1,417
- 3 bedrooms	1,714	1,727
- 4+ bedrooms	132	135
Flats		
- 1 bedroom	947	915
- 2 bedrooms	734	683
- 3+ bedrooms	65	66
Total dwellings as at 31 March	5,309	5,221

The Council sold 32 houses during 2018/2019 under the right to buy scheme (RTB). The Council received a total before pooling of £3.315 million as capital receipts. The Council has also built an additional 120 houses as part of the Council House Build Programme in 2018/2019. The overall net increase in council houses since 2017/2018 is therefore 88.

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 2019 £000	31 March 2018 £000
Rent arrears	1,698	1,420
less rent payments in advance	(583)	(535)
less bad debt provision	(1,556)	(1,349)
Net arrears position	(441)	(464)

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 2018	166,650	32,250	102,381	3,120	44	304,445
Additions in Year	5,485	5,974	3,424	0	0	14,883
Disposals	(1,987)	0	(1,428)	0	0	(3,415)
Revaluations	(5,486)	(1,064)	(3,325)	0	0	(9,875)
Depreciation	(5,553)	(6,450)	0	(570)	(44)	(12,617)
Category Adjustments	8,821	1,862	727	0	0	11,410
Balance at 31 March 2019	167,930	32,572	101,779	2,550	0	304,831

The Balance Sheet value of Council Dwellings (structures, services and land) as at 31 March 2019 was £302.281 million. This represents the valuation at existing use for social housing which is the value of the properties with a secured tenant continuing to live in the property paying social rents rather than market rents.

The Vacant Possession value (open market) of the properties at 31 March 2019 was £863.660 million. This represents the value of the houses if the property were sold without a secured tenant continuing in the property. Therefore it could be rented out at market rent so has a higher value. This figure has been discounted by a factor of 35% to get the Existing use value - social housing.

The difference between the Vacant Possession value and the Balance Sheet value of dwellings within the HRA shows the Economic Cost of providing Council Housing at less than open market rents. The Economic Cost of the properties at 31 March 2019 was £561.379 million.

4 Financing of HRA capital expenditure

	2018/2019 £000
Revenue and Reserves	5,486
Other receipts (MRR)	9,013
	14,499
Council Dwellings (Structures and Services)	8,991
Plant and Equipment	0
Asset under Construction	5,508
	14,499

5 Major Repairs Reserve

	2018/2019 £000	2017/2018 £000
Brought forward at 1 April	(1,599)	(1,182)
Transfer to Capital	9,013	11,131
HRA Depreciation	(12,153)	(11,548)
Transfer to HRA	0	0
Carried forward at 31 March	(4,739)	(1,599)

6 Contribution to Pension Reserve

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

Collection Fund

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

	NOTE	Non-Domestic Rates 2018/2019	Council Tax 2018/2019	Total 2018/2019 £000	Non-Domestic Rates 2017/2018	Council Tax 2017/2018	Total 2017/2018 £000
Income							
Council Tax	1		(328,735)	(328,735)		(304,708)	(304,708)
Non-Domestic Rates		(153,797)		(153,797)	(147,256)		(147,256)
Transferred from General Fund							
Transitional Relief		2,118		2,118	3,234		3,234
		(151,679)	(328,735)	(480,414)	(144,022)	(304,708)	(448,730)
Disbursement							
Precepts and Demands							
- Wiltshire Council		73,240	258,450		71,993	237,304	
- Police			33,302			30,275	
- Fire		1,495	13,283		1,469	12,551	
- Town and Parish Councils			19,804			16,954	
- Central Government		74,735			73,463		
				474,309			444,009
Share of surplus/(deficit) on Collection Fund							
- Wiltshire Council		(1,249)	5,506		3,068	2,530	
- Police			702			332	
- Fire		(25)	291		63	138	
- Central Government		(1,275)			3,130		
				3,950			9,261
Cost of collection allowance							
	2	621			622		
Movement in allowance for Bad Debts		(215)	276		67	41	
Write-offs		627	724		988	828	
Appeals		164			(159)		
Other transfers to general fund		1,623			2,372		
Interest on overpayments		0			0		
				3,820			4,759
Fund surplus/(deficit) for the year		1,938	(3,603)	(1,665)	(13,054)	3,755	(9,299)
		151,679	328,735	480,414	144,022	304,708	448,730
Non-Domestic Rates							
		8,220	(7,576)	644	(4,834)	(3,821)	(8,655)
Council Tax							
		(1,938)	3,603	1,665	13,054	(3,755)	9,299
Fund balance b/f		6,282	(3,973)	2,309	8,220	(7,576)	644
(Surplus)/deficit for year							
Fund balance c/f	3						

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; the average for Wiltshire Council was £1,777.93 for 2018/2019 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	2018/2019 Band D Equivalent Dwellings	2017/2018 Band D Equivalent Dwellings
Band A Disabled	5/9	30	17	15
Band A	6/9	15,097	10,064	9,890
		15,127	10,081	9,905
Band B	7/9	29,661	23,069	22,786
Band C	8/9	42,974	38,199	37,722
Band D	9/9	32,770	32,770	32,217
Band E	11/9	25,745	31,466	30,976
Band F	13/9	15,807	22,832	22,556
Band G	15/9	10,078	16,797	16,619
Band H	18/9	1,152	2,305	2,280
			177,519	175,061
Adjustment for MOD contribution in lieu, new properties, & collection rate			5,186	2,744
Council Tax Base			182,705	177,805

2 National Non-Domestic Rates

The total non-domestic rateable value at 31 March 2019 was £387,042,044 (£384,427,006 at 31 March 2018). The national non domestic multiplier for the year was 49.3p (47.9p in 2017/2018) and the small business rates relief multiplier was 48.0p (46.6p in 2017/2018).

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			Non-domestic		
	Rates 31/03/2019 £000	Council Tax 31/03/2019 £000	Total 31/03/2019 £000	Rates 31/03/2018 £000	Council Tax 31/03/2018 £000	Total 31/03/2018 £000
Wiltshire Council	3,078	(3,389)	(311)	4,028	(6,418)	(2,390)
Police	0	(410)	(410)	0	(824)	(824)
Fire	63	(174)	(111)	82	(334)	(252)
Central Government	3,141	0	3,141	4,110	0	4,110
	6,282	(3,973)	2,309	8,220	(7,576)	644

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.

Cash Flow Statement

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

CIPFA

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

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.

Usable Capital Receipts Reserve

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

Useful Life

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

Value Added Tax (VAT)

An indirect tax levied on vatiable goods and services.

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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 2019 included 22,541 active members, 17,222 pensioners and 37,417 deferred members.

Responsibility for the Report

Wiltshire Council

The Council must arrange for the proper administration of the Wiltshire Pension Fund. 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, must ensure that one of its officers has responsibility for the financial aspects of that administration, this being the Associate Director of 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 2018/2019 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 LPB has an oversight function to ensure the Fund is compliant with the Pensions Regulator.

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 enough 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.

The 2019 triennial valuation exercise commenced during 2018/19 and the results will be known later in 2019. This valuation will set employer contribution rates from April 2020 onwards.

Principal Actuarial Assumptions and Method 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 considers 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 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 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 and there have been strong asset returns, particularly during 2016/17. Both events are of broadly similar magnitude with regards to the impact on the funding position.

The next actuarial valuation will be carried out as at 31 March 2019. The Funding Strategy Statement will also be reviewed at that time.

Barry Dodds FFA
For and on behalf of Hymans Robertson LLP
2 May 2019
Hymans Robertson LLP
20 Waterloo Street, Glasgow, G2 6DB

Audit

Deloitte 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 Investment Strategy Statement (ISS) which can be supplied upon request or viewed at www.wiltshirepensionfund.org.uk.

The full list of managers as at 31 March 2019 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 Asset Management	Absolute Return Fund	10.0%
Brunel Pension Partnership Legal & General	Passive UK Equity	2.50%
Legal & General	Global Equities	5.0%
Brunel Pension Partnership	Government Bonds	15.0%
Investec Asset Management	Fundamental Equities	12.5%
Partners Group	Emerging Market Multi Asset	10.0%
M&G Investment Management	Infrastructure	5.0%
	UK Companies Financing Fund	1.5%
		100.0%

The value of assets under management at 31 March 2019 was £2,582.1 million, broken down by managers as follows:

	31 March 2019	31 March 2018
Legal & General	£557.1 million	£876.3 million
Brunel Pensions Partnership	£409.8 million	£0.0 million
Baillie Gifford	£436.6 million	£372.5 million
CBRE Global Multi Manager	£343.1 million	£314.7 million
Loomis Sayles	£276.7 million	£276.1 million
Investec Asset Management	£257.8 million	£252.4 million
Barings Asset Management	£246.1 million	£242.2 million
Partners Group	£51.6 million	£35.7 million
M&G Investment Management	£1.5 million	£2.1 million
Cash held at custodian	£1.0 million	£9.4 million
Long-term investment - Brunel Pension Partnership	£0.8 million	£0.8 million
Total	£2,582.1 million	£2,382.2 million

Investments Analysed by Fund Manager

	31 March 2019 £000	31 March 2018 £000
Investments managed by Brunel asset pool		
Passive UK Equity	66,052	-
Passive Multi Factor UK	20,428	-
Passive Multi Factor North America	225,935	-
Passive Multi Factor Europe exc. UK	55,291	-
Passive Multi Factor Japan	27,168	-
Passive Multi Factor Asia pacific exc. Japan	14,910	-
	409,784	-
Long-term investment - Brunel Pension Partnership	840	840
Investments managed outside of Brunel asset pool:		
Baillie Gifford - Global Equity	436,612	372,482
CBRE Global Multi Manager - Property	343,114	314,744
Legal & General - Passive UK Equity	-	171,423
Legal & General - Passive RAFI Equity	-	324,477
Legal & General - Passive Global Equity	132,922	125,349
Legal & General - Passive UK Gilts	424,140	255,092
Barings - Dynamic Assets Allocation	246,080	242,173
Partners Group - Infrastructure	51,556	35,655
Investec - Emerging Markets	257,780	252,365
Loomis Sayles - Multi Asset Credit	116,345	115,238
Loomis Sayles - Absolute Return Bond Fund	160,391	160,878
M&G - Financing Fund	1,531	2,089
Cash held at custodian	1,044	9,419
	2,171,515	2,381,384
	2,582,139	2,382,224

Safe custody of all investments is the responsibility of State Street 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	2018/2019	2017/2018
		£000	£000
Contributions and benefits			
Contributions receivable	5a	108,207	100,221
Transfers in	5b	30,507	3,798
		138,714	104,019
Benefits payable	6	(89,608)	(83,315)
Payments to and on account of leavers	7	(4,002)	(4,003)
		(93,610)	(87,318)
Management expenses	8&12	(21,152)	(12,309)
		23,952	4,392
Returns on investments			
Investment income	9	11,452	12,009
Taxes on income		(97)	(3)
Profits and losses on disposal of investments and changes in market value of investments	11	186,134	194,611
		197,489	206,617
Net returns on investments		197,489	206,617
Net increase in net assets available for benefit		221,441	211,009
Opening net assets of the fund		2,398,479	2,187,470
Closing net assets of the fund		2,619,920	2,398,479

Net Asset Statement At 31 March	Notes	31 March 2019	31 March 2018
		£000	£000
LONG TERM INVESTMENTS			
Brunel Pension Partnership		840	840
INVESTMENT ASSETS			
Equities	11	432,614	388,220
Pooled investment vehicles		1,800,530	1,682,650
Property		334,978	281,427
Cash held on deposit		15,321	28,614
Other investment balances		182	473
		2,584,465	2,382,224
Investment liabilities	11	(2,326)	0
Total net investments		2,582,139	2,382,224
Current assets	13	43,120	19,767
Current liabilities	14	(5,339)	(3,512)
Net assets available for benefit at 31 March		2,619,920	2,398,479

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 current Code of Practice on Local Authority Accounting in the United Kingdom 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 19.

The accounts have been prepared on an accruals basis except where otherwise stated, i.e. income and expenditure are 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.

Group Transfers

Group transfers are accounted for on an accrual's basis at the point when the amount will be transferred.

Payments to and on account of leavers

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 2019 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.

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 2019.

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.

Investment 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 based on 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. 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 considering 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 2019 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 2019, the fund had a balance of £43.2m for debtors (£0.9m 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.

5a. Contributions Receivable

	2018/2019 £000	2017/2018 £000
Employer		
- Normal	71,279	65,373
- Augmentation	1,625	1,976
- Deficit funding*	14,198	12,812
Members		
- Normal	20,941	19,846
- Additional contributions	164	214
	108,207	100,221
Analysis of contributions receivable		
	2018/2019 £000	2017/2018 £000
<i>Contributions from employees (Including additional contributions)</i>		
- Wiltshire Council	7,724	7,565
- Other scheduled bodies	12,364	11,582
- Admitted bodies	1,017	914
	21,105	20,061
<i>Contributions from employers (Including Augmentations)</i>		
- Wiltshire Council	32,580	29,737
- Other scheduled bodies	46,876	43,461
- Admitted bodies	7,646	6,962
	87,102	80,160
Total contributions receivable	108,207	100,221

* Deficit funding contributions are being paid by the employer for the three years commencing from 1 April 2017 with a minimum specified in the Rates and Adjustment Certificate dated 31 March 2017 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.

5b. Transfers in from other pension funds

	2018/2019 £000	2017/2018 £000
Group transfers	25,003	0
Individual transfers	5,504	3,798
	30,507	3,798

Group transfers comprises an amount of £25m due from Dorset County Pension Fund in respect of a bulk transfer in of Dorset Fire civilians. This amount was received on 2 May 2019.

6. Benefits payable

	2018/2019	2017/2018
	£000	£000
Pensions	72,224	68,166
Commutation and lump sum retirement benefits	15,168	13,412
Lump sum death benefits	2,216	1,737
	89,608	83,315
Analysis of benefits payable	2018/2019	2017/2018
	£000	£000
<i>Pensions payable</i>		
- Wiltshire Council	37,330	35,825
- Other scheduled bodies	27,709	25,578
- Admitted bodies	7,185	6,763
	72,224	68,166
<i>Retirement and death grants payable</i>		
- Wiltshire Council	7,152	5,830
- Other scheduled bodies	8,303	7,751
- Admitted bodies	1,929	1,568
	17,384	15,149
Total benefits payable	89,608	83,315

7. Payments to and on account of leavers

	2018/2019	2017/2018
	£000	£000
Individual transfer out to other schemes	3,751	3,690
Refunds to members leaving service	250	259
State Scheme Premiums	1	54
	4,002	4,003

8. Management Expenses

	2018/2019	2017/2018
	£000	£000
Administration costs	2,929	2,773
Investment management expenses	18,070	9,401
Oversight & governance	134	115
Audit fees	19	20
	21,152	12,309

2017/18 figures have been reclassified to correct an error. This has resulted in an increase of £3.2m in investment management expenses. Please refer to Note 12 for more information.

The Fund has applied CIPFA's guidance Accounting for Local Government Pension Scheme Management Costs.

9. Investment Income

	2018/2019	2017/2018
<i>Quoted securities</i>	£000	£000
- UK equities	0	146
- Overseas equities	1,370	1,102
<i>Pooled Investment Vehicles</i>		
- Overseas equities	0	62
- UK property	6,830	8,944
- Global property	1,544	89
- Infrastructure	162	1,226
<i>Income from stock lending</i>		
- Income from stock lending	596	305
<i>Cash held on deposit</i>		
- Sterling cash	878	50
- Overseas cash	72	85
	11,452	12,009

2017/18 figures have been reclassified to correct an error. This has resulted in an increase in stock lending income for 2017/18 of £0.3m. Please refer to Note 12 for more information.

10. Stock Lending

The Council participates in a securities lending programme administered by State Street. Securities in the beneficial ownership of the Council to a value of £46.8 million (1.8% of the total) were on loan at 31 March 2019. Collateral for these securities is held in a pooled form, the Wiltshire Pension Fund's share (0.014%) representing a value of £51.0million (108.91%). Income earned from this programme amounted to £0.596 million in the year.

	2018/2019	2017/2018
	£ million	£ million
WPF securities on loan	46.8	52.1
<i>(percentage of total)</i>	1.81%	2.19%
WPF collateral share of pool	0.01%	0.02%
Value of WPF pooled share	51.0	55.9
Percentage of securities on loan	108.9%	107.3%
Income earned in year	0.596	0.305

11. Investments

Reconciliation of investments held at beginning and end of year

	Value at 01 April 2018	Purchases at cost & derivative payments	Sales proceeds and derivative receipts	Profit & loss on disposal & change in market value	Value at 31 March 2019
	£000	£000	£000	£000	£000
Long term investments					
- Brunel Pension Partnership	840	0	0	0	840
Funds held with Brunel:					
Pooled investment vehicles	0	406,742	(235)	3277	409,784
Equities	368,094	54,663	(55,383)	65,240	432,614
Pooled investment vehicles:					
- Other	1,684,739	611,670	(1,000,856)	95,192	1,390,746
- Property	299,464	206,043	(192,692)	22,163	334,978
	2,353,138	1,279,118	(1,249,166)	185,871	2,568,961
Cash deposits	28,722			263	15,321
Other investment balances	364			0	(2,143)
	2,382,224			186,134	2,582,139

	Value at 01 April 2017	Purchases at cost & derivative payments	Sales proceeds and derivative receipts	Profit & loss on disposal & change in market value	Value at 31 March 2018
	£000	£000	£000	£000	£000
Long term investments					
- Brunel Pension Partnership	0	840	0	0	840
Equities	372,221	32,081	(110,464)	94,382	388,220
Pooled investment vehicles:					
- Other	1,519,157	437,221	(363,653)	89,925	1,682,650
- Property	262,758	45,107	(37,085)	10,647	281,427
	2,154,136	515,249	(511,202)	194,954	2,353,137
Cash deposits	19,799			(349)	28,614
Other investment balances	170			6	473
	2,174,105			194,611	2,382,224

* There are some differences in the split of the opening balances of assets compared to the closing balances of 2017/18 due to reclassification of some equity and property assets.

2017/18 figures have been reclassified to correct an error. This has resulted in an increase in profit and loss on disposal and changes in value of investments for 2017/18 of £2.9m. Please refer to Note 12 for more information.

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 2019 £000	31 March 2018 £000
LONG TERM ASSETS		
Brunel Pension Partnership	840	840
INVESTMENT ASSETS		
Equities		
- UK equities	0	24,939
- Overseas equities	432,614	363,281
	432,614	388,220
Pooled Investment Vehicles		
- UK equities	88,011	171,423
- Overseas equities	702,307	691,999
- Overseas fixed income	276,736	276,116
- UK index linked government bonds	424,140	255,092
- Property	334,978	281,427
- Emerging market debt	128,890	100,946
- Emerging market equities	128,890	151,419
- Infrastructure	51,556	35,655
	2,135,508	1,964,077
Cash held on deposit		
- Sterling cash	10,433	14,966
- Overseas cash	4,888	13,648
	15,321	28,614
Other Investment Balances		
- Outstanding dividend entitlements	28	304
- Recoverable tax	154	169
	182	473
Investment liabilities		
- Amounts payable for purchases	(2,326)	0
Total of investments held	2,582,139	2,382,224
NET CURRENT ASSETS & LIABILITIES		
Current assets	43,120	19,767
Current liabilities	(5,339)	(3,512)
Total net current assets	37,781	16,255
	2,619,920	2,398,479

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.

As at 31 March 2019

	Designated as fair value through profit and loss	Loans and receivables
	£000	£000
Long term investments		
Brunel Pension Partnership	840	0
Financial assets		
Equities	432,614	0
Pooled investment vehicles	1,800,530	0
Property	334,978	0
Cash held on deposit	0	22,184
Other investment balances	182	0
Long-term debtors	0	965
Debtors	0	35,293
	<u>2,568,304</u>	<u>58,442</u>
Financial liabilities		
Creditors	0	(5,339)
Amounts payable for purchases	(2,326)	0
	<u>(2,326)</u>	<u>(5,339)</u>
	<u>2,566,818</u>	<u>53,103</u>

As at 31 March 2018

	Designated as fair value through profit and loss	Loans and receivables
	£000	£000
Long term investments		
Brunel Pension Partnership	840	0
Financial assets		
Equities	386,131	2,089
Pooled investment vehicles	1,682,651	0
Property	281,427	0
Cash held on deposit	0	36,324
Other investment balances	473	0
Debtors	0	12,057
	<u>2,350,682</u>	<u>50,470</u>
Financial liabilities		
Creditors	0	(3,512)
	<u>0</u>	<u>(3,512)</u>
	<u>2,351,522</u>	<u>46,958</u>

Net gains/(losses) on financial instruments

	2019	2018
	£000	£000
Financial assets		
Fair value through profit and loss	185,871	194,953
Loans and receivables	263	(342)
Financial liabilities	0	0
Total	<u>186,134</u>	<u>194,611</u>

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. 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 State Street 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.

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.

Market Price Risk

Market price risk represents the risk that the value of a financial instrument will fluctuate because 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 in 2019 was provided by the Fund's custodian (State Street) and was calculated as the monthly volatility of returns using 36 months of historical data. In 2018, the volatility data was provided by the Fund's Investment Advisor (Mercers) and is broadly consistent with a one-standard deviation movement. This was 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 2019 and 2018 by the amounts shown below.

As at 31 March 2019	Value £000	Volatility of return	Increase £000	Decrease £000
Baillie Gifford - Global Equity	436,612	16.11%	70,338	(70,338)
CBRE Global Multi Manager - Property	343,114	2.76%	9,470	(9,470)
Legal & General - UK Equity	66,052	9.41%	6,215	(6,215)
Legal & General - Gilts	424,140	17.30%	73,376	(73,376)
Legal & General - Global Equity	132,922	10.40%	13,824	(13,824)
Legal & General - Multifactor	343,733	10.38%	35,679	(35,679)
Barings - Dynamic Assets Allocation	246,080	5.56%	13,682	(13,682)
Partners Group - Infrastructure	51,556	10.61%	5,470	(5,470)
Investec - Emerging Markets	257,780	12.22%	31,501	(31,501)
Loomis Sayles - Multi Asset Credit	116,345	3.16%	3,677	(3,677)
Loomis Sayles - Absolute Return Bond Fund	160,391	1.78%	2,855	(2,855)
M&G - Financing Fund	1,531	31.78%	487	(487)
Cash held at custodian	1,044			
Long-term investment - Brunel Pension Partners	840			
	2,582,139		266,574	(266,574)

As at 31 March 2018	Value £000	Volatility of return	Increase £000	Decrease £000
Baillie Gifford - Global Equity	372,482	17.90%	66,674	(66,674)
CBRE Global Multi Manager - Property	314,744	14.10%	44,379	(44,379)
Legal & General - UK Equity	171,423	15.60%	26,742	(26,742)
Legal & General - Gilts	255,092	9.60%	24,489	(24,489)
Legal & General - Global Equity	125,349	15.60%	19,554	(19,554)
Legal & General - Multi Factor	324,477	15.60%	50,618	(50,618)
Barings - Dynamic Assets Allocation	242,173	10.20%	24,702	(24,702)
Partners Group - Infrastructure	35,655	14.30%	5,099	(5,099)
Investec - Emerging Markets	252,365	18.60%	46,940	(46,940)
Loomis Sayles - Multi Asset Credit	115,238	4.70%	5,416	(5,416)
Loomis Sayles - Absolute Return Bond Fund	160,878	4.70%	7,561	(7,561)
M&G - Financing Fund	2,089	0.00%	0	0
Cash held at custodian	9,419	0.00%	0	0
Long-term investment - Brunel Pension Partners	840	0.00%	0	0
	2,382,224		322,174	(322,174)

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, including those indirectly held in through pooled investment vehicles, in cash & cash equivalents, fixed interest and loans at 31 March 2019 and 2018 are provided below:

31 March 2019	
£000	
Cash held on deposit	15,321
Fixed interest securities	276,736
Loans	1,531
	293,588

31 March 2018	
£000	
Cash held on deposit	28,614
Fixed interest securities	276,116
Loans	2,089
	306,819

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 2019	Value £000	Change in net assets	
		£000	
		+100 BP	-100 BP
Cash held on deposit	15,321	153	(153)
Fixed interest securities	276,736	(6,680)	6,680
Loans	1,531	0	0
	293,588	(6,527)	6,527

As at 31 March 2018	Value £000	Change in net assets	
		£000	
		+100 BP	-100 BP
Cash held on deposit	28,614	286	(286)
Fixed interest securities	276,116	(9,149)	9,149
Loans	2,089	0	0
	306,819	(8,863)	8,863

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.

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.

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.

2019	US Dollar	Euro	HK Dollar
Benchmark weights	16.40%	3.65%	1.94%
	£'000	£'000	£'000
Net currency exposure	423,420	94,325	49,973

2018	US Dollar	Euro
Benchmark weights	12.21%	2.79%
	£'000	£'000
Net Currency Exposure	290,850	66,428

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 2019 and 31 March 2018 would have increased or decreased the net assets by the amount shown below

2019	Assets held at fair value £000	Change in net assets	
		+10% £000	-10% £000
US Dollar	423,420	42,342	(42,342)
Euro	94,325	9,433	(9,433)
HK Dollar	49,973	4,997	(4,997)
Net currency exposure	567,718	56,772	(56,772)

2018	Assets held at fair value £000	Change in net assets	
		+10% £000	-10% £000
US Dollar	290,850	29,085	(29,085)
Euro	66,428	6,643	(6,643)
Net Currency Exposure	357,278	35,728	(35,728)

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.

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, State Street, 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 an AA- long term fitch 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, besides those in pooled investment vehicles, is invested with the custodian in a diversified money market fund rated AAAM.

The Fund's exposure to credit risk at 31 March 2019 and 2018 is the carrying amount of the financial assets.

2019

	£000
Global fixed interest pooled	276,736
Cash held on deposit	15,321
Other investment balances	182
Current assets	43,120
	<u>335,359</u>

2018

	£000
Global fixed interest pooled	276,116
Cash held on deposit	28,614
Other investment balances	473
Current assets	19,767
	<u>324,970</u>

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 2019 and 2018, grouped into relevant maturity dates.

2019	Carrying amount £000	Less than 12 months £000	Greater than 12 months £000
Accounts payable	76	76	0
Benefits payable	1,977	1,977	0
Sundry creditors	3,286	3,286	0
	5,339	5,339	0

2018	Carrying amount £000	Less than 12 months £000	Greater than 12 months £000
Accounts payable	107	107	0
Benefits payable	539	539	0
Sundry creditors	2,866	2,866	0
	3,512	3,512	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 can 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 2019 and 31 March 2018, 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 State Street, which is based on valuations provided by the investment managers. The investment in Brunel Pensions Partnership is valued at cost, as there is no market available for this investment.

2019	£000	£000	£000	£000
	Level 1	Level 2	Level 3	Total
Brunel Pension Partnership	0	0	840	840
Equities	432,614	0	0	432,614
Pooled investment vehicles:				
- Other	0	1,747,442	53,087	1,800,529
- Property	0	167,237	167,741	334,978
	432,614	1,914,679	221,668	2,568,961
Cash deposits	15,321	0	0	15,321
Other investment balances	(2,143)	0	0	(2,143)
	445,792	1,914,679	221,668	2,582,139

2018	£000	£000	£000	£000
	Level 1	Level 2	Level 3	Total
Brunel Pension Partnership	0	0	840	840
Equities	384,770	0	3,450	388,220
Pooled investment vehicles:				
- Other	0	1,646,995	35,655	1,682,650
- Property	0	111,402	170,025	281,427
	384,770	1,758,397	209,970	2,353,137
Cash deposits	28,614	0	0	28,614
Other investment balances	473	0	0	473
	413,857	1,758,397	209,970	2,382,224

Wiltshire Pension Fund determines that transfers between levels of the fair value hierarchy have occurred when the investment manager for those assets notifies the Fund's custodian of the change. During 2018/19 there were no transfers between level 1 and 2 of the fair value hierarchy. There were some movements between level 2 and 3 and this is reflected in the table below.

The following tables present the movement in level 3 instruments for the year end 31 March 2019 and 31 March 2018.

2019	£000
Opening balance	209,970
Adjustment for reclassifications	47,109
Total gains/losses	10,627
Purchases	113,826
Sales	(159,864)
Transfer out of level 3	0
Closing balance	221,668

**The opening balance for assets valued at level three has been adjusted to include the initial share-holding investment held in the Brunel Pension Partnership. This represents an increase in value of the opening value of £840k*

2018	£000
Opening balance	198,098
Total gains/losses	10,373
Purchases	42,242
Sales	(41,583)
Transfer out of level 3	0
Closing balance	<u>209,130</u>

The following table shows the sensitivity of assets valued

Sensitivity of assets valued at level 3

	Assessed valuation range (+/-)	Value at 31 March 2019 £'000	Value on increase £'000	Value on decrease £'000
Pooled property	2.76%	167,741	172,371	163,112
M&G Financing Fund	31.78%	1,531	1,531	1,531
Infrastructure	10.61%	51,556	57,026	46,086
Brunel Pension Partnership	0%	840	840	840
		<u>221,668</u>	<u>231,768</u>	<u>211,569</u>

The following investments represent more than 5% of the net assets of the scheme:

Security	31 March 2019	
	Market value £m	% of total market value
Investec - Emerging Markets	257.78	9.98
Barings - Dynamic Asset Allocation Fund	246.08	9.53
Legal & General - Multi Factor North America	225.94	8.75
LSAA 2068 Index Linked Gilts	213.56	8.27
LUAB 2062 Index Linked Gilts	210.58	8.16
Loomis Sayles Alpha Bond Fund	160.39	6.21
L&G World Equity Index	132.92	5.15
	<u>1,447.25</u>	<u>56.1</u>

12 Investment management expenses

	2018/2019	2017/2018
	£000	£000
Management fees	8,683	6,298
Performance fees	2,283	1,649
Transaction and other costs (pooled funds)	2,714	360
Transaction and other costs (multi-manager portfolios)	604	761
Transaction and other costs (segregated portfolios)	88	59
Underlying fees for funds in multi-manager portfolios	2,668	0
Custody fees	86	99
Transition costs	33	0
Costs associated with investment pooling	617	(89)
Indirect costs incurred in managing investment portfolios	294	263
	18,070	9,400

This Note has been reclassified for 2017/18 because of an error in the prior year, where some income codes were incorrectly allocated to investment management expenses. The resulting correction has resulted in an increase of £3.2m in investment management expenses. Corresponding corrections have resulted in an increase in stock lending income for 2017/18 of £0.3m, and an increase in profit and loss on disposal and changes in value of investments for 2017/18 of £2.9m. The other notes affected are 8, 9, 11, 11c and the Fund Account. There is no change to the overall movement in the fund during the year, or to the Net Asset Statement.

Due to the introduction of improved cost transparency reporting, it has been possible to include additional underlying figures this year associated with the costs of managing the portfolios. The fees and costs of the underlying fund investments in both Partners Group's infrastructure portfolio, and CBRE's pooled property portfolio have been included this year, which were not previously included. Please note that the increase in 2019 does not represent an increase in managers' fees, but better available information about the underlying costs of investment management.

13 Current assets

	31 March 2019	31 March 2018
	£000	£000
Contributions due from other authorities and bodies		
- Employees	1,674	1,570
- Employers	6,111	5,590
Debtors (magistrates)	965	1,930
Other	27,507	2,967
Cash balances	6,863	7,710
	43,120	19,767
Less:		
Long term debtors (magistrates)	965	1,930
Net current assets	42,155	17,837

Other assets include an amount of £25m due from Dorset County Pension Fund in respect of a bulk transfer in of Dorset Fire civilians. This amount was received on 2 May 2019.

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 £1.930m, of this the following year's instalment (£0.965m) is classified as a debt repayable in one year, and the remaining balance £0.965m is a long-term debtor.

14 Current Liabilities

	31 March 2019 £000	31 March 2018 £000
Managers / custody fees	2,950	1,646
HMRC	792	722
Unpaid benefits	954	1,087
Other	643	57
	5,339	3,512

15. Additional Voluntary Contributions (AVCs)

AVC contributions are not included in the Fund's financial statements as they do not come under the requirements of Regulation 4(1)(b) of the Pension Scheme (Management and Investment of Funds) Regulations 2016 regarding regulation 69(1)(a) of the Local Government Pension Scheme Regulations 2013.

Fund members paid contributions totalling £0.934 million (£0.773million in 2017/2018) into their AVC funds during the year. At the year end, the value of funds invested on behalf of Fund members totalled £5.467 million, made up as follows:

Additional Voluntary Contributions (AVCs)

	£ million
Equitable Life Assurance Society	
- With Profits Fund	0.441
- Unit Linked Managed Fund	0.152
Clerical Medical Funds	
- With Profits Fund	0.145
- Unit Linked Managed Fund	0.922
Prudential	
- With Profits Cash Accumulation Fund	1.402
- Deposit Fund	0.623
- Cash	0.022
- Discretionary	0.583
- Equity Passive	0.126
- Global Equity	0.003
- UK Equity	0.015
- Index Linked	0.002
- Long Term Growth Fund	0.498
- Pre-Retirement Fund	0.307
- Ethical	0.038
- Property Fund	0.188
	5.467

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 £1.477m (2017/2018: £1.472m) 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 £31.6m to the Fund in 2018/2019 (2017/2018: £30m). A balance of £1.3m 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 2019, the fund had an average investment balance of £6.9m (31 March 2018: £7.6m), earning interest of £44k (2017/2018: £21k) in these funds.

Brunel Pension Partnership Limited (BPP Ltd.) was formed on the 14th October 2016 and will oversee the investment of pension fund assets for Wiltshire, Avon, Buckinghamshire, Cornwall, Devon, Dorset, Environment Agency, Gloucestershire, Oxfordshire and Somerset Funds.

Each of the 10 local authorities, including Wiltshire Pension Fund own 10% of BPP Ltd. In 2017/18 the Pension Fund paid BPP £840,000 and there was no further investment in 2018/19.

Governance

There are five members of the Pension Fund Committee that are active members of the Pension Fund, two of these individuals are the employer bodies representatives. One councillor is also a pensioner member of the Pension Fund.

18. Guaranteed Minimum Pension

The Guaranteed Minimum Pension (GMP) Reconciliation project has been split into several stages for Local Government Pension Schemes (LGPS). The Fund completed Stage 2, entitled "Review data inconsistencies, on 31st December 2018 & is now liaising with HMRC over a small number of residual queries. Because of the reconciliation the Fund anticipates receiving a rebate from HMRC of £37.7k in respect of Contribution Equivalent Premium (CEP) overpayments.

Stage 3 entitled "Rectification" whereby LGPS pensions will be amended with the reconciled Stage 2 GMP information will now take place. However, before Stage 3 can be completed its timetable will be subject to a number of dependencies. These dependencies currently include guidance from the Scheme Advisory Board on a national approach concerning the incorrect payment of pensions due to missing GMP information, guidance from HMRC on scoping the treatment of multiple adjusted pension payments with may give rise to unauthorised payment tax charges, guidance on the outcome of the court of appeal case concerning Lloyds Banking Group Pensions Trustees Limited in respect of GMP equalisation and finally receipt of guidance from the Fund's legal advisers on how the Fund should determine the dependencies identified above.

The effect of LGPS pensions not showing the correct amount of GMP for its members means that their pensions will be increased by more than they should be. For LGPS members who have a State Pension Age (SPA) prior to 06/04/2016 their GMP should not be increased by the Fund for their Pre-1988 GMP (in respect of the period 06/04/1978 to 05/04/1988). But for their Post 1988 element (in respect of the period 06/04/1988 to 05/04/1997) it will be increased by a maximum of 3%. The Government will 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%.

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 05/04/2021. We await further confirmation from the Government detailing how GMPs will be increased for those member's whose SPA is after 05/04/2021.

19. Contingent Liabilities and Contractual Commitments

Outstanding capital commitments (investments) at 31 March 2019 totalled £94.7m

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.

When the LGPS benefit structure was reformed in 2014, transitional protections were applied to certain older members close to normal retirement age. The benefits accrued from 1 April 2014 by these members are subject to an 'underpin' which means that they cannot be lower than what they would have received under the previous benefit structure. The underpin ensures that these members do not lose out from the introduction of the new scheme, by effectively giving them the better of the benefits from the old and new schemes.

In December 2018 the Court of Appeal upheld a ruling ("McCloud/Sargeant") that similar transitional protections in the Judges' and Firefighters' Pension Schemes were unlawful on the grounds of age discrimination. The implications of the ruling are expected to apply to the LGPS (and other public service schemes) as well. The UK Government has requested leave to appeal to the Supreme Court and is expected to hear later in 2019 if this will be granted. The impact is therefore still highly uncertain, as two opposing outcomes are possible:

1. The Supreme Court overturns the previous ruling and benefits remain as they are, with the underpin only applying as had been previously allowed for in actuarial valuations.
2. The Government's request for appeal is rejected, or the Supreme Court upholds the existing judgement, and benefits accrued from 2014 may need to be enhanced so that all members, regardless of age, will benefit from the underpin. Alternatively, restitution may be achieved in a different way, for example by paying compensation. In either case, the clear expectation is that many more members would see an enhanced benefit rather than just those currently subject to these protections. In this outcome, there would likely be a retrospective increase to members' benefits, which in turn would give rise to a past service cost for the Fund employers when the outcome is known.

Quantifying the impact of outcome 2 at this stage is very difficult because it will depend on the compensation awarded, members' future salary increases, length of service and retirement age, and whether (and when) members withdraw from active service. Salary increases in particular can vary significantly from year to year and from member to member depending on factors such as budget restraint, job performance and career progression. The Government Actuary's Department (GAD) has estimated that the impact for the LGPS as a whole could be to increase active member liabilities by 3.2%, based on a given set of actuarial assumptions. A full description of the data, methodology and assumptions underlying these estimates is given in GAD's paper, dated 10 June 2019.

The Fund's actuary has adjusted GAD's estimate to better reflect the Wiltshire Pension Fund's local assumptions, particularly salary increases and withdrawal rates. The revised estimate as it applies to the Wiltshire Council Pool is that total liabilities (i.e. the increase in active members' liabilities expressed in terms of the employer's total membership) could be 0.16% higher as at 31 March 2019, an increase of approximately £2.7m. These numbers are high level estimates based on scheme level calculations and depend on several key assumptions.

The impact on employers' funding arrangements will likely be dampened by the funding arrangements they have in place. However, if the judgement is upheld then there will be unavoidable upward pressure on contributions in future years.

Actuarial Statement in respect of IAS26 as at 31.03.2019**Introduction**

CIPFA's Code of Practice on Local Authority Accounting 2018/19 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 the 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 Fund's funding assumptions.

Present value of Promised Retirement Benefits

£m	Year ended	
	31 March 2019	31 March 2018
Active members	1,750	1,469
Deferred pensioners	929	848
Pensioners	1,107	1,116
Total	3,786	3,433

The promised retirement benefits at 31 March 2019 have been projected using a roll forward approximation from the latest formal funding valuation as at 31 March 2016. 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 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 2019 and 31 March 2018. I estimate that the impact of the change in financial assumptions to 31 March 2019 is to increase the actuarial present value by £217m. There is no impact from any change in the demographic and longevity assumptions because they are identical to the previous period.

Financial assumptions

Year ended (%p.a.)	31 Mar 2019	31 Mar 2018
Pension Increase Rate	2.5%	2.4%
Salary Increase Rate	2.8%	2.7%
Discount Rate	2.4%	2.6%

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 not 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:

Sensitivity to the assumptions for the year ended 31 March 2018	Approximate % Increase to liabilities	Approximate monetary amount (£m)
0.5% p.a. increase in the Pension Increase Rate	8%	321
0.5% p.a. increase in Salary Increase Rate	1%	51
0.5% decrease in Real Discount Rate	10%	394

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%.

This paper accompanies my covering report titled 'Actuarial Valuation as at 31 March 2019 for accounting purposes'. The covering report identifies the appropriate reliance and limitations for the use of the figures in this paper, together with further details regarding the professional requirements and assumptions.

Prepared by: -

Barry Dodds FFA

2 May 2019

For and on behalf of Hymans Robertson LLP

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Schedule of Employer Bodies

Scheduled/resolution bodies

Wiltshire Council
Swindon Borough Council
Dorset and Wiltshire Fire Authority
Wiltshire Police PCC & CC
Aldbury Parish Council
Amesbury parish Council
Blunsdon Parish Council
Bradford-on-Avon Town Council
Calne Town Council
Central Swindon North Parish Council
Central Swindon South Parish Council
Chippenham Town Council
Corsham Town Council
Cricklade Town Council
Dezives Town Council
Durrington Town Council
Haydon Wick Parish Council
Hullavington Parish Council
Idminster Parish Council
Ludgershall Parish Council
Malmesbury Town Council
Marlborough Town Council
Melksham Town Council
Melksham Without Parish Council
Mere Parish Council
Purton Parish Council
Redlynch Parish Council
Royal Wootton Bassett Town Council
Salisbury City Council
Sherston Parish Council
St Andrews Parish Council
South Swindon Parish Council
Stratton St Margaret Parish Council
Tidworth Town Council
Trowbridge Town Council
Wanborough Town Council
Warminster Town Council
Westbury Town Council
West Swindon Parish Council
Wilton Town Council
Wroughton Parish Council
Acorn Academy
Activate Learning Education Trust
All Saints (Netheravon) Academy
Athenston Trust (Bradon Forest)
Athenston Trust (Malmesbury Academy)
Bishop Wordsworth Academy
Blue Kite Academy
Brunel SEN Multi Academy Trust
Bybrook Valley Academy
Colebrook Infants Academy
Commonweal Academy
Corsham Secondary Academy
Dauntsey Academy
Dezives Academy
Diocese of Bristol Academy Trust
Diocese of Salisbury Academy Trust
Dorcan Technology Academy
Eastrop Infants Academy
Excaliber Academy
Goddards Park Academy
Hardenhuish School
Hazelwood Academy
Highway Warneford Academy
Holy Cross Catholic Primary

Holy Family Catholic Academy
Holy Rood Primary Academy
Holy Trinity Calne Academy
Holy Trinity Academy – Great Cheverel
John of Gaunt Academy
King Alfred trust
King William Academy
Kingsdown Academy – River Learning Trust
Lavington Academy
Lethbridge Academy
Magna Learning Partnership
Malmesbury Primary Academy
Millbrook Academy
Morgan Vale Academy
New College
Oasis Community Learning
Peatmore Primary Academy
Pewsey Vale Academy
Pickwick Academy Trust
Reach South Academy Trust
Rowde Academy
Royal Wootton Bassett Academy
Salisbury 6th Form Multi Academy Trust
Salisbury Plain Multi Academy Trust
Sevenfields Academy
Shaw Ridge Academy
Sheldon Academy
Somerset Road Academy Trust
South Wilts Grammar School
South Wilts UTC
Southfield Junior Academy
St Augustines School
St Catherines Academy
St Edmunds Calne
St Josephs Academy Dezives
St Josephs Academy Swindon
St Laurence Academy
St Leonards Academy
St Mary's Swindon Academy
Swindon College
The Mead Primary Academy
The Parks Academy Trust
United Learning Trust
Uplands Educational Trust
Wansdyke Academy
Wellington Academy
Westlea Academy
White Horse Federation
Wiltshire College
Woodford Valley Academy

Admitted bodies

Agincare
Aster Communities
Aster Group
Aster Property Management
Atkins Global
Brayborne Facilities Services
Brunel Partnership
Capita Business Services Ltd
Care Home Select (CHS)
Caterlink 1 Greendown School
Caterlink 2 Zouch School
Caterlink 3 WHF
Caterlink 4 Gorsehill School
Churchill Services 1
Churchill Services 2
CIPFA
Collaborative Schools
Community First
Community Golf and Leisure Trust
Create Studios
Deeland
Direct Cleaning
Direct Cleaning - Wansdyke
Direct Cleaning - Westbury School
Edwards and Wards - Nythe School
Edwards and Wards – St Peters School
Elior UK
FCC Environment
First City Nursing
Greenwich Leisure Ltd (GLL)
GLL Oasis Leisure
Great Western Hospital
Greensquare (Westlea housing Association)
Hills Group
Ildverde
Imperial Cleaning
Innovate Services 2
KGB Cleaning
Mears Care East 2
Mears Care North 1
Mears Care West 1
Oxford Health NHS Trust
Places for People Leisure
Public Power Solutions
Ringway
Salisbury and South Wiltshire Museum
Selwood Housing
Seren
Sodexo
Sodexo 2
Sodexo 3
Somerset Care Ltd HTLAH
Somerset Care Ltd HTLAH 2
Spurgeons
Swindon Dance
Swindon Wildcats
The Order of St John Care Trust
Thera South West
Turning Point
Visit Wiltshire
Wiltshire and Swindon Sports Partnership
Wiltshire CCG
Wyclean

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.

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Wiltshire Council

Cabinet/ Audit Committee

24 July 2019

Subject: Annual Governance Statement 2018/19

Executive Summary

The Annual Governance Statement for Wiltshire Council should demonstrate how the Council is meeting the principles of good governance adopted in its Code of Corporate Governance. A statement has been prepared based on the local code of corporate governance adopted by full council as part of the constitution; with input from Audit Committee, Cabinet and internal and external auditors.

Proposal(s)

Audit Committee is asked to agree the Annual Governance Statement at Appendix 1.

Reason for Proposal

The Council is required, as part of its annual review of the effectiveness of its governance arrangements, to produce an Annual Governance Statement (AGS) for 2018/19. This will be signed by the Leader of the Council and the Corporate Directors after final approval by the Audit Committee on 24 July 2019. The AGS will form part of the Annual Statement of Accounts for 2018/19.

Ian Gibbons

Director, Legal, Electoral and Registration Services (Monitoring Officer)

Becky Hellard

Director, Finance and Procurement

Jo Pitt

Director, Human Resources and Organisational Development

Robin Townsend

Director, Corporate Services

Wiltshire Council

Audit Committee

24 July 2019

Subject: Annual Governance Statement 2018/19

Purpose of Report

1. To ask Audit Committee to agree the Annual Governance Statement for 2018/19.

Background

2. The Council is required, as part of its annual review of the effectiveness of its governance arrangements, to produce an Annual Governance Statement (AGS) for 2018/19. This will be signed by the Leader of the Council and the Corporate Directors after final approval by the Audit Committee on 24 July 2019. The AGS will form part of the Annual Statement of Accounts for 2018/19.
3. The format of the AGS follows recent advice from the Chartered Institute of Public Finance and Accountancy (CIPFA), with an onus on making it focused and readable. This is also the format of the [Local Code of Corporate Governance](#) that Cabinet agreed at its meeting on 11 June 2019 and full council adopted as part of the Constitution on 9 July 2019.
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 respecting the rule of law.
 - Ensuring openness and comprehensive stakeholder engagement
 - 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.
 - Implementing good practices in transparency, reporting and audit to deliver accountability

5. The AGS is primarily retrospective. It reports on the assurance framework and measures in place for the financial year 2018/19, but must take account of any significant issues of governance up to the date of publication of the Statement of Accounts in July 2019. 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.
7. In last year's Annual Governance Statement the Council identified a number of areas where further improvements could be made to strengthen its governance framework. Much of the details of these areas for improvement are covered in this year's draft Annual Governance Statement but to enable simple comparison details of the progress made on these specific areas since 2018 is summarised below:

Summary of improvements suggested in 2017/18

- a. Responding to the recommendations in peer reviews including the Corporate Peer, SEND and CQC reviews. This will include assessing the impacts on the delivery of the Council's Business and Financial Plans of external factors including the Social Care green paper expected Summer 2018, changes to the Business Rates system and lessons learnt from the s114 issued at Northamptonshire County Council.

Action Plans for the relevant inspections and reviews have been drawn up and progress monitored by the Overview and Scrutiny Management Committee, Families and Children's Transformation Programme and the Health and Wellbeing Board. The Social Care green paper has been repeatedly delayed and the outcome of the fairer funding review is still awaited from central government.

- b. Embedding improvements to data protection to be compliant with the new regulatory framework.

Mandatory training on GDPR has been rolled out across the council; further detail is provided in the SIRO annual report.

- c. Responding to an event in March 2018 that occurred in Salisbury the Council will seek to learn and share lessons surrounding the event, as well as assess the long-term impact and actions needed for the County, Council and Partners.

The Salisbury and Amesbury incidents in March and July 2018 had significant implications for the county, council and partners. The council has continued to participate in evaluations of the response and recovery, sought funding from central government and diverted funding from reserves as appropriate.

- d. Ensuring the new waste contract is mobilised effectively in line with current plans for July 2018.

Waste had a net overspend of £4.099 million, this is after the release of the reserve identified for Waste of £1.250 million that was set aside as part of 2017/18 outturn. The majority of this overspend was due to the significant delay in the Council's Contractor obtaining planning permission for construction of a

Materials Recovery Facility (MRF) to sort dry recyclable materials. As a consequence, the contract for sorting dry recyclable materials (Lot 1) and the contract for collection of waste and recycling (Lot 5), which commenced on 30 July 2018, could not be delivered as originally intended. An interim service was put in place to enable the collection and recycling of additional plastic materials from the blue lidded bin. However, this required the use of additional vehicles and employment of additional staff as the collection of dry recyclable materials continued to be based on separate collection of materials from the black box.

In addition, a number of savings proposals for 2018/19 around the new contract were not achieved. This was due to a combination of the delay in implementing the service changes referred to above and the availability of sufficient resource in the Waste and IT teams, given ongoing work on implementing new systems for management of the waste contracts.

Landfill tax was £0.598 million above budget. In 2018/19 the budget was reduced to reflect a forecast reduction in tonnes of waste to landfill as a result of the cessation of collection of commercial waste and other 2018/19 savings initiatives. These savings proposals have been implemented but the anticipated reduction in tonnes has not been seen. The Waste Budget has been rebased for 2019/20 based on the forecast contract models and tonnage expectations.

- e. Improving the Council's counter fraud framework including greater awareness and response. There will be a review of the inter-relationship between key policies to improve clarity and consistency of processes including: Anti-Fraud and Corruption, Whistle Blowing, complaints and some staff policies, such as registering interests, gifts and hospitality.

Audit Committee have approved the new counter fraud framework and a review of the inter-relationship of key policies has taken place. Accompanying action plans will be finalised within 2019.

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

This action has not been undertaken and is being taken forward during 2019.

- g. Reporting of finance and performance and risk management will be more closely aligned. A review of the relevant Corporate Performance Strategy and Risk Management Strategy will take place to ensure a focus on links between the use of resources and the outcomes being achieved. Alongside this there will be a focus on delivery of comprehensive plans for change for council services and a review of council commissioning, procurement and contract management.

A new risk and performance management policy was agreed in February 2019 to replace the previously separate Corporate Risk Strategy and Corporate Performance Strategy. July 2019 will see the first aligned quarterly finance and performance report to cabinet.

Main Consideration for the Council AGS - Content

8. An AGS for 2018/19 is attached as Appendix 1. The draft has been updated in the light of the observations of Cabinet and Audit Committee

(as captured in the minutes of the last meeting, as well as external audit (Deloitte)).

9. The Council's internal auditors have given an overall audit opinion of reasonable assurance on the effectiveness of the Council's control environment for 2018/19.
10. The final sections of the draft AGS require 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.
11. At this stage only the waste contract issue as outlined above meets the threshold of being a significant internal control issue and this has been noted in the report. Alongside that, is proposed to include the following as areas for improvement:
 - Agree an updated Corporate Equality Plan for 2019/20
 - Review the arrangements for dealing with code of conduct complaints (Protocol 12)
 - Review and update as appropriate the Behaviour's Framework
 - Review the procurement approach to social value
 - Adopt a new Partnership Working Framework (replace Protocol 8 of the constitution) and undertake an audit of partnership arrangements across the council
 - Review the Wiltshire Compact and role of Wiltshire Assembly
 - Agree new consultation policy/ guidance to replace the 2015 consultation strategy
 - Consider options for collecting feedback from residents, including surveys
 - Review Part 4 of the constitution in relation to petitions
 - Fully implement the peer review recommendations by developing an outcome-based planning process aligned to budget build
 - Consider additional resource for service delegation and asset transfer delivery
 - Respond to the findings of an Ofsted inspection in May/ June 2019 building on the previous progress that has been made.

- Review the effectiveness of the commercial policy and current commissioning approaches.
- Implement the newly adopted Part 10 of the constitution on procurement and contract rules; aligned to a regularly updated Annual Procurement Plan and medium-term contract management strategy. Embed good commissioning and contract management as part of staff job descriptions.
- Rollout training and awareness on decision making processes following a review of corporate governance practices
- Review business intelligence (data analysis and insight) functions across the council and supporting systems
- Review how performance can be communicated to the public to deliver maximum openness and transparency.
- Combine financial reporting and performance and risk reporting in the same quarterly report to Cabinet and embed good practice across the council
- Align organisational processes more closely to the outcomes in the Business Plan to ensure a focus on the resources used and outcomes achieved
- Finalise accompanying action plans for the counter fraud framework
- Deliver outstanding waste service changes and saving initiatives

12. It should be noted that these areas are not to be regarded as failures, rather examples of issues where scope for further improvement has been identified. In many cases, work is already well underway to address these areas for improvement. The governance of the Council will continue to be monitored by Cabinet, Audit and other councillor committees and the Council's Corporate Leadership Team. That will include the areas to address identified above.

13. The Council's external auditors, Deloitte LLP, have been consulted on the draft AGS and their comments reflected in the final draft.

Ian Gibbons
Legal

Becky Hellard
Finance

Jo Pitt
HR & OD

Robin Townsend
Corporate Services

Report Authors: Ian Gibbons, Robin Townsend, Jo Pitt, Becky Hellard and David Bowater.

Background Papers

The following documents have been relied on in the preparation of this report: Local Code of Corporate Governance

Appendices

Appendix 1 Wiltshire Council's Annual Governance Statement 2018/19

Wiltshire Council

Annual Governance Statement 2018/19

Introduction

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

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

This statement reflects how Wiltshire Council has met those standards in 2018/19 and the ongoing actions it is taking to maintain and improve its governance arrangements. Evidence of how we have assessed ourselves has been grouped into sections as set out by the Chartered Institute of Public Finance and Accountancy (CIPFA) in its publication 'Delivering Good Governance in Local Government Framework (2016)' and is consistent with the Local Code of Corporate Governance.

Approval of the Annual Governance Statement 2018/19

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

Alistair Cunningham OBE
Executive Director

Dr Carlton Brand
Executive Director

Terence Herbert
Executive Director

Cllr
Leader of Wiltshire Council

25 July 2019

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



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

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

Respect for the rule of law

The Council's [Constitution](#) provides the framework within which the Council operates. It sets out how decisions are made and the procedures which must be followed to ensure that these are efficient, effective, transparent and accountable.

The constitution is kept under review and in 2018/19 the role and responsibilities of portfolio holders and access to confidential material by councillors have been clarified.

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.

Behaving with integrity

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

There is a process for dealing with complaints under the code of conduct for unitary, parish, town and city councillors in Wiltshire. This process and its application is set by the Council and reviewed regularly by the Council's **Standards Committee**. Minutes from the meetings of this Committee can be found [online](#).

Strong commitment to ethical values

Ethical considerations are also evident in the Council's [Procurement Strategy](#) where Social Value is a consideration. The Strategy describes a voluntary charter for suppliers asking for a commitment to local employment, skills, training and environmental issues.

There were 47 complaints last year, 12 in relation to unitary members, 35 parish members. 8 in total were referred for investigation. The number of complaints per year since 2012 has ranged from 24-79.

How we can improve

- Agree an updated Corporate Equality Plan for 2019/20
- Review the arrangements for dealing with code of conduct complaints (Protocol 12)
- Review and update as appropriate the Behaviours Framework
- Review the procurement approach to social value

Principle B - Ensuring openness and comprehensive stakeholder engagement

Openness

The Council makes available a range of important information on its website including its strategic aims and ambitions in its published [Business Plan](#) and via its [publication scheme](#). The council has arrangements for dealing with requests under Freedom of Information laws. In 2018/19 there were 1818 requests with 98% responded to within 20 days

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

Public engagement plays a key part in the decision-making process, across the full range of the Council's services. Key consultations undertaken during 2018/19 include those on Housing Allocation Policy, Parking Charges, Special Schools, Bus Services and Children's Centres. A **communications protocol** is in place for councillors and officers

The Council supports a range of partnerships including: the [Health and Wellbeing Board](#), promoting integrated working between the council and the NHS; the [Wiltshire Police and Crime Panel](#) which reviews and scrutinises decisions of the Police and Crime Commissioner (the Panel is a joint committee with Swindon Borough Council); and the work of the Swindon and Wiltshire Local Enterprise Partnership ([SWLEP](#)). Cabinet have [reviewed](#) LEP governance as part of a business transfer agreement following the LEP's formal incorporation.

Engaging with institutional stakeholders

Engaging with citizens and service users

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

The **Wiltshire Compact** is an agreed set of guidelines and principles to foster good working relationships between the voluntary sector and the public sector. This will be reviewed in 2019.

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

An **electoral review** was conducted by the Local Government Boundary Commission. After consideration of submissions from the council, the LGBC maintained the number of councillors at 98, noting in particular the importance of our area boards.

How we can improve

- Adopt a new Partnership Working Framework (replace Protocol 8 of the constitution) and undertake an audit of partnership arrangements across the council
- Review the Wiltshire Compact and role of Wiltshire Assembly
- Agree new consultation policy/ guidance to replace the 2015 consultation strategy
- Consider options for collecting feedback from residents, including surveys
- Review Part 4 of the constitution in relation to petitions

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

Defining outcomes

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

Following the publication of the report of the LGA's **Peer Review** on Wiltshire Council in 2018, an [action plan](#) continues to be implemented and overseen by CLT and Cabinet with the Overview and Scrutiny Management Committee monitoring progress on a six to nine monthly basis.

A [Local Development Scheme](#) provides a three year rolling project plan for producing the **local development framework**

The findings of the **CQC Local System Review** in Wiltshire were published June 2018 and a joint [action plan](#) developed with the NHS to address these. The key findings included the need to have a single joined up commissioning strategy that builds on the Better Care Plan, an integrated workforce plan and closely aligned transformation programmes. Wiltshire Council has continued to invest in transformation of adult social care and established a reablement team in 2018/19 which has improved outcomes for clients (57% left the service with no ongoing care needs).

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

Community facilities have a key role in supporting people to live more active and fulfilled lives. The campus programme has provided sustainable assets for towns that provide a place, facilities and services that help to combat isolation and loneliness and increase the opportunities for social interaction; and in so doing build strong communities. Several campuses have been completed already and work continues in Calne, Cricklade and Melksham

Parishes throughout the county can continue to request community asset transfers. During 2018/19 negotiation on significant **service delegation and asset transfer** packages took place with Devizes, Chippenham and Pewsey and Royal Wootton Bassett Town Councils following the successful asset transfer package for Salisbury City Council. This enables local communities more of a say, with the intention to extend this to cover the whole county.

Sustainable economic, social and environmental benefits

How we can improve

Fully implement the peer review recommendations by developing an outcome-based planning process aligned to budget build
 Consider additional resource for service delegation and asset transfer delivery
 Respond to the findings of an Ofsted inspection in May/ June 2019 building on the previous progress that has been made.

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

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

The council's [annual budget](#) setting process has also seen updates to the Medium Term Financial Strategy and ongoing Capital Programme

Oversight of corporate projects is undertaken by the Corporate Leadership Team (CLT), supported with advice from Finance, Legal, HR and Procurement Teams. The **Programme Office** manages projects and programmes on behalf of the Council and provides reports to the Council on ongoing work. During 2018/19 the majority of projects were delivered or progressed according to schedule. Monthly reports were provided to CLT with appropriate actions taken.

Significant programmes in 2018/19 include the transformation of adult social care; families and children; and digital. These were supported by the council's system thinking team where appropriate.

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

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

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

Determining and planning interventions

Optimising achievement of intended outcomes

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

How we can improve

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

Implement the newly adopted Part 10 of the constitution on procurement and contract rules; aligned to a regularly updated Annual Procurement Plan and medium-term contract management strategy. Embed good commissioning and contract management as part of staff job descriptions.

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

Developing capacity

The Wiltshire Council [People Strategy](#) focuses on attracting the best people to work for the Council and engaging, developing and retaining existing staff and continues to be implemented.

A bi-annual **staff survey** in 2018 showed an improvement in staff engagement overall (+12% to 70%), and included an increase in positive responses to those who can 'always or frequently' find appropriate training and development opportunities (+13% to 58%). More can be done however to help staff understand how their work contributes to the priorities of the council (-9% to 77%) which will be addressed through outcomes based planning

Managers are required to complete **annual appraisals** with their staff and use these to identify training and development needs and develop plans to address these needs

Following the introduction of the **apprenticeships levy** the council now has over 170 apprentices employed. A new leadership and management development programme launched in 2018 and offers aspiring and developing managers the opportunity to complete accredited qualifications using levy funding. In addition, the council now has the highest number of under 25s employed in recent years at 6.9 per cent, some of which are employed as apprentices.

Further consideration was given to the alignment of service responsibilities to roles at tier 2 of the organisation and the Business Plan objectives. A **senior management** restructure at tier 2 took place in March 2019, and steps to appoint to roles internally following consultation have been completed. Current actions to recruit to the remaining vacancies are being taken

The council continues to learn by seeking **best practice** from elsewhere and responding to the findings of external inspections such as the CQC Local System Review; and an Ofsted inspection taking place in May/ June 2019. The council is also participating in evaluations of how well we have worked with our civil contingency partners in the response to (and recovery from) the events in south Wiltshire in 2018, which had significant implications for the county, council and partners.

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

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

How we can improve

Rollout training and awareness on decision making processes following a review of corporate governance practices

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

Managing risk and performance

A new [risk and performance management policy](#) was [agreed](#) in February 2019 to replace the previously separate Corporate Risk Strategy and Corporate Performance Strategy

The Council’s risks are monitored at various levels in the organisation including by [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 the policy, onto the corporate risk register which is published and reviewed quarterly. An audit of risk management was undertaken in 2018/19 leading to a more nuanced approach on categorisation of risk appetite.

The main **changes in risk** during 2018/19 have been relating to the implications of and uncertainty around Brexit, where the council has worked closely with its partners through civil contingency arrangements to address this possibility; and a greater understanding of financial risk including income generation.

Wiltshire’s section 151 Officer or **Chief Finance Officer** has a statutory duty to ensure that the Council has a strong financial control environment, including an effective and independent Internal Audit function in accordance with the Accounts and Audit Regulations 2015.

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

The General Data Protection Regulations came into force in May 2018. The Senior Information Risk Owner’s (**SIRO**) **Annual Report**, outlines the significant work that has taken place to embed good practice and manage risk to ensure compliance across the council. SWAP have conducted an audit confirming this, noting that compliance is a constantly evolving target and services will need to adapt as the interpretation of the legislation continues to develop.

How we can improve

- Review business intelligence (data analysis and insight) functions across the council and supporting systems
- Review how performance can be communicated to the public to deliver maximum openness and transparency.
- Combine financial reporting and performance and risk reporting in the same quarterly report to Cabinet and embed good practice across the council

Robust internal control and strong public financial management

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

Assurance and effective accountability

The Council has independent external auditors (Deloitte) and the South West Audit Partnership who provide an internal audit function, Wiltshire being the oldest and biggest partner. SWAP's periodic update reports were considered during 2018/19 by the Council's [Audit Committee](#). As at April 2019, SWAP Internal Audit completed 60 **internal audit** reviews, to draft and final report including significant high risk areas e.g. contract management and project management. Reporting also has included action to follow up implementation. Overall SWAP assessed the Council's control environment as 'reasonable' with no significant issues raised. The Council's **External Auditor** has also not raised any significant matters during 2018/19 in their first year as appointed auditor.

A **review of the inter-relationship between key policies** has taken place to improve clarity and consistency of processes, including: Anti-Fraud and Corruption, Anti Money-Laundering, complaints and some staff policies, such as Registering interests, gifts and hospitality. New policies have been agreed

Senior directors meet weekly and review on a quarterly basis progress against the ambitions set out in the **Local Code of Corporate Governance**

The Council complies with reporting requirements such as an [online structure chart](#) and information on senior salaries and expenses.

There is a strong culture operating in the Council of acting to the highest standards. This is rooted in the behaviours expected of councillors and staff, and upheld by the senior leaders. Where any resident feels the Council has not acted properly the Council has a **corporate complaints procedure**

The council has received the Annual Letter of the Local Government and Social Care Ombudsman. There were 64 complaints referred to the Ombudsman in 2018 vs 73 in in 2017, and those upheld fell from 12 to 8.

The **Statement of Accounts** for 2018/19 record that waste had a net overspend of £4.099m, largely due to a significant delay in the contractor obtaining planning permission for construction of a Materials Recovery Facility (MRF) to sort dry recyclable materials

The **Overview and Scrutiny** committees in Wiltshire Council have undertaken a range of reviews to inform policy development and evaluate decisions of the executive. Key reviews include those on digital services, military-civilian integration, special schools, maternity, children's centres, outdoor education, homelessness, LED lighting and taxi fares. An [Annual Report](#) from the Overview and Scrutiny Management Committee sets out this activity in detail.

Implementing good practices in transparency and reporting

How we can improve

Align organisational processes more closely to the outcomes in the Business Plan to ensure a focus on the resources used and outcomes achieved
Finalise accompanying action plans for the counter fraud framework
Deliver outstanding waste service changes and saving initiatives.

Wiltshire Council

Annual Report and Opinion 2018-19

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Agenda Item 10

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The Head of Internal Audit is required to provide an opinion to support the Annual Governance Statement.

Purpose

The Head of Internal Audit (SWAP Assistant Director) should provide a written annual report to those charged with governance to support the Authority's Annual Governance Statement (AGS). This report should include the following:

- an opinion on the overall adequacy and effectiveness of the organisation's governance, risk management and internal control environment, including an evaluation of the following:
 - the design, implementation and effectiveness of the organisation's ethics-related objectives, programmes and activities;
 - whether the information technology governance of the organisation supports the organisation's strategies and objectives;
 - the effectiveness of risk management processes;
 - the potential for the occurrence of fraud and how the organisation manages fraud risk.
- disclose any qualifications to that opinion, together with the reasons for the qualification
- present a summary of the audit work from which the opinion is derived, including reliance placed on work by other assurance bodies
- draw attention to any issues the Head of Internal Audit judges particularly relevant to the preparation of the Annual Governance Statement
- compare the work actually undertaken with the work that was planned and summarise the performance of the internal audit function against its performance measures and criteria
- comment on compliance with these standards and communicate the results of the internal audit quality assurance programme.

The purpose of this report is to satisfy this requirement and Members are asked to note its content and the Annual Internal Audit Opinion given.

Three lines of defence

To ensure the effectiveness of an organisation’s risk management framework, the Audit Committee and senior management need to be able to rely on adequate line functions – including monitoring and assurance functions – within the organisation.

The 'Three Lines of Defence' model is a way of explaining the relationship between these functions and as a guide to how responsibilities should be divided:

- the first line of defence – functions that own and manage risk.
- the second line of defence – functions that oversee or specialise in risk management, compliance.
- the third line of defence – functions that provide independent assurance.

Scope

The Internal Audit service for Wiltshire Council is provided by SWAP Internal Audit Services. The team’s work is completed to comply with the International Professional Practices Framework of the Institute of Internal Auditors, further guided by interpretation provided by the Public Sector Internal Audit Standards (PSIAS) and the CIPFA Local Government Application Note. The work of the team is guided by the Internal Audit Charter which is reviewed annually.

Internal Audit provides an independent and objective opinion on the Authority’s control environment by evaluating its effectiveness. Primarily the work of the service is based on the Annual Plan agreed by Senior Management and this Committee (see Appendix). This report summarises the activity of the Internal Audit team for the 2018/19 year against the Internal Audit Plan (approved by the Audit Committee on 11th April 2018).

The position of Internal Audit within an organisation’s governance framework is best summarised in the three lines of defence model shown below.



Adapted from ECIIA/FERMA *Guidance on the 8th EU Company Law Directive, article 41*

The Head of Internal Audit is required to provide an opinion to support the Annual Governance Statement.

Annual Opinion

The Annual Opinion is made based on the following sources of information:

- Completed audits (during the year 2018/19) which evaluate risk exposures (including new and emerging risks) relating to the organisation's governance, operations and information systems, reliability and integrity of information, efficiency and effectiveness of operations and programmes, safeguarding of assets and compliance with laws and regs;
- Observations from consultancy/advisory support;
- Follow up of previous audit activity, including agreed actions;
- Significant/material risk where management has not accepted the need for mitigating action;
- Notable changes to the organisation's strategy, objectives, processes or IT infrastructure; and,
- Assurances from other providers, including third parties, regulator reports etc.

Opinions are a balanced reflection, not a snapshot in time. Information to support this assessment is obtained from multiple engagements and sources (including advice/consultancy work). The results of these engagements, when viewed together, provide an understanding of the organisation's risk management processes and their effectiveness.

After considering the above, the Annual Opinion Definitions (which differ from assignment assurance definitions) are explained in Appendix B.

This Annual Opinion informs the Review of Effectiveness within the Annual Governance Statement.

Internal Audit has not reviewed all risks and assurances relating to Wiltshire Council and cannot provide absolute assurance on the internal control environment. Senior Management and Members, through the various committees, are ultimately responsible for ensuring an effective system of internal control.

Over the year, the Internal Audit Team have found Senior Management of Wiltshire Council to be supportive of Internal Audit findings and responsive to the recommendations made. In addition, there is a good relationship with Management whereby they feel they can approach the Internal Audit Team openly in areas where they perceive potential problems.

Annual Opinion Continued

Generally, the follow up work confirms the responsive nature of management at Wiltshire Council in implementing agreed recommendations to mitigate exposure to areas of significant risk. Follow up of recommendations in the year have not identified any significant issues regarding non-implementation.

63% of completed audits received Substantial or Reasonable assurance opinions in relation to the control environment. Of the audits completed in 2018/19 (54 in total), there are 7 areas (13%) that have been awarded Partial or No assurance opinions in relation to their control environment (none of them Key Financial Control Systems). The findings within these audits have been accepted and are being appropriately addressed by management. Any outstanding weaknesses in the governance, risk and control framework will continue to be followed up by Internal Audit as part of the 2019/20 Plan. Further details of audits with Limited assurance opinions can be found on page 6.

A small number of audits (9) are still in the process of being finalised, 4 of which are currently at draft report stage.

A number of audits originally scheduled in the internal audit plan have been removed or deferred over the course of the year and are detailed in the Appendix to this report. A number of unplanned audits have been added to the plan over the year as the need arose and the risk environment altered. These changes have ensured audit resources have been focussed where it matters.

An incident of fraud has been identified within Wiltshire Council, however, this remains the subject of an ongoing police investigation and we are therefore unable to provide further details of this case at this time.

There will be occasions where audit make recommendations to mitigate risk exposure and after consideration of the recommendation, the service decide to accept the risk. In 2018/19, there have been no instances to bring to the attention of the Audit Committee.

I have considered the balance of 2018/19 audit work, the sources of information referred to above and outcomes against this environment enhanced by the work of external agencies and am able to offer a **Reasonable Assurance** opinion in respect of the areas reviewed during the year.

Definitions of Corporate Risk

High Risk

Issues that we consider need to be brought to the attention of both senior management and the Audit Committee.

Medium Risk

Issues which should be addressed by management in their areas of responsibility.

Low Risk

Issues of a minor nature or best practice where some improvement can be made.

High Corporate Risk

For those audits which have reached report stage through the year, we have assessed the following risks as 'High'.

Review

Wiltshire Primary School (Anonymised)

Objective:

To determine from financial health check review the effectiveness of financial management and governance and compliance with SFVS and Wiltshire Schools regulations and through review of personnel files, procedures and documents the adherence to human resources regulations.

Risks:

1. The governing body and School staff - Failure to operate sound financial governance risks financial loss, reputational damage and nonachievement of educational goals and priorities.
2. Setting the budget - Failure to set a realistic budget and to manage it effectively risks financial and reputational loss as well as nonachievement of educational goals and priorities.
3. Recruitment and HR Management is not in line with Legislation, Council Policies and Council Procedures.

Assurance Definitions

Assurance Definitions	
None	The areas reviewed were found to be inadequately controlled. Risks are not well managed and systems require the introduction or improvement of internal controls to ensure the achievement of objectives.
Partial	In relation to the areas reviewed and the controls found to be in place, some key risks are not well managed and systems require the introduction or improvement of internal controls to ensure the achievement of objectives.
Reasonable	Most of the areas reviewed were found to be adequately controlled. Generally, risks are well managed but some systems require the introduction or improvement of internal controls to ensure the achievement of objectives.
Substantial	The areas reviewed were found to be adequately controlled. Internal controls are in place and operating effectively and risks against the achievement of objectives are well managed.

Partial and No Assurance Summary

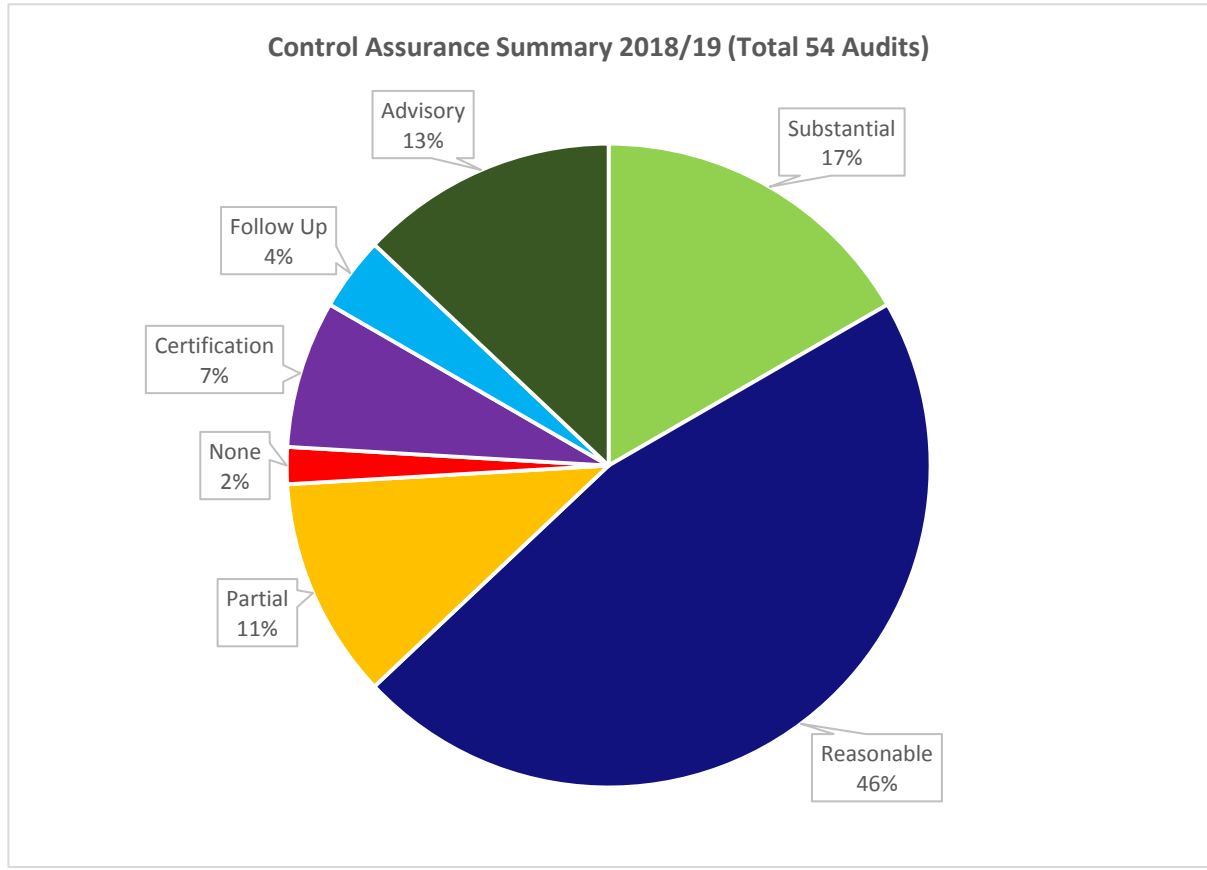
The following audits received a Partial or No assurance opinion in respect of their control environments in 2018/19. Each audit will have a follow up audit in 2019-20.

Audit Name	Key Issues
Off Street Parking	The monitoring of contract performance and cash collections is delayed by a long process of matching data, meaning errors and omissions are not identified on a timely basis.
Supply Chain Management	The Council does not have a comprehensive approach to supplier resilience. Key items to demonstrate business continuity are not requested as part of contract documentation and there is limited supplier contingency arrangements within the actual contracts reviewed.
Clarendon Junior School	Formal and regular budget monitoring does not occur and the budget is not linked to the School Improvement Plan, balanced or well thought out. A Business Continuity Plan is not currently in place or operating.
St Mary's Catholic Primary School	Although a limited number of basic system procedures and controls are operating they are not clearly documented, approved by the Governing Body or adhered to and several concerns are raised over the governance of the School.
Traded Services with Schools	Governance and accountability are unclear. The service does not have a clear budget and cannot progress due to lack of key personnel.
Premises Health and Safety	Non-compliance with Corporate Health, Safety and Welfare Policy. Health and safety audit records are not accurate and up to date and Health and safety duties have not been appropriately delegated by the Competent Person at each site.
Adult Social Care Contracts	The governance process is still being established and embedded. There is no clear process for evaluating the outcomes of the service and key suppliers are not identified.

At the conclusion of audit assignment work each review is awarded a “Control Assurance Definition”;

Assurance Definitions	
None	The areas reviewed were found to be inadequately controlled. Risks are not well managed and systems require the introduction or improvement of internal controls to ensure the achievement of objectives.
Partial	In relation to the areas reviewed and the controls found to be in place, some key risks are not well managed and systems require the introduction or improvement of internal controls to ensure the achievement of objectives.
Reasonable	Most of the areas reviewed were found to be adequately controlled. Generally, risks are well managed but some systems require the introduction or improvement of internal controls to ensure the achievement of objectives.
Substantial	The areas reviewed were found to be adequately controlled. Internal controls are in place and operating effectively and risks against the achievement of objectives are well managed.

Summary of Control Assurance Opinions



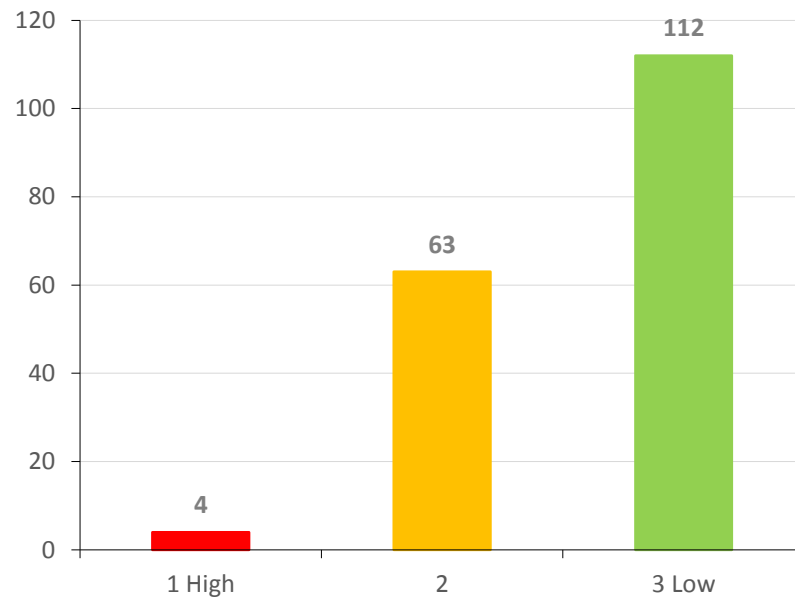
63% of audits results in a Substantial or Reasonable assurance opinion (2017/18: 65%) and 13% in a Partial or No assurance opinion (2017/18: 10%).

Summary of Audit Recommendations by Priority

We rank our recommendations on a scale of 1 to 3, with 3 being medium or administrative concerns to 1 being areas of fundamental concern requiring immediate corrective action.

Summary of Recommendations

Audit Recommendations by Priority 2018/19



Summary of Key Control Audit Outcomes

Summary of Key Control Audit Outcome

Key Control system	Assurance Level 2016/17	Assurance Level 2017/18	Assurance Level 2018/19	Assurance Movement
Accounts Payable	Reasonable	Reasonable	Reasonable	→
Accounts Receivable	Reasonable	Partial	Substantial	↑
Business Rates	Reasonable	Substantial	Substantial	→
Council Tax	Substantial	Substantial	Reasonable	↓
Housing & Council Tax Benefits	Reasonable	Substantial	Substantial	→
Housing Rents	Reasonable	Reasonable	Reasonable	→
Main Accounting	Substantial	Substantial	N/A	→
Payroll	Reasonable	Reasonable	Reasonable	→
Pensions	Reasonable	Reasonable	Reasonable	→
Treasury Management	Substantial	Substantial	Substantial	→

Within these results, there has been a decline in the control environments of 1 key control system (from Substantial to Reasonable), but also an improvement in 1 (from Partial to Substantial). It is pleasing to note that the remaining 8 key control systems have remained at a consistent assurance level, 3 of these being substantial.

Value Added

'Extra feature(s) of an item of interest (product, service, person etc.) that go beyond the standard expectations and provide something more, while adding little or nothing to its cost.'



Value Added

Throughout the year, Internal Audit has strived to add value wherever possible i.e. going beyond the standard expectations and providing something 'more' while adding little or nothing to the cost.

The section continues to provide advice and support on controls across the organisation and responds to requests to assist with specific pieces of work. During the year, the section has:

- *Participation in Knowledge Sharing and Benchmarking requests:*
 - *Building Control: Market Share and Fee Structure*
 - *Electoral Registration Practice*
 - *SEN Transport*
 - *Business Rates Maximisation*
 - *Bed and Breakfast VAT Charges*
 - *Risk Policy/Strategy*
 - *Data Protection Policy and Information*
 - *Other Funding/Grants*
 - *Business Continuity Management*
 - *Sickness Management*
 - *Revenue Debt Recovery*
 - *Adult Debt Recovery Teams*
 - *Waste Partnerships – Value for Money*
 - *Elections – Compliance with DPA*
 - *Parking Services – Benchmarking Survey*
- *Audited grant claims to ensure expenditure can be reclaimed from relevant bodies;*
- *Provided comment and improvement suggestions on the Anti-Fraud and Corruption Strategy;*
- *GDPR implementation advice;*
- *Production of the Annual Governance Statement;*
- *Sharing of significant risks identified across our Partnership;*
- *Point of Practice Requests from the Local Authority Chief Auditors Network (LACAN); and,*
- *Timely review of the controls operating in the Court of Protection service following the identification of fraudulent activity.*

Internal audit is responsible for conducting its work in accordance with the Code of Ethics and Standards for the Professional Practice of Internal Auditing as set by the Institute of Internal Auditors and further guided by interpretation provided by the Public Sector Internal Audit Standards (PSIAS).

Internal Audit Team Performance

SWAP's performance is subject to regular monitoring and review by both the Board and the Member Meetings. The respective outturn performance results for Wiltshire Council for the 2018/19 year are as follows;

Performance Target	Performance
<u>Audit Plan – Percentage Progress</u>	92.06%
Final, Draft and Discussion 90%	7.94%
In progress/ Review	0%
Yet to start	
<u>Customer Satisfaction Questionnaire</u>	
Feedback 95%	99%

Internal audit is responsible for conducting its work in accordance with the Code of Ethics and Standards for the Professional Practice Framework of Internal Auditing as set by the Institute of Internal Auditors and further guided by interpretation provided by the Public Sector Internal Audit Standards (PSIAS). Both standards require an Internal and External Assessments (Standard 1300) of the Internal Audit function.

The standards require an External Assessment to be carried out at least every five years. SWAP was found to be in conformance with the International Professional Practices Framework and the Public Sector Internal Auditing Standards (PSIAS). As a result of the External Assessment, a Quality Assessment Improvement Plan (QAIP) is produced. This document is a live document, reviewed regularly by the SWAP Board to ensure continuous improvement.

And finally, just like any other company and Wiltshire Council itself, our accounts are subject to both Internal and External Audit Review. The auditor confirmed that the audit did not find any areas of concern and the auditor was confident that the processes in place are adequate to support SWAP's annual report and financial statements.

The schedule below contains a list of audits agreed for inclusion in the Annual Audit Plan 2018/19 and the final outturn for the financial year.

At the conclusion of audit assignment work each review is awarded a “Control Assurance”, a summary of the assurance levels is as follows:

Assurance Definitions	
None	The areas reviewed were found to be inadequately controlled. Risks are not well managed, and systems require the introduction or improvement of internal controls to ensure the achievement of objectives.
Partial	In relation to the areas reviewed and the controls found to be in place, some key risks are not well managed, and systems require the introduction or improvement of internal controls to ensure the achievement of objectives.
Reasonable	Most of the areas reviewed were found to be adequately controlled. Generally, risks are well managed, but some systems require the introduction or improvement of internal controls to ensure the achievement of objectives.
Substantial	The areas reviewed were found to be adequately controlled. Internal controls are in place and operating effectively and risks against the achievement of objectives are well managed.

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Recommendations have been assigned a priority based on the following framework:

Categorisation of Recommendations	
In addition to the corporate risk assessment it is important that management know how important the recommendation is to their service. Each recommendation has been given a priority rating at service level with the following definitions:	
Priority 1	Findings that are fundamental to the integrity of the service’s business processes and require the immediate attention of
Priority 2	Important findings that need to be resolved by management.
Priority 3	Finding that requires attention.

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	1 = Major 2 = Moderate 3 = Minor Recommendation		
						1	2	3
						Completed Audits		
Operational	Off Street Parking	Q1	Completed	Partial	1		1	
Operational	Risk and Performance Management	Q1	Completed	Reasonable	7	1	6	
Operational	Supply Chain Management	Q1	Completed	Partial	5			5
Operational	Property Management – Third Party Income	Q1	Completed	Reasonable	5		2	3
Operational	Staff Survey Action Plans	Q1	Completed	Reasonable	2		1	1
Operational	Schools Financial Value Standard	Q1	Completed	Reasonable	5			5
School	Thematic – Health & Safety of School Premises	Q1	Completed	Reasonable	3		2	1
School	Clarendon Junior School	Q1	Completed	Partial	12		7	5
School	Clarendon Infant School	Q1	Completed	Reasonable	10		2	8
School	St Mary’s Catholic Primary School	Q1	Completed	No Assurance	27	3	12	12
School	North Bradley Primary	Q1	Completed	Reasonable	7		2	5
School	Westbury Leigh	Q1	Completed	Substantial	4			4
Operational	General Data Protection Compliance	Q1	Completed	Reasonable	2			2
Operational	Homelessness Reduction Act	Q2	Completed	Reasonable	1		1	

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	1 = Major 2 = Moderate 3 = Minor Recommendation		
						1	2	3
						Operational	Traded Services with Schools	Q2
Operational	Early Years Funding	Q2	Completed	Substantial	0			
Operational	Management of Blue Badges	Q2	Completed	Reasonable	4		1	3
Operational	Data Breaches	Q2	Completed	Reasonable	1			1
Operational	Financial Regulations and Contract Standing Orders	Q3	Completed	Reasonable	2		1	1
School	St Thomas A Beckett	Q3	Completed	Reasonable	7			7
Key Control	Accounts Receivable	Q3	Completed	Substantial	1			1
Operational	Apprenticeship Levy	Q3	Completed	Reasonable	1			1
School	Cricklade St Sampson	Q3	Completed	Reasonable	3			3
School	Wylve Valley	Q3	Completed	Reasonable	8		3	5
Key Control	Housing and Council Tax Benefit	Q3	Completed	Substantial	1			1
Operational	Pension Fund Transfer	Q3	Completed	Substantial	0			
Key Control	Council Tax	Q3	Completed	Reasonable	2			2
Key Control	Business Rates	Q3	Completed	Substantial	0			
School	Studley Green	Q3	Completed	Reasonable	8			8
Key Control	Accounts Payable	Q3	Completed	Reasonable	3			3

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	1 = Major 2 = Moderate 3 = Minor		
						Recommendation		
						1	2	3
Operational	Digital Transformation Stream	Q3	Completed	Reasonable	3		3	
Key Control	Payroll	Q3	Completed	Reasonable	3		1	2
Operational	Premises Health and Safety	Q3	Completed	Partial	4		2	2
Operational	Disabled Facilities Grants	Q4	Completed	Substantial	1			1
School	Monkton Park	Q4	Completed	Reasonable	3			3
Key Control	Treasury Management	Q4	Completed	Substantial	0			
Operational	Pensions	Q4	Completed	Reasonable	8		3	5
School	Amesbury Primary	Q4	Completed	Reasonable	6		4	2
School	Shalbourne C of E Primary School	Q4	Completed	Substantial	3			3
Operational	Adult Social Care Contracts	Q4	Completed	Partial	3		3	
Key Control	Housing Rents	Q4	Completed	Reasonable	3			3
Follow Ups								
Follow Up	Land Charges	Q2	Completed	Follow Up	N/A			
Follow Up	ICT Asset Management	Q3	Completed	Follow Up	N/A			

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	1 = Major 2 = Moderate 3 = Minor Recommendation		
						1	2	3
						Grant Certification Work Completed		
Grant Certification	Troubled Families	Q1-Q4	Completed	Certification	N/A			
Grant Certification	Public Health Grant	Q1	Completed	Certification	N/A			
Grant Certification	Local Authority Bus Subsidy	Q2	Completed	Certification	N/A			
Grant Certification	Growth Hub	Q4	Completed	Certification	N/A			
Work Incomplete as at 8th July 2019								
Operational	Deferred Payments	Q2	Draft					
Operational	Employment and Skills (Children's Services)	Q2	Draft					
Operational	Mobile Computing/Device Management	Q2	Draft					
School	Thematic – Schools Financial Management	Q2	Draft					
Operational	Highways Contract – Use of Subcontractors	Q1	Fieldwork					
Operational	Community Infrastructure Levy/S106 Agreements	Q2	Fieldwork					
Operational	Families and Children Transformation Stream	Q2	Fieldwork					
Operational	Contract Reviews - Highways Consultancy / Street Lighting / Grounds Maintenance	Q3	Fieldwork					
Non-Opinion	Court of Protection File Review	Q4	Fieldwork					

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	1 = Major 2 = Moderate 3 = Minor Recommendation		
						1	2	3
						Advice and Consultancy		
Non-Opinion	National Fraud Initiative	Q1	Completed	Advisory	N/A			
Non-Opinion	Data Analytics Exercises	Q1	Completed	Advisory	N/A			
Advisory	Annual Governance Statement	Q1	Completed	Advisory	N/A			
Advisory	Organisational Fraud Awareness	Q1	Completed	Advisory	N/A			
Operational	Housing Repairs Contract	Q2	Completed	Advisory	N/A			
Operational	Counter Fraud Strategy and Framework	Q2	Completed	Advisory	N/A			
Non-Opinion	Court of Protection	Q4	Completed	Advisory	5		3	2
Audits Removed from the Plan during the year								
Operational	Fraud Intelligence Hub	Q1	Deferred to 2019/20					
Key Control	Budget Management	Q2	Removed					
ICT	Liquid Logic Case Management Application	Q2	Removed					
Operational	People With Learning Difficulties	Q2	Removed					
Operational	Workforce Planning	Q2	Deferred to 2019/20					
ICT	Network Management	Q3	Deferred to 2019/20					

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	1 = Major 2 = Moderate 3 = Minor Recommendation		
						1	2	3
						Operation	Community Engagement Transformation Stream	Q3
Operational	Commercialisation Transformation Stream	Q3	Removed					
Operational	Adoption	Q3	Deferred to 2019/20					
Operational	Highways Consultancy Contract	Q3	Merged					
Operational	Waste Management Contract	Q3	Deferred to 2019/20					
Operational	Financial Assessments	Q3	Deferred to 2019/20					
Operational	Direct Payments	Q3	Deferred to 2019/20					
ICT	ICT Business Continuity	Q4	Deferred to 2019/20					
Operational	Street Lighting Contract	Q4	Merged					
ICT	Cloud Computing	Q4	Removed					
ICT	Replacement Customer Service Application	Q4	Removed					
ICT	Cyber Security	Q4	Deferred to 2019/20					
Key Control	Main Accounting	Q4	Removed					
Operational	Grounds Maintenance Contract	Q4	Merged					

Annual Opinion Definitions	
None	<p><i>A control framework is not in place to mitigate key risks. The organisation is exposed to abuse, significant error or loss and/or misappropriation. Objectives are unlikely to be met.</i></p> <p>serious systemic control weaknesses identified through aggregation of individual audit engagements significant number of critical and/or high risk rated weaknesses identified for isolated issues internal audit has serious concerns about managements approach to resolving identified issues.</p>
Partial	<p><i>The control framework is not operating effectively to mitigate key risks. A number of key controls are absent or are not being applied to meet business objectives.</i></p> <p>significant number of medium and/or critical risk rated weaknesses identified in individual audit engagements isolated critical and/or high risk rated weaknesses identified that are not systemic internal audit has concerns about managements approach to resolving identified issues</p>
Reasonable	<p><i>The control framework is adequate and controls to mitigate key risks are generally operating effectively, although a number of controls need to improve to ensure business objectives are met.</i></p> <p>medium risk rated weaknesses identified in individual audit engagements isolated high risk rated weaknesses identified for isolated issues no critical risk rated weaknesses were identified internal audit is broadly satisfied with management’s approach to resolving identified issues.</p>
Substantial	<p><i>There is a sound framework of control operating effectively to mitigate key risks, which is contributing to the achievement of business objectives.</i></p> <p>no individual audit engagement classed as limited or no assurance occasional medium risk rated weaknesses identified in individual audit engagements although mainly only low/efficiency weaknesses internal audit has confidence in managements attitude to resolving identified issues.</p>

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Wiltshire Council

Report of Internal Audit Activity

Plan Progress 2019/20 Quarter 1

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Agenda Item 11

Contents

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Our audit activity is split between:

- **Operational Audit**
- **School Themes**
- **Governance Audit**
- **Key Control Audit**
- **IT Audit**
- **Grants**
- **Other Reviews**



Role of Internal Audit

The Internal Audit service for Wiltshire Council is provided by SWAP Internal Audit Services (SWAP). SWAP is a Local Authority controlled Company. SWAP has adopted and works to the Standards of the Institute of Internal Auditors, further guided by interpretation provided by the Public Sector Internal Audit Standards (PSIAS), and also follows the CIPFA Code of Practice for Internal Audit. The Partnership is also guided by the Internal Audit Charter approved by the Audit Committee at its meeting on 17th April 2019.

Internal Audit provides an independent and objective opinion on the Authority's control environment by evaluating its effectiveness. Primarily the work includes:

- Operational Audit Reviews
- Cross Cutting Governance Audits
- Annual Review of Key Financial System Controls
- IT Audits
- Grants
- Other Special or Unplanned Review

Internal Audit work is largely driven by an Annual Audit Plan. This is approved by the Section 151 Officer, following consultation with the Corporate Leadership Team. The 2019-20 Audit Plan was reported to this Committee and approved by this Committee at its meeting in April 2019. Audit assignments are undertaken in accordance with this Plan to assess current levels of governance, control and risk, however, we ensure an agile approach to enable us to respond to any emerging risks and change.

Outturn to Date:



Internal Audit Work Plan

The schedule provided at **Appendix C** contains a list of all audits as agreed in the Annual Audit Plan 2019/20. It is important that Members are aware of the status of all audits and that this information helps them place reliance on the work of Internal Audit and its ability to complete the plan as agreed.

Each completed assignment includes its respective “assurance opinion” rating together with the number and relative ranking of recommendations that have been raised with management. In such cases, the Committee can take assurance that improvement actions have been agreed with management to address these. The assurance opinion ratings have been determined in accordance with the Internal Audit “Audit Framework Definitions” as detailed in **Appendix A** of this document.

To assist the Committee in its important monitoring and scrutiny role, in those cases where weaknesses have been identified in service/function reviews that are considered to represent significant service risks, a summary of the key audit findings that have resulted in the audit receiving a ‘Partial Assurance Opinion’ is given as part of this report.

In circumstances where findings have been identified which are considered to represent significant corporate risks to the Council, due to their importance, these issues are separately summarised.

Significant Corporate Risks:

Identified Significant Corporate Risks should be brought to the attention of the Audit Committee.



Significant Corporate Risks

We provide a definition of the three Risk Levels applied within audit reports within **Appendix A**. For those audits which have reached report stage through the year, we have assessed the following risks as 'High'.

Since the last Audit Committee update, one risk has been assessed as posing a 'High' corporate risk. This has been identified within a special investigation. An internal investigation is currently in progress, and for this reason we are unable to discuss details of this work at this stage. However, the Director of Finance & Procurement (Section 151 Officer) and the Chair of the Audit Committee have been made aware of this risk.

Completed Assignments:

Summary of work completed with a focus on the high priority issues that we believe should be brought to the attention of the Audit Committee.

All audits awarded a Partial or No Assurance rating will be followed up to provide assurance to the Corporate Director, Senior Managers and the Audit Committee, that the agreed actions to mitigate risk exposure have been implemented.



Summary of Work Completed – Partial and No Assurance Opinions

Two audits finalised in the period were awarded Partial Assurance. The significant findings from these audits has been summarised below.

Premises Health and Safety – Partial Assurance

From the three sites visited as part of this audit, there were significant differences in the way health and safety was managed. For one site, where there was no Premises-Controlling Manager for health and safety, a separate memorandum was produced and provided to Occupational Health and Safety and Strategic Assets and Facilities Management (SA&FM) to notify them of the significant concerns identified. We are pleased that there has been further work undertaken by the SA&FM and Occupational Health and Safety to ensure that the concerns raised are addressed as quickly as possible. A planned refurbishment of the premises will also further reduce the concerns noted.

Some areas of good practice were identified in the use of Outlook calendar notifications to provide daily reminders of the health and safety tasks required and the use of spreadsheets to record when checks had been completed. However, due to the significant concerns at one site, and several processes being in the development stage, it is felt that we can only offer partial assurance at this stage.

We have made a total of four recommendations in relation to the following areas:

- Compliance to the Corporate Health, Safety and Welfare Policy;
- Clear delegation of the Premises - Controlling Manager duty with sufficient training and support;
- Ensuring up-to-date monitoring of health and safety by the Occupational Health and Safety Team; and
- Health and safety issues identified are followed up.

In addition, three suggestions have been put forward for further consideration.

Adult Social Care Contracts – Partial Assurance

A total of three priority 2 recommendations have been made. A summary of the audit recommendations made is below: There is currently no KPI reporting in place for the Help to Live at Home service which makes it difficult to monitor if the service is achieving the required outcomes. This also limits the ability to identify key suppliers and have contingency plans in place in the event of their failure. Opportunities for addressing issues may be missed if there isn't a clear and embedded governance structure in place that has a good oversight of the overall service.

Added Value

Extra feature(s) of an item of interest (product, service, person etc.) that go beyond the standard expectations and provide something more while adding little or nothing to its cost.



Added Value

Primarily Internal Audit is an assurance function and will remain as such. However, Members requested that we provide them with examples of where we have “added value” to a particular service or function under review. In response to this we have changed our approach and internal processes and will now formally capture at the end of each audit where we have “added value”.

The SWAP definition of “added value” is “it refers to extra feature(s) of an item of interest (product, service, person etc.) that go beyond the standard expectations and provide something "more" while adding little or nothing to its cost”.

As we complete our operational audit reviews and through our governance audit programmes across SWAP we seek to bring information and best practice to managers to help support their systems of risk management and control.

The following audits have provided a cross comparison survey for the SWAP Partners:

Lone Working Arrangements - As part of an audit of Lone Working Arrangements, SWAP requested information from all partners to confirm their approach to managing the safety of lone workers, with the aim being to compare arrangements and to identify examples of best practice.

Procurement - Following a request from one of our partners to support them in identifying solutions for the future delivery of their Procurement Service, a questionnaire was sent to all our partner sites to ascertain the approach taken to Procurement and Contract Management.

Fostering Allowances and Fees – The report provided a comparison of allowances and fees across several Councils.

Internal Communications – The report detailed the channels used by other partners to support internal communications across the council.

The findings of each survey have been shared with the SWAP Partners.

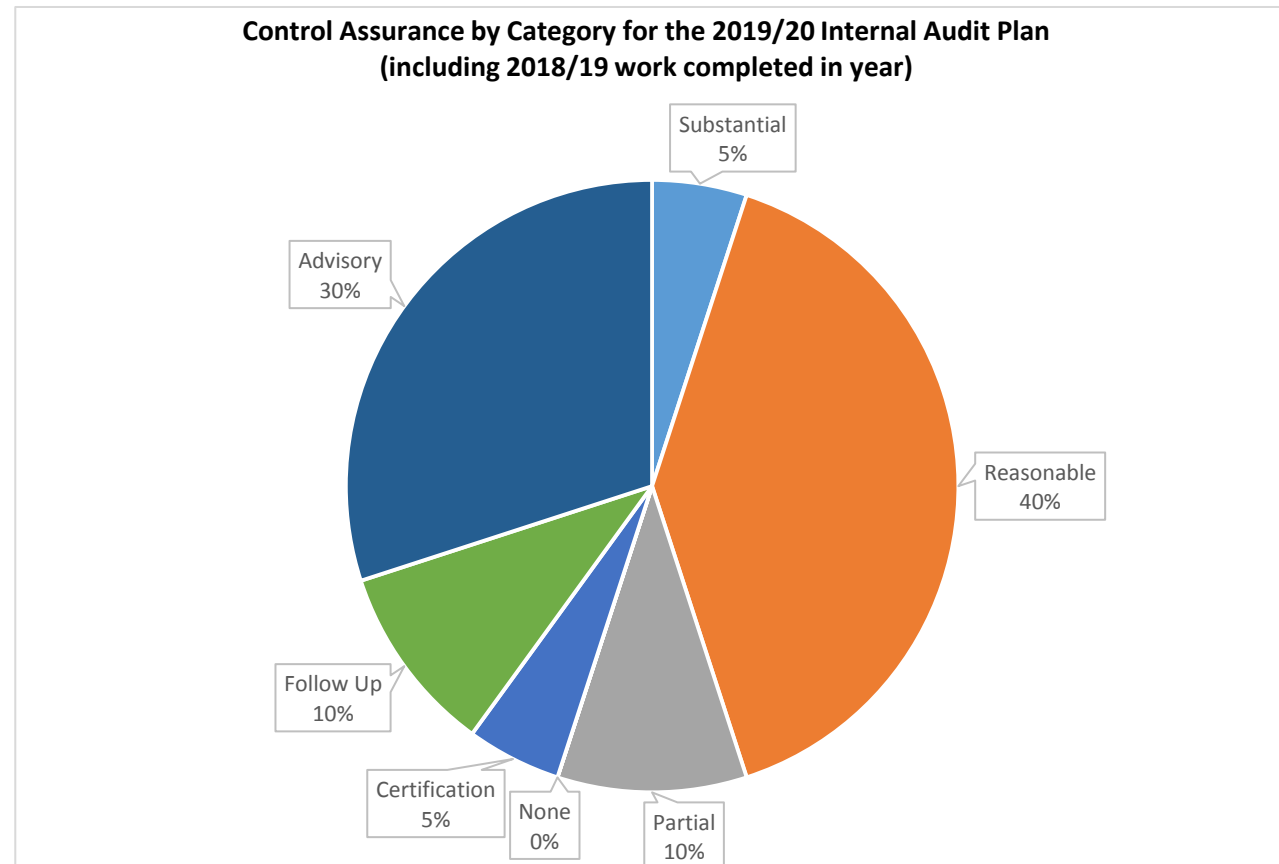
SWAP Performance - Summary of Audit Opinions

At the conclusion of audit assignment work each review is awarded a "Control Assurance Definition";

- Substantial
- Reasonable
- Partial
- None
- Non Opinion
 - Certification
 - Follow Up
 - Advisory

Summary of Control Assurance

Of the reviews that have a final report, the opinions offered are summarised below.



Internal Audit Plan Progress 2019/2020

Summary of Audit Recommendations by Priority

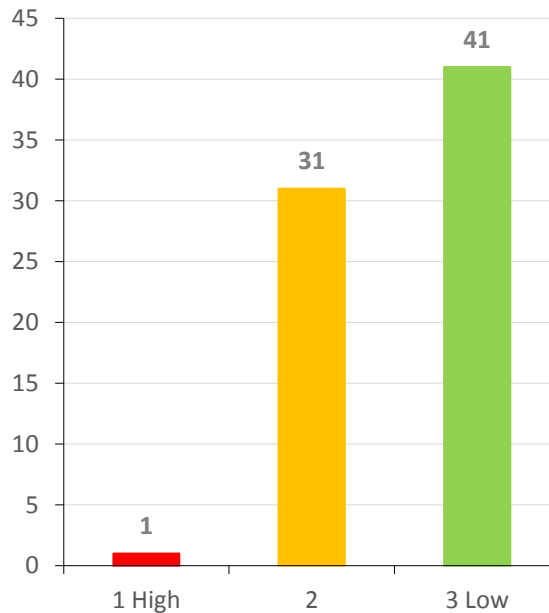
We rank our recommendations on a scale of 1 to 3, with 1 being a fundamental concern to the services/area being reviewed and 3 being a minor concern that requires management attention.



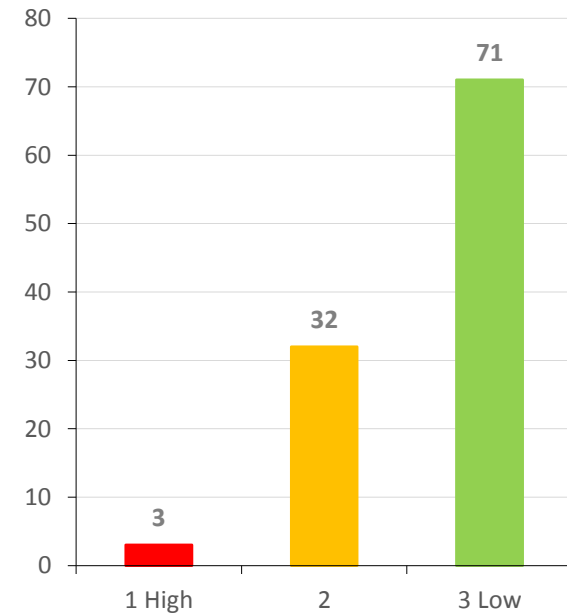
Summary of Recommendations

There have been no recommendations made for work completed on the 2019/20 Internal Audit Plan to date.

Audit Recommendations by Priority
2018/19
Non Schools



Audit Recommendations by Priority
2018/19
Schools



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Internal Audit Plan Progress 2019/2020

Aged Analysis of Audit Recommendations Exceeding the Originally Agreed Target Implementation Date



Summary of Recommendations

Outstanding Audit Recommendations by Priority 2017/18 and 2018/19 Non Schools

	< 30 Days	< 60 Days	< 90 Days	< 120 Days	120+ Days	Totals
3	6	0	0	18	15	39
2	5	2	1	4	2	14
Totals	11	2	1	22	17	53

Outstanding Audit Recommendations by Priority 2017/18 and 2018/19 Schools

	< 30 Days	< 60 Days	< 90 Days	< 120 Days	120+ Days	Totals
3	0	2	4	33	36	75
2	2	0	1	1	2	6
Totals	2	2	5	34	38	81

Internal Audit Plan Progress 2019/2020

The Chief Executive for SWAP reports performance on a regular basis to the SWAP Management and Partnership Boards.



SWAP Performance

SWAP now provides the Internal Audit service for 24 Councils and also many subsidiary bodies. SWAP performance is subject to regular monitoring review by both the Board and the Member Meetings. The respective outturn performance results for Wiltshire Council for the 2019/20 year (as at 2nd July 2019) are as follows;

Performance Target	Average Performance
<u>Audit Plan – Percentage Progress</u>	
Completed	5%
Work at Report Stage	3%
Fieldwork	20%
Scoping	11%
Yet to commence	61%
<u>Draft Reports</u>	
Issued within 5 working days	75%
Issued within 10 working days	100%
	(Average Days of 2.25)
<u>Final Reports</u>	
Issued within 10 working days of discussion of draft report	100%
	(Average Days of 1.5)
<u>Quality of Audit Work</u>	
Customer Satisfaction Questionnaire	99%

Internal Audit Plan Progress 2019/2020

We keep our audit plans under regular review so as to ensure that we are auditing the right things at the right time.



Approved Changes to the Audit Plan

Planned audit work is as detailed in **Appendix B**. Unplanned work, special reviews or projects carried out on a responsive basis are requested through the Director of Finance & Procurement (Section 151 Officer). As new and emerging risks are identified, any changes to the plan will be subject to the agreement of the Interim Director of Finance & Procurement (Section 151 Officer) and reported to this Committee.

The Director of Finance & Procurement (Section 151) in discussion with the Head of Audit has agreed that the following amendments be made to the 2017/18 Audit Plan:

Audit	Amendment	Reason
Special Investigation 1	Addition	Requested by Client. An internal investigation is currently in progress, the details of this review can therefore not be discussed at this time.
Special Investigation 2	Addition	Requested by Client. The details of this work could be considered commercially sensitive at this stage and can therefore not be discussed at this time.
SAP Systems Controls	Addition	Requested by Client.
Fleet Services	Addition	Requested by Client.
Pensions Code of Practice 14 Compliance	Addition	Requested by Client.
Deprivation of Assets	Merger	This audit has now been amalgamated with the Financial Assessments audit.
Partnership Governance – Phase 1	Removed	The scope of this review was to concentrate on identifying the various partnerships across the Authority. Following discussions, the Council is now going to undertake this work themselves.

At the conclusion of audit assignment work each review is awarded a "Control Assurance Definition";



Audit Framework Definitions

Control Assurance Definitions

Substantial	The areas reviewed were found to be adequately controlled. Internal controls are in place and operating effectively and risks against the achievement of objectives are well managed.
Reasonable	Most of the areas reviewed were found to be adequately controlled. Generally, risks are well managed, but some systems require the introduction or improvement of internal controls to ensure the achievement of objectives.
Partial	In relation to the areas reviewed and the controls found to be in place, some key risks are not well managed, and systems require the introduction or improvement of internal controls to ensure the achievement of objectives.
None	The areas reviewed were found to be inadequately controlled. Risks are not well managed, and systems require the introduction or improvement of internal controls to ensure the achievement of objectives.

Advisory - In addition, to our opinion-based work we will provide consultancy services. The advice offered by Internal Audit in its consultancy role may include risk analysis and evaluation, developing potential solutions to problems and providing controls assurance. Consultancy services from Internal Audit offer management the added benefit of being delivered by people with a good understanding of the overall risk, control and governance concerns and priorities of the organisation.

Recommendation are prioritised from 1 to 3 on how important they are to the service/area audited. These are not necessarily how important they are to the organisation at a corporate level.



Audit Framework Definitions

Categorisation of Recommendations

In addition to the corporate risk assessment it is important that management know how important the recommendation is to their service. There should be a clear distinction between how we evaluate the risks identified for the service but scored at a corporate level and the priority assigned to the recommendation. Each recommendation has been given a priority rating at service level with the following definitions:

Priority 1	Findings that are fundamental to the integrity of the service’s business processes and require the immediate attention of management.
Priority 2	Important findings that need to be resolved by management.
Priority 3	Finding that requires attention.

Definitions of Risk

High	Issues that we consider need to be brought to the attention of both senior management and the Audit Committee.
Medium	Issues which should be addressed by management in their areas of responsibility.
Low	Issues of a minor nature or best practice where some improvement can be made.

Each audit covers key risks. For each audit a risk assessment is undertaken whereby with management risks for the review are assessed at the Corporate inherent level (the risk of exposure with no controls in place) and then once the audit is complete the Auditors assessment of the risk exposure at Corporate level after the control environment has been tested. All assessments are made against the risk appetite agreed by the SWAP Management Board.

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	1 = Major 2 = Moderate 3 = Minor Recommendation		
						1	2	3
						Outstanding 2018/19 Plan Progress		
Complete								
Operational	General Data Protection Compliance	Q1	Completed	Reasonable	2			2
Advisory	Annual Governance Statement	Q1	Completed	Advisory	N/A			
Advisory	Organisational Fraud Awareness	Q1	Completed	Advisory	N/A			
Operational	Data Breaches	Q2	Completed	Reasonable	1			1
Operational	Counter Fraud Strategy and Framework	Q2	Completed	Advisory	N/A			
Operational	Digital Transformation Stream	Q3	Completed	Reasonable	3		3	
Operational	Pensions	Q4	Completed	Reasonable	8		3	5
School	Amesbury Primary	Q4	Completed	Reasonable	6		4	2
Key Control	Payroll	Q3	Completed	Reasonable	3		1	2
Follow Up	ICT Asset Management	Q3	Completed	Follow Up	N/A			
Operational	Premises Health and Safety	Q3	Completed	Partial	4		2	2
School	Shalbourne C of E Primary School	Q4	Completed	Substantial	3			3
Grant Certification	Growth Hub	Q4	Completed	Certification	N/A			

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Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	1 = Major 2 = Moderate 3 = Minor Recommendation		
						1	2	3
						Operational	Adult Social Care Contracts	Q4
Key Control	Housing Rents	Q4	Completed	Reasonable	3			3
Reporting Stage								
Operational	Deferred Payments	Q2	Draft					
Operational	Employment and Skills (Children’s Services)	Q2	Draft					
Operational	Mobile Computing/Device Management	Q2	Draft					
School	Thematic – Schools Financial Management	Q2	Draft					
In Progress								
Operational	Highways Contract – Use of Subcontractors	Q1	Fieldwork					
Operational	Community Infrastructure Levy/S106 Agreements	Q2	Fieldwork					
Operational	Families and Children Transformation Stream	Q2	Fieldwork					
Operational	Contract Reviews - Highways Consultancy / Street Lighting / Grounds Maintenance	Q3	Fieldwork					
Non-Opinion	Court of Protection File Review	Q4	Fieldwork					

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Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	1 = Major ↔ 3 = Medium Recommendation		
						1	2	3
						2019/20 Plan Progress		
Complete								
Follow Up	Clarendon Juniors	Q1	Completed	Follow Up	N/A			
Advisory	Relief Bank	Q1	Completed	Advisory	N/A			
Advisory	SAP Systems Controls	Q1	Completed	Advisory	N/A			
Advisory	Special Investigation 1	Q1	Completed	Advisory	N/A			
Reporting Stage								
Operational	Court of Protection: Deputyship and Appointeeship for Service Users	Q1	Discussion					
Follow Up	St Mary's Primary School	Q2	Discussion					
In Progress								
Grant Certification	Troubled Families	Q1-Q4	Fieldwork					
Governance, Fraud & Corruption	National Fraud Initiative (NFI)	Q1-Q4	Fieldwork					
Governance, Fraud & Corruption	Organisational Fraud Awareness	Q1-Q4	Fieldwork					
Healthy Organisation	Healthy Organisation	Q1-Q2	Fieldwork					
Advisory	Special Investigation 2	Q1	Fieldwork					
Follow Up	Fraud Referral Process	Q1	Fieldwork					
Operational	Travel and Expense Claims Cloud Based System	Q1	Fieldwork					

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Summary of Partial Opinions

APPENDIX D

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	1 = Major ↔ 3 = Medium Recommendation		
						1	2	3
Follow Up	Officers Declarations of Interests, Gifts and Hospitality	Q1	Fieldwork					
ICT	Data Centre Operations	Q1	Fieldwork					
Operational	ICT & Digital Strategy	Q1	Fieldwork					
Operational	Transformation Delivery – Lessons Learnt	Q1	Scoping					
Grant Certification	Public Health Grant	Q1	Scoping					
Operational	Financial Assessments and Deprivation of Assets	Q2	Fieldwork					
School	Derry Hill CE (VA) Primary School	Q2	Fieldwork					
School	Newton Tony CE (VC) Primary School	Q2	Fieldwork					
School	Stanton St Quinton Primary School	Q2	Fieldwork					
Operational	Medium Term Financial Strategy	Q2	Scoping					
Operational	Pensions Code of Practice 14 Compliance	Q2	Scoping					
Operational	Programme Management	Q2	Scoping					
Operational	Contract Management	Q2	Scoping					
Follow Up	Off Street Parking	Q2	Fieldwork					
Grant Certification	Local Authority Bus Subsidy	Q2	Scoping					
Operational	Fleet Services	Q2	Scoping					

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Summary of Partial Opinions

APPENDIX D

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	1 = Major ↔ 3 = Medium Recommendation		
						1	2	3
						Yet to Commence		
Operational	High Needs Block	Q1						
Governance, Fraud & Corruption	Council Oversight of Maintained Schools	Q1						
Grant Certification	Pothole Action Fund & Flood Resilience Fund	Q1						
School	Kiwi Primary School	Q2						
School	Sarum St Paul's C of E (VA) Primary School	Q2						
School	The New Forest C of E (VA) Primary School	Q2						
Operational	Corporate Debt Management – Phase 1	Q2						
ICT	Management of Hybrid Cloud Operations	Q2						
ICT	High Level Cyber Security	Q2						
Operational	Adult Social Care Transformation Stream	Q2						
Operational	Waste Management Contract	Q2						
Operational	Direct Payments	Q3						
Operational	Adoption	Q3						
School	Christ the King Catholic School	Q3						
School	Crudwell C of E Primary School	Q3						

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Summary of Partial Opinions

APPENDIX D

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	1 = Major ↔ 3 = Medium Recommendation		
						1	2	3
						School	Sambourne C of E (VC) Primary School	Q3
School	Woodlands Primary School	Q3						
Operational	Accounts Payable	Q3						
Operational	Accounts Receivable	Q3						
Operational	Corporate Debt Management – Phase 2	Q3						
Governance, Fraud & Corruption	Financial Regulations and Contract Standing Orders	Q3						
Follow Up	Traded Services with Schools	Q3						
Operational	Council Tax	Q3						
Operational	Business Rates	Q3						
Operational	Housing Repairs	Q3						
Operational	Workforce Planning	Q3						
ICT	General Data Protection Regulations (GDPR) Compliance	Q3						
Governance, Fraud & Corruption	Partnership Governance – Phase 2	Q3						
Operational	SEN Children’s Transition to Adult Services	Q4						
Grant Certification	Growth Hub	Q4						
Operational	Strategic Assets and Facilities	Q4						

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Summary of Partial Opinions

APPENDIX D

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	1 = Major ↔ 3 = Medium Recommendation		
						1	2	3
						Operational	Commercial Trading	Q4
Governance, Fraud & Corruption	Fraud Intelligence Hub	Q4						
Operational	Main Accounting	Q4						
Operational	Housing Rents	Q4						
Operational	Housing and Council Tax Benefits	Q4						
Operational	Payroll and Expenses	Q4						
Operational	Pension Fund Investment Transfer	Q4						
Operational	Homelessness Strategy	Q4						
Operational	Planned Maintenance of Leasehold Properties	Q4						
ICT	Business Continuity	Q4						
ICT	Agile ICT Audit Project Assurance including Get Well	Q4						
ICT	WAN Procurement Approach	Q4						
Operational	Public Health Contract Compliance	Q4						

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Wiltshire Council

Audit Committee

24 July 2019

Subject: Anti-Fraud, Theft, Corruption and Bribery Action Plan and Fraud Response Flowchart

Executive Summary

The above action plan and flowchart have been produced to support the Anti-Fraud, Theft and Bribery Strategy.

The detailed action plan will enable the Committee to monitor progress in implementing the strategy and the flowchart will provide further guidance in relation to the correct procedures to be followed in the event of a suspected fraud.

Proposal(s)

That the Audit Committee note and comment upon the action plan and flowchart.

Reason for Proposal

It is the role of the Audit Committee to monitor the development and implementation of the council's anti-fraud, theft and bribery policy.

David Hill
SWAP Chief Executive

Charlotte Wilson
Principal Auditor

Becky Hellard
Interim Director Finance and Procurement

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Anti-Fraud, Theft, Corruption and Bribery Action Plan 2019

Author	Interim Director of Finance and Procurement
Approved By	
Date of Approval	
Date of Next Review	
Version Number	0.1

Ref	Link to Strategy	Action	Assigned To	Target Date	Commentary
1. Culture					
1.1	Whilst there is a need for an anti-fraud, bribery and corruption policy it is equally important to emphasise the faith the council places in the integrity and honesty of its entire staff. The council also expects that all outside individuals and organisations including suppliers, contractors and claimants will act towards the council with honesty and integrity.	The Anti-Fraud, Theft, Corruption and Bribery Strategy should be made available to all individuals and organisations outside of the Council.	Matthew Tiller	1 September 2019	This will be done via the Council Website
1.2	All councillors and employees are expected to be aware of standards of conduct and the procedures designed to reduce the risk of fraud, bribery and corruption occurring.	A reminder should be issued to all councillors and employees of the expected standards of conduct and procedures. This should also be included in both councillor and employee inductions.	Becky Hellard	1 September 2019	This will be done via the Intranet – reminder Inclusion in Induction

Ref	Link to Strategy	Action	Assigned To	Target Date	Commentary
1.3	All employees shall be responsible for their own conduct, with managers being additionally responsible for maintaining internal checks and control procedures within their service area.	Managers should ensure they are aware of the types of fraud that may affect their particular service area and that appropriate internal checks and controls are in place to mitigate these risks. Disseminate fraud warnings and alerts to relevant managers and officers. Undertake service specific fraud awareness training and presentations – ongoing programme to be guided by investigation work (organisational learning) and fraud risks.	ALL	Immediate	Advice notes to be passed to Managers by SWAP SWAP to carry out fraud awareness training
1.4	Fraud, bribery and corruption risks will be considered as part of the council's strategic risk management arrangements.	Continually review and update the fraud risk register to: – Identify new and emerging risks – Ensure inherent and residual risk ratings are appropriate for risks already included on the risk register – Enable management to understand the risks their service areas are exposed to.	SWAP/Becky Hellard	Quarterly	

Ref	Link to Strategy	Action	Assigned To	Target Date	Commentary
1.5	The council is determined that the culture and tone of the organisation is one of honesty, openness and opposition to fraud, bribery and corruption. The council will not tolerate fraud, bribery or corruption of any form or degree in the administration of its responsibilities whether from inside or outside the council.	<p>Ensure there is a clear statement of intent communicated to the whole organisation to help develop and embed a counter fraud culture, setting the tone from the top.</p> <p>Enhance fraud communications and update literature including:</p> <ul style="list-style-type: none"> – Introduction of periodical fraud newsletter for all staff. As well as highlighting fraud risks of significance to the Council the newsletter will also feature national fraud alerts that may be of interest to staff. – Review and update the fraud pages on the intranet and on the Council’s website as necessary. <p>Internally promote fraud communications and literature, particularly during International Fraud Awareness Week.</p>	SWAP/Becky Hellard	1 September 2019	<p>Intranet messages</p> <p>Special alerts and awareness messages in Fraud Awareness Week</p>
1.6	There is an expectation that, and requirement that, all individuals and organisations associated in whatever way with the council will act with integrity and that councillors and employees at all levels, will lead by example.	A reminder should be issued to all councillors and employees to remind them of the expectation to act with integrity.	SWAP/Becky Hellard	1 September 2019	Intranet alerts

Ref	Link to Strategy	Action	Assigned To	Target Date	Commentary
1.7	The council's employees are an important element in its stance on fraud and corruption and are positively encouraged to raise any concerns that they may have on these issues, immaterial of seniority, rank or status, where they are associated with the council's activity. This they can do in the knowledge that such concerns will, wherever possible, be treated in confidence and properly investigated. The public also has a role to play in this process and should inform the council if they feel fraud/corruption may have occurred.	Review the Council's whistleblowing arrangements, taking into consideration any amendments to law, including the European Commission's proposed law to increased protections for whistle-blowers. Any review should also take account of best practice, particularly that provided by "Public Concern at Work". Once reviewed and updated where necessary, the Policy should be made available to all members of staff, councillors and the public. Additional opportunities to discuss fraud should be made available, such as team meetings etc. Appropriate fraud training should be provided to all new and existing employees (mandatory) and councillors (recommended).	Becky Hellard Becky Hellard SWAP	30 September 2019 30 September 2019 31 October 2019	Whistleblowing Policy Policy made available Training

Ref	Link to Strategy	Action	Assigned To	Target Date	Commentary
2. Prevention					
2.1	The council recognises that a key preventive measure in the fight against fraud, bribery and corruption is the taking of effective steps at the recruitment stage to establish, as far as possible, the previous record of potential staff, in terms of their propriety and integrity. In this regard temporary and contract staff will be treated in the same manner as permanent staff.	Whether an employee is permanent, temporary or contract, all relevant checks should be undertaken for the job role in question.	Joanne Pitt	30 September 2019	Review of relevant checks
2.2	The council will regularly review and keep its disciplinary procedures up to date and in line with good practice.	The council's disciplinary procedures should be reviewed on an annual basis or in the event of updated regulations or guidance.	Joanne Pitt	Ongoing	
2.3	The council has contract procedure rules and financial procedure rules in place that specify procedures to be followed in administering the council's affairs and place a requirement on employees when dealing with the council's affairs to act in accordance with best practices.	Engage more readily with suppliers/contractors to reinforce the Council's anti-fraud, bribery and corruption culture. Consider the use of the Competition and Markets Authority cartel tool to review all contractors / suppliers working with the Council to help them in their fight against illegal cartel behaviour and to investigate and report such activity to the CMA.	Greg Lewis	Ongoing	

Ref	Link to Strategy	Action	Assigned To	Target Date	Commentary
2.4	<p>The Director of Finance has been designated with the statutory responsibilities as Chief Financial Officer as defined by section 151 of the Local Government Act 1972. These responsibilities outline that every local authority in England and Wales should: 'make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has the responsibility or the administration of those affairs'.</p> <p>'Proper administration' encompasses all aspects of local authority financial management including:</p> <ul style="list-style-type: none"> - Compliance with the statutory requirements for accounting and internal audit; - Managing the financial affairs of the council; - The proper exercise of a wide range of delegated powers both formal and informal; Under these statutory responsibilities the section 151 officer contributes to the antifraud and corruption framework of the council. 	<p>The Director of Finance and Procurement should ensure they are fully aware of, and complying with the responsibilities as defined by the section 151 of the Local Government Act 1972. This should include a review of the delegated powers, both formal and informal, to ensure they are appropriate, adequate and that all relevant employees are aware of their responsibilities.</p>	Becky Hellard	31 March 2020	Annual Review

Ref	Link to Strategy	Action	Assigned To	Target Date	Commentary
2.5	The solicitor to the council (monitoring officer) is responsible for ensuring that all decisions made by the council are within the law. The monitoring officer's key role is to promote and maintain high standards of conduct throughout the council by developing, enforcing and reporting appropriate governance arrangements including codes of conduct and other standard policies.	There should be an annual review of the Council's suite of fraud documents. Consideration should also be given to undertaking a baseline and periodical review of ethics within the Council by surveying all staff to provide an ongoing barometer of attitude towards ethical behaviour.	SWAP/Becky Hellard	31 March 2020	Annual Review
2.6	The council has developed and is committed to continuing, with systems and procedures that incorporate efficient and effective internal controls, which include adequate separation of duties wherever possible. It is required that the directors, assistant directors and heads of service and other key managers will ensure that such controls, including those in a computerised environment are properly maintained. Their existence and appropriateness will be independently reviewed by the council's internal audit service.	Development and implementation of a fraud risk plan tailored to individual fraud risks. Activities to be incorporated into Internal Audit plans, as appropriate. Directors, assistant directors, heads of service and other key managers should review their internal controls to ensure they are appropriate and effective.	SWAP	31 March 2020	

Ref	Link to Strategy	Action	Assigned To	Target Date	Commentary
2.7	The council will work with Partner Organisations to develop where possible a joint approach to antifraud activity.	<p>Explore opportunities for joint working and networking and determine informal and formal arrangements as necessary (e.g. other local authorities and housing associations).</p> <p>Contribute to and consider the results from any national fraud surveys from leading bodies and organisations to inform the strategy and fraud risk management (e.g. CIPFA, DWP etc.).</p> <p>Develop links with external agencies to enhance opportunities for information sharing.</p> <p>Explore opportunities with neighbouring authorities to undertake data matching.</p>	SWAP	31 March 2020	
3. Detection					
3.1	Executive Directors, Directors and Heads of Service and all managers shall ensure that internal control is implemented and maintained and will report any matters where internal control has failed to the Chief Internal Auditor.	Executive Directors, Directors and Heads of Service and all managers should be reminded of their responsibility to ensure that internal control is implemented and maintained and to report any matters where internal control has failed to the chief internal auditor.	SWAP/Becky Hellard	1 September 2019	Intranet

Ref	Link to Strategy	Action	Assigned To	Target Date	Commentary
3.2	<p>Internal audit has a preventative role in trying to ensure that systems and procedures are in place to prevent and deter fraud and corruption. Internal audit may be requested to investigate cases of suspected financial irregularity, fraud or corruption, except benefit fraud investigations, in accordance with agreed procedures.</p> <p>Within the financial procedure rules in the constitution (Paragraph 20 of the Part 9 of the Wiltshire Council Constitution), representatives of internal audit on behalf of the Chief Financial Officer are empowered to:</p> <ul style="list-style-type: none"> – enter at all reasonable times any council premises or land – have access to all records, documentation and correspondence relating to any financial and other transactions as considered necessary – have access to records belonging to third parties such as contractors when required – require and receive such explanations as are regarded 	<p>Internal Audit should ensure there are adequate resources available to undertake proactive and reactive fraud work to prevent, deter and detect fraud and corruption.</p> <p>All council employees should be reminded of their individual responsibilities in relation to supporting the work of Internal Audit.</p>	<p>SWAP</p> <p>Becky Hellard</p>	<p>Ongoing</p> <p>Ongoing</p>	

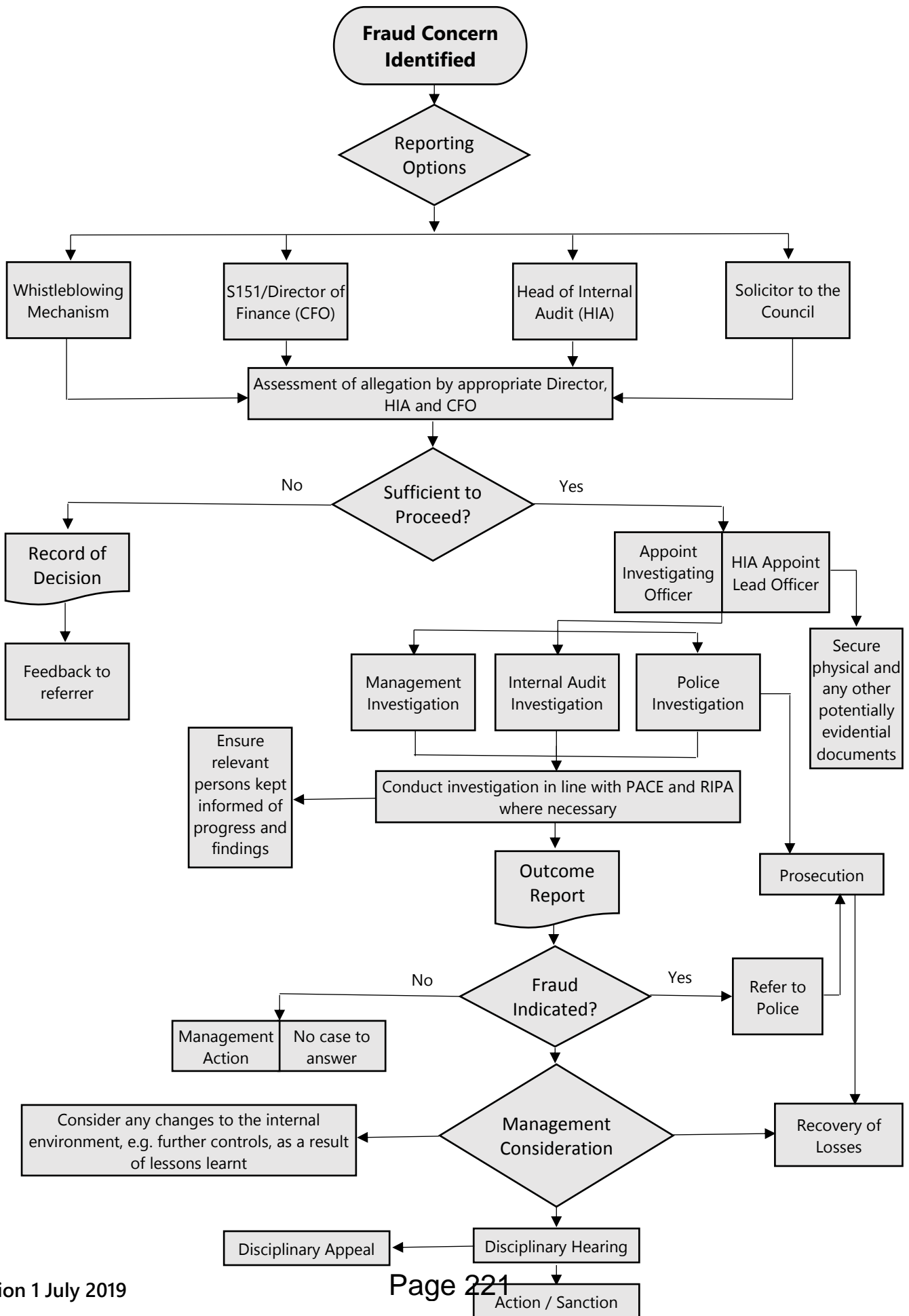
Ref	Link to Strategy	Action	Assigned To	Target Date	Commentary
	necessary concerning any matter under examination – require any employee of the council to account for cash, stores or any other council property under his/her control or possession				
3.3	The council will take part in the National Fraud Initiative.	Continue active involvement in data matching exercises, such as NFI.	Becky Hellard	31 March 2020	Annual Exercise
3.4	The Audit Committee will review and approve as part of the annual audit plan the internal audit programme for fraud prevention and detection work.	The Audit Committee should ensure there is sufficient coverage in the internal audit programme for fraud prevention and detection work at least annually.	Chair of Audit Committee on advice from s151	31 March 2020	Annual Exercise and Quarterly reporting
3.5	The council's code of practice on whistleblowing allows employees and councillors to raise any concerns they may have in confidence and anonymously should they wish.	Review the Council's whistleblowing arrangements, taking into consideration any amendments to law, including the European Commission's proposed law to increased protections for whistle-blowers. Internally promote the Council's Whistleblowing Policy to increase knowledge of and confidence in reporting suspicious and irregular activity. Ensure the whistleblowing hotline, provided by SWAP Internal Audit	Becky Hellard	1 September 2019	

Ref	Link to Strategy	Action	Assigned To	Target Date	Commentary
		Services, is active, operating effectively and monitored on a regular basis.			
4. Reporting					
4.1	The council expects all elected members and employees of the council to report any concerns that they may have in respect of fraud and corruption. Members of the public outside individuals and organisations including suppliers, contractors and claimants are also encouraged to report concerns.	<p>Internally promote the Council's Whistleblowing Policy to increase knowledge of and confidence in reporting suspicious and irregular activity.</p> <p>Externally promote the Council's whistleblowing arrangements among the public, key contractors and suppliers including:</p> <ul style="list-style-type: none"> - A dedicated fraud and corruption page on the Council's internet site; - Communications via the Council's social media outlets. - Identifying and taking advantage of Council arranged events to raise awareness. 	Becky Hellard	30 September 2019	Intranet and Website
4.2	As set out in the whistleblowing policy, employees are encouraged and expected to raise any concerns they may have without fear of reprimand. Such concerns will be treated in the strictest confidence and will be properly investigated.	Following the review of the Council's Whistleblowing Policy, a reminder of the Policy should be issued to all employees emphasising that all concerns will be treated in the strictest confidence.	Becky Hellard	30 September 2019	Intranet messages

Ref	Link to Strategy	Action	Assigned To	Target Date	Commentary
4.3	<p>Employees should normally raise concerns with their immediate manager or that manager's manager. This depends, however on the seriousness of the issues involved and who is suspected of the malpractice. If staff believe that their management is involved, they should approach:</p> <p>i) The S151 and Director of Finance Officer Tel: 01225 713601</p> <p>ii) The Head of Internal Audit – (SWAP Internal Audit Services) Tel: 01225 763495</p> <p>iii) The Solicitor to the Council – Tel: xxxx</p>	<p>The process for employees to raise concerns should be clearly available for all staff to access. This should include:</p> <ul style="list-style-type: none"> – A dedicated page on the Wiltshire Council Intranet; – A reminder issued to all employees via email; and, – Regularly include fraud and corruption on team meeting agendas. 	Becky Hellard	30 September 2019	
4.4	<p>Elected councillors should normally report any concerns to the appropriate senior management team member or one of the officers listed in 4.3.</p>	<p>The process for councillors to raise concerns should be clearly available for all councillors to access. This should include:</p> <ul style="list-style-type: none"> – A dedicated page on the Wiltshire Council Intranet; – A reminder issued to all councillors via email; 	Becky Hellard	30 September 2019	Intranet

Ref	Link to Strategy	Action	Assigned To	Target Date	Commentary
4.5	The council discourages anybody who has reasonably held suspicions from doing nothing, trying to investigate the matter themselves, approaching or accusing the individual themselves. Any of these actions could result in any counter fraud investigation being compromised.	All employees should be reminded of the need to report any concerns through the appropriate channels as documented in the Anti-Fraud, Theft and Bribery Strategy and policy.	Becky Hellard/SWAP	30 September 2019	Intranet
4.6	Senior management is responsible for following up any allegation of fraud or corruption and will do so in line with the council's financial regulations.	All senior management should be given appropriate training to enable them to undertake their responsibilities in relation to following up any allegation of fraud or corruption.	SWAP/Becky Hellard	30 September 2019	ELT/Managers Forum
4.7	Senior management is expected to deal swiftly and firmly with those who have defrauded the council or who are corrupt.	Senior management should be reminded of their responsibilities and expectations in relation to dealing with those who have defrauded the council or who are corrupt in a swift and firm manner.	SWAP/Becky Hellard	30 September 2019	ELT/Managers Forum
4.8	There is a need to ensure that any investigation process is not misused and therefore, any abuse such as raising unfounded malicious allegations will, where appropriate, be dealt with as a disciplinary matter.	A reminder should be issued to all employees and councillors that the investigation process should not be misused for unfounded malicious allegations. Review the Council's sanctions and redress to reflect this.	SWAP/Joanne Pitt	30 September 2019	

Wiltshire Council – Fraud Response Plan Flowchart



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Proposals for the consideration of whether Wiltshire Council's Audit Committee should seek to recruit independent co-opted members

For some time now The Chartered Institute of Public Finance and Accountancy (CIPFA) have been advising that local authority Audit Committees should include independent co-opted members. Their latest Guidance Note reinforces that recommendation which is now regarded as best practice and good governance.

In a conversation with CIPFA's Chief Executive - who is a Wiltshire resident - I was 'challenged' to consider this recommendation for Wiltshire.

At the extraordinary meeting of Wiltshire Council's Audit Committee on June 26th it was AGREED that a Task and Finish Group would investigate and consider the matter and make recommendations to the Committee.

The initial membership of the Task and Finish Group is Cllrs Britton, Grant, Dobson - who welcome other members to join.

Matters to be considered

- 1 Should Wiltshire Council's Audit Committee include appropriately-skilled independent co-opted members to provide specialist training and experience input to the committee's work.
- 2 If it is felt this arrangement should be adopted what specialist skills and experience would we seek to recruit?
- 3 How many co-optees would be sought?
- 4 In view of the existing size of the Audit Committee should such co-optees be in addition to the existing membership or would they replace one or more councillor members (bearing in mind the need for the Cllr membership cohort to be politically balanced)?
- 5 Would co-optees be voting members of the committee?

Method of investigation

- 1 Preliminary meeting to confirm Terms of Reference and agree research agenda (could perhaps be done by email).
- 2 Desktop research by Dem. Svcs. to identify most appropriate comparator local authorities.
- 3 Desktop research of these comparators to discover:
 - Title of Audit Committee (eg Audit and Risk; Audit and Governance or other).
 - Number (if any) of independent co-opted members.

- Voting/Non-Voting?

4 Meeting to consider findings and perhaps commission further work by means of a direct approach to the authorities concerned (eg When were co-optees first introduced; what skills were sought from co-optees). Details of payment and conditions of service can be left until/if a paper is prepared for Full Council.

5 Final meeting to consider recommendations (could be merged with 4 above if no further research was decided upon).

Richard Britton

01/07/2019

PROPOSED WORK PROGRAMME FOR THE AUDIT COMMITTEE 2019/20

7 November 2019 10am	Q2 IA report	SWAP		24 Oct	30 Oct
	External audit update	Deloitte			
	Risk and Performance Management Policy - Update on the implementation of the policy	Robin Townsend			
	SWAP international standards assessment Triennial External Assessment Review on Compliance to Public Sectors Internal Audit Standards	SWAP			
	Service Area Risk Register – Children’s Services	Relevant CD			
	30 min add on – not part of formal meeting – Confidential meeting with external auditors (annually)				
12 February 2020	Q3 IA Report	SWAP		30 Jan	4 Feb
	Grant Certification Report	Deloitte			

PROPOSED WORK PROGRAMME FOR THE AUDIT COMMITTEE - 2019

TBC	Q4 IA Report	SWAP		30 Jan	4 Feb
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July 2020 Page 226	Report to those charged with Governance (ISA 260) 2019/2020	Deloitte		11 July 2019	16 July 2019
	Pension Assurance on accounts	Pension Fund/ Jim Brewster			
	Statement of Accounts	Becky Hellard			
	Annual Governance Statement	Ian Gibbons			
	IA annual report 2019/2020	SWAP			
	Q1 IA Report	SWAP			
	Appointment of a member to the Constitution Focus Group	Chairman			