

# AGENDA

---

**Meeting:** Audit Committee  
**Place:** The Kennet Room - County Hall, Trowbridge BA14 8JN  
**Date:** Tuesday 24 July 2018  
**Time:** 10.00 am

---

Please direct any enquiries on this Agenda to Jessica Croman of Democratic Services, County Hall, Trowbridge, direct line 01225 718262 or email [jessica.croman@wiltshire.gov.uk](mailto:jessica.croman@wiltshire.gov.uk)

All public reports referred to on this agenda are available on the Council's website at [www.wiltshire.gov.uk](http://www.wiltshire.gov.uk) .

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

---

## Membership:

Cllr Richard Britton (Chairman)	Cllr Andy Phillips
Cllr Stewart Dobson (Vice-Chairman)	Cllr Leo Randall
Cllr Gavin Grant	Cllr John Smale
Cllr Mike Hewitt	Cllr Ian Thorn
Cllr Tony Jackson	Cllr John Walsh
Cllr Edward Kirk	

## **RECORDING AND BROADCASTING NOTIFICATION**

Wiltshire Council may record this meeting for live and/or subsequent broadcast on the Council's website at <http://www.wiltshire.public-i.tv> At the start of the meeting, the Chairman will confirm if all or part of the meeting is being recorded. The images and sound recordings may also be used for training purposes within the Council.

By entering the meeting room you are consenting to being recorded and to the use of those images and recordings for broadcasting and/or training purposes.

The meeting may also be recorded by the press or members of the public.

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

Details of the Council's Guidance on the Recording and Webcasting of Meetings is available on the Council's website along with this agenda and available on request.

If you have any queries please contact Democratic Services using the contact details above.

## 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 - 10*)

To confirm and sign the minutes of the meeting held on 11 April 2018.

**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 **17 July 2018** 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 **19 July 2018**. 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 Arrangement for the Transition to new External Auditor** (*Pages 11 - 12*)

To receive a presentation from Ian Howse, Deloitte, on the transition arrangements.

**7 Accounting Policies** (*Pages 13 - 14*)

To note the Council's Accounting Policies and future reporting arrangements.

**8 Report to those charged with Governance (ISA 260) 2017/2018 (Pages 15 - 60)**

The committee is requested to consider the ISA260 report from external auditors in its receipt of the draft accounts for 2017/18. 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.

**9 Statement of Accounts (Pages 61 - 184)**

The Committee is asked to consider the Statement of Accounts for 2017/18.

**10 The Council's Risk and Performance Management Processes**

A verbal update providing an overview our current processes

**11 Annual Governance Statement (Pages 185 - 208)**

The Committee is asked to consider officer reports and to approve the Annual Governance Statement for 2017/18 as set out in Appendix 1 for publication with the Statement of Accounts.

**12 IA Annual Report 2017/18 (Pages 209 - 232)**

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

**13 Q1 IA Report (Pages 233 - 258)**

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

**14 Recruitment of Finance Director**

To receive an update on the recruitment of the Finance Director.

**15 Appointment to the Constitution Focus Group**

To appoint a Member to the Constitution Focus Group

**16 Forward Work Programme (Pages 259 - 262)**

To note the Forward Work Programme

**17 Date of Next Meeting**

To note that the next regular meeting of the Committee will be held on 14 November 2018

**18 Urgent Items**

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

## Part II

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

None

This page is intentionally left blank

## **AUDIT COMMITTEE**

---

### **DRAFT MINUTES OF THE AUDIT COMMITTEE MEETING HELD ON 11 APRIL 2018 AT THE KENNET ROOM - COUNTY HALL, TROWBRIDGE BA14 8JN.**

#### **Present:**

Cllr Richard Britton (Chairman), Cllr Tony Deane, Cllr Stewart Dobson (Vice-Chairman), Cllr Peter Evans (Substitute - Part II), Cllr Gavin Grant (Substitute - Part II), Cllr Mike Hewitt, Cllr Tony Jackson, Cllr Edward Kirk, Cllr Jim Lynch, Cllr Leo Randall and Cllr John Walsh

#### **Also Present:**

Michael Hudson, Ian Duncan, Ian Gibbons, Dr Carlton Brand, Mathew Tiller and Ian Withers

---

#### **13 Apologies**

Apologies were received by:

Cllr Ian Thorn who was substituted by Cllr Gavin Grant  
Cllr Andy Philips who was substituted by Cllr Peter Evans

#### **14 Minutes of the Previous Meeting**

The minutes of the meeting held on 14 February 2018 were presented and it was;

##### **Resolved**

**To approve and sign the Minutes of the meeting held on 14 February 2018.**

#### **15 Declarations of Interests**

There were no declarations of interest.

#### **16 Chairman's Announcements**

The Chairman welcomed all those present to the meeting.

Michael Hudson, being his last meeting, was thanked for his role, contribution and support throughout his time at Wiltshire council and wished well for his future and new role.

Ian Duncan was welcomed as the Interim Director of Finance & Procurement.

Michael Hudson informed the committee that a meeting had taken place to discuss any impacts the Salisbury incident would have had on the accounts and that the situation would be closely monitored.

17 **Public Participation**

There were no members of the public present.

18 **Internal Audit & Counter Fraud Plan 2018/19**

Ian Withers, SWAP, introduced the item noting that the counter fraud plan had been merged with the internal audit plan, additional unplanned audits would take place throughout the year and that SWAP fees had increased by 8% for the new financial year.

A question was raised about the reorganisation of fraud arrangements and what that involved. It was noted that around four years ago a corporate fraud unit was set up and given three years to become self-financing and after reviewing the unit it was identified that they were not self-financing and a decision was made to remove the unit and transfer responsibility to internal audit for no extra cost.

It was noted that the council had put themselves forward to take part in a pilot being run by CIPFA, to develop a counter fraud hub in the South West, and that SWAP would take the work forward. This work should not incur any extra cost due to staff providing the required data and the pilot would hopefully result in savings.

A question was raised on the timing of the increase in fees, at a time when the council was trying to reduce costs and cutting back. It was noted that when the council joined SWAP a part of the sign up was to accept the pension liability, which had caused the increase. There had been no increase in fee from SWAP since 2011 and savings had been achieved by changing the external audit provider from KPMG to Deloitte. The fees would be monitored and there were options to reduce the fee going forward, although it was believed that currently the internal audit plan delivered value for money and that careful consideration should be taken if the committee wanted to reduce the fee going forward.

A recommendation to quantify the work schedule so it was clear as to the scale of work involved with each of the audits was made. Officers advised not to impose a prescriptive audit approach as it was the responsibility of SWAP to deliver the audits as they deemed necessary and that the success of this was being monitored taking into account the outcomes, fees and quality. SWAP agreed that a further breakdown could be provided but for the committee to be mindful that the audits timescales could change from what is reported to what actually happens.



A question was asked about the homeless reduction act and it was noted that the council had received a grant to join child care and homelessness system's. The council had new responsibilities to try and prevent teenagers from becoming homeless. Or in a child homelessness case, to find accommodation quickly. A full report had gone to Children's Select Committee.

It was agreed that urgent changes to audits would be agreed with statutory officers, in consultation with the Chairman and reported at the next committee meeting.

At the end of the debate it was;

### **RESOLVED**

**To approve the Internal Audit Plan and the Internal Audit Charter.**

#### 19 **Audit Task Group Update**

The Chairman introduced the report included in the agenda and gave a summary of the actions that were taken.

It was noted that by carrying out the research and actions, gaps within the forward work plan had been identified. A question was asked that if the committee was to take on more work would there be enough resources and scheduled meetings throughout the year and it was agreed that the forward work plan would need to be carefully scheduled.

It was also noted that the new CIPFA guidance had not yet been published and would be monitored.

At the end of the discussion it was;

### **RESOLVED**

**It was agreed to:**

- 1. To note the report and the next steps required;**
- 2. To support the proposed changes to the Constitution agreed by the Constitutional Focus Group for submission to the Standards Committee on 18 April 2018;**
- 3. To agree the communication plan with OS, set out in the constitutional changes in paragraph 6.5 Part 2 Article 6, which recognises and accepts the separate and distinct roles of OS and Audit**

4. That further consideration be given to the inclusion of Independent Co-opted members in 12 months;

5. No further action be taken for the time being on the size of the Audit Committee.

20 **Forward Work Programme**

Transition from KPMG to Deloitte would need to be included on the forward work plan for the July meeting.

21 **Date of Next Meeting**

The next meeting would take place on the 24 July 2018.

22 **Urgent Items**

There were no urgent items.

(Duration of meeting: 10.00 - 11.30 am)

The Officer who has produced these minutes is Jessica Croman, of Democratic Services, direct line 01225 718262, e-mail [jessica.croman@wiltshire.gov.uk](mailto:jessica.croman@wiltshire.gov.uk)

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



**External Audit**  
Handover Plan

May 2016

# Wiltshire Council

## Handover Plan between Deloitte and KPMG

Page 12

	April				September				October					March				June		
	8	15	22	29	5	12	19	26	3	10	17	24	31	7	14	21	28	5	12	19
<b>Stage 1:</b> Pre 2017/18 Audit Face to face meeting with KMPG Discussion on issues in the past and any key areas to be aware of		●																		
<b>Stage 2:</b> Post 2017/18 Audit Send request for documentation Update with KPMG on 17/18 audit Sharing of relevant documentation					●		●													
<b>Stage 3:</b> Planning for 2018/19 Audit Detailed risk assessment and production of the plan Plan to Audit Committee									■											
<b>Stage 4:</b> Interim Detailed consideration of systems and early testing to month 9															■					
<b>Stage 5:</b> Final																		■		

## AUDIT COMMITTEE

24 JULY 2018

---

**Subject: ACCOUNTING POLICIES****Cabinet member: Cllr Philip Whitehead – Finance, Procurement, IT and Operation Assets****Key Decision: No**

---

**Purpose of Report**

1. To present the Council's Accounting Policies.

**Background**

2. The statement of accounts includes policies on all the key accounting matters that affect the figures and disclosures in the statements.
3. The policies proposed for Wiltshire Council are based upon guidance issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) and take account of local circumstances.
4. The disclosed policies are those which are fundamental to the understanding of the Statement of Accounts. The matters covered in the proposed policy statement have a significant impact on the way the accounts are prepared and are those commonly adopted by other local authorities.

**Main Considerations**

5. The Council's accounting policies are regularly reviewed to ensure they are up to date.
6. The accounting policies are included annually in the statement of Accounts that is adopted by Audit committee in July each year. This year they are included in Annex 1 of the Statement of Accounts, which elsewhere on this agenda. They are not duplicated in this report.
7. It is thought useful and best practices going forward that the accounting policies will be approved annually at the audit committee prior to the end of the financial year. This will mean the next report will come to the January 2019 Meeting
8. That would mean that the accounting policies will be discussed prior to their use in the preparation of the final accounts each year
9. It should be noted that there are no relevant revisions to accounting policies from those used in 2016/2017.

### **Risk Assessment**

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

### **Equality and Diversity Impact of the Proposal**

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

### **Environmental Impact of the Proposal**

12. There are no direct environmental implications associated with this report.

### **Financial Implications**

13. The Council's accounting policies have been used in the production of the Council's accounts for 2017/2018.

### **Legal Implications**

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

### **Recommendations**

15. That Members note the report.

### **Reason for Recommendations**

16. For Members to note the Council's Accounting Policies and the future reporting arrangements.

### **IAN DUNCAN**

Interim Director Finance & Procurement

---

Report Author: Matthew Tiller – Chief Accountant

## WILTSHIRE COUNCIL

### AUDIT COMMITTEE

24 JULY 2018

---

**Subject:** KPMG: EXTERNAL AUDIT ISA260 REPORT 2017/18

**Cabinet member:** Cllr Philip Whitehead – Finance, Procurement, IT and Operation Assets

**Key Decision:** No

---

#### **Purpose of Report**

1. To present KPMG's "External Audit IAS206 Report 2017/18" to the Audit Committee and to invite Members to consider their response. KPMG will attend the meeting of the Audit Committee to present the report and to respond to any queries.

#### **Background**

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

#### **Main Considerations for the Council**

3. The headlines are in the summary of the KPMG report. These are summarised as follows:
  - KPMG anticipates issuing an unqualified audit opinion. This covers both the Wiltshire Council and the Wiltshire Pension Fund Statements of Accounts.
  - KPMG have concluded that the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources. KPMG anticipates issuing an unqualified VFM audit opinion.
  - KPMG identified one audit adjustment to the draft financial statements. This is a presentational re-categorisation between short term debtors and creditors. These adjustments only affect the presentation of the financial statements and do not affect the General Fund or HRA

balances. They have all been adjusted by the Council. Full details are included in the KPMG report):

#### **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. KPMG's External Audit ISA260 Report 2017/18 report is relevant to the Council's financial arrangements.

#### **Legal Implications**

12. KPMG's External Audit ISA260 Report 2017/18 report 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 2017/2018. Based upon that advice, and subject to any issues raised as a result of that consideration, the Audit Committee delegates the signing of the letter of the management representation letter to the Chairman of the Audit Committee.



## **Reason for Recommendations**

14. To present KPMG's External Audit ISA260 Report 2017/18 to the Audit Committee and to invite Members to consider their response.

### **IAN DUNCAN**

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 - KPMG External Audit ISA260 Report 2017/18

This page is intentionally left blank



# External Audit ISA260 Report 2017/18

**Wiltshire Council**

—  
July 2018



# Summary for Executive Committee

**This document summarises the key findings in relation to our 2017-18 external audit at Wiltshire Council ('the Authority') and Wiltshire Pension Fund.**

**This report covers both our on-site work which was completed in February 2018 and July 2018 on the Authority's significant risk areas, as well as other areas of your financial statements, and the control environment in place to support the production of timely and accurate financial statements.**

## Organisational and IT control environment

We have confirmed that the issues identified in the 2016-17 audit in relation to SAP\_ALL super user access have been appropriately remedied and the Authority now has a generally sound IT control environment. We have communicated a number of low level recommendations directly with management on how to further improve this environment.

## Controls over key financial systems

The Authority has a generally sound control environment in place with effective controls over key significant accounts. We have raised two recommendation (see Appendix 1) in relation to the retention of related party evidence and monitoring of contracts.

## Review of internal audit

We have used the work performed by internal audit to inform our risk assessment and audit work. We identified no issues with the work performed by internal audit.

## Accounts production

The Authority has prepared its financial statements in advance of deadlines during prior years and as a result of this was well placed to meet the faster close deadlines. We received a draft set of financial statements on 31 May 2018 which were of similar quality to prior years. In addition, the working papers provided to us to support our audit have continued to be of a high standard.

## Financial statements

**Subject to all outstanding queries being resolved to our satisfaction we anticipate issuing an unqualified audit opinion on the Authority's financial statements before the deadline of 31 July 2018.**

Based upon our assessment of risks to the financial statements (as reporting to you in our *External Audit Plan 2017/18* and updated during our audit) we identified the following significant risks (excluding those mandated by International Standards on Auditing – see Page 10):

- **Valuation of PPE** – The Authority operates a cyclical revaluation approach to meet the Code requirement that all land and buildings be held at fair value. We have considered how the Authority ensures that assets not subject to in-year revaluation are not materially misstated, as well as reviewing the basis of valuation for those assets that have been revalued. No issues were identified as a result of this work.
- **Pensions Liabilities** – The valuation of the Authority's pension liability, as calculated by the Actuary, is dependent upon both the accuracy and completeness of the data provided and the assumptions adopted. We have reviewed the processes in place to ensure accuracy of data provided to the Actuary and have considered the assumptions used in determining the valuation. No issues were identified as a result of this work.

# Summary for Executive Committee (cont.)

## Financial statements (continued)

We have identified one audit adjustment with a total value of £3.079 million. See page 31 for details. This adjustment has no impact on the reported surplus on provision of services or on the general fund or Housing Revenue Account balances.

We are now in the completion stage of the audit and anticipate issuing our completion certificate on 24 July 2018 subject to completing of our work over the Authority's Whole of Government Accounts return and issuing of our consistency statement over the Pension Fund Annual Report. Following this, we will issue our Annual Audit letter in August 2018.

## Pension Fund financial statements

### **We also anticipate issuing an unqualified audit opinion in relation to the Pension Fund's financial statements by 31 July 2018.**

Based upon our assessment of risks to the Pension Fund financial statements (as reporting to you in our *External Audit Plan 2017/18* and updated during our interim visit) we have identified the following significant risks (excluding those mandated by International Standards on Auditing – see Page 10):

- **Valuation of hard to price investments** – The Pension Fund invests in a range of assets and funds, some of which are inherently harder to value due to there being no publicly available quoted prices. We have verified a selection of investments to third party information and confirmations with no issues being identified.

We have identified one audit adjustment with a total value of £3.565 million. See page 32 for details. This adjustment has no impact on the reported balance of the Fund Account.

## Value for money arrangements

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

### **We therefore anticipate issuing an unqualified value for money opinion**

We set out our assessment of those areas requiring additional risk based work in our *External Audit Plan 2017/18* and have updated this throughout the audit. As a result of this we have identified the following significant VFM audit risks:

- **Delivery of Budgets** – As a result of reductions in central government funding, and other pressures, the Authority is having to make additional savings beyond those from prior years and also pursue income generation strategies. We reviewed the controls in place to ensure financial resilience, specifically that the Medium Term Financial Plan had duly taken into consideration relevant factors and sensitivity analysis. We considered the way in which the Authority identifies, approves, and monitors both savings plans and income generation projects and how budgets are monitored throughout the year. As a result of this work we raised one recommendation (see Appendix 1).

See further details on pages 25-26.

# Summary for Executive Committee (cont.)

## Exercising of audit powers

We have a duty to consider whether to issue a report in the public interest about something we believe the Authority should consider, or if the public should know about.

We have not identified any matters that would require us to issue a public interest report.

## Acknowledgements

We would like to take this opportunity to thank officers and Members for their continuing help. As this is now the final period of audit, we would like to raise a special thank you for the years that we have worked with the Council. We will help ensure a smooth handover to your new auditors and wish you the best for the future.

**Section one**

# Control Environment

# Organisational and IT control environment

**We have identified no significant issues with the Authority's organisational and IT control environment and consider that the overall arrangements that have been put in place are reasonable.**

## Work completed

Controls operated at an organisational level often have an impact on controls at an operational level and if there were weaknesses this would have implications for our audit. We obtain an understanding of the Authority's overall control environment and determine if appropriate controls have been implemented. We do not complete detailed testing of these controls.

The Authority relies on information technology ("IT") to support both financial reporting and internal control processes. In order to satisfy ourselves that we can rely on the use of IT, we test controls over access to systems and data, system changes, system development and computer operation. During 2016-17 we raised significant recommendations in relation to the IT control environment. These recommendations related to the controls over access to the SAP and Northgate systems. Our testing during 2017-18 confirmed that these issues had been appropriately addressed. As a result of this, we consider that your organisational and IT controls are effective overall. We have, however noted a number of areas for further improvement, particularly in relation to:

- Access rights to the SAP systems not being subject to adequate periodic review;
- Lack of logging of system changes in specific scenarios; and
- Policies not having been reviewed in line with expectations and password criteria differing from that set out in the policy.

In each instance we confirmed that there was no impact on the audit either due to the nature of the issue or through additional testing. We have communicated specific recommendations on each of these areas to management. Due to the low priority attached to these we have not included further details in this report.

Aspect of controls	Assessment
Organisational controls:	
Management's philosophy and operating style	3
Culture of honesty and ethical behaviour	3
Oversight by those charged with governance	3
Risk assessment process	3
Communications	3
Monitoring of controls	3
IT controls:	
Access to systems and data	2
System changes and maintenance	2
Development of new systems and applications	3
Computer operations and end-user computing	3

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



# Review of internal audit

**Following our assessment of Internal Audit, we were able to place reliance on their work over the key financial systems.**

## **Background**

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

## **Work completed**

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

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

Where we intend to rely on internal audit's work in respect of the Authority's key financial systems, auditing standards (ISA610) require us to complete an overall assessment of the internal audit function and to evaluate and test aspects of their work.

The Public Sector Internal Audit Standards define the way in which the internal audit service should undertake its functions. Internal audit completed a self-assessment against the PSIAS2 in 2015/16.

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

## **Key findings**

Based on the self-assessment performed by internal audit, our assessment of their files, attendance at Audit Committee and regular meetings during the course of the year, we have not identified any significant issues which would prevent us from relying on internal audit's work for 2017/18.

# Controls over key financial systems

The controls over all of the key financial systems are sound.

## Work completed

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

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

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

## Key findings

Based on our work, and the work of your internal auditors, we have determined that the controls over all of the key financial systems are sound. We have also been able to rely on controls not used during our 2016-17 audit as a result of issues identified with SAP being appropriately remedied for the 2017-18 financial year.

We have not identified any additional audit recommendations other than those already raised to you as part of the internal audit reporting.

Aspect of controls	Assessment
Property, Plant and Equipment	3
Cash and Cash Equivalents	3
Pension Assets and Liabilities	3
Non pay expenditure	3
Payroll	3
Housing benefits expenditure	3
Business rates income	3
Council tax income	3
HRA rental income	3
HRA repairs and maintenance expenditure	3

## Key

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



An overhead photograph of four business professionals sitting around a white conference table. A woman in a grey top is at the top, looking down at a laptop. A man in a light blue shirt is on the left, also looking at a laptop. A woman in a white top and black skirt is at the bottom left, with her arms crossed. A man in a light blue shirt is at the bottom right, with his hands clasped. The scene is brightly lit, with shadows cast across the table and floor.

**Section two**

# Financial Statements

# Accounts production and audit process

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

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

**The Authority's overall process for the preparation of the financial statements is adequate.**

## Accounts practices and production process

The Authority continues to deliver strong working papers in the necessary timeframes. As the Authority began preparing its financial statements to an advanced timetable in prior years it was already well placed to meet the new faster close deadlines.

We consider that the overall process for the preparation of your financial statements is sound. We would like to pay particular thanks to Stuart Donnelly and Matthew Tiller for their cooperation throughout the audit.

We also consider the Authority's accounting practices appropriate.

## Going concern

The financial statements of both the Authority and the Pension Fund have been prepared on a going concern basis. We confirm that we have identified no significant matters which would, in our view, affect the ability of the Authority or Pension Fund to continue as a going concern.

## Implementation of recommendations

We raised one recommendation in our ISA 260 Report 2016/17. The Authority has implemented the significant elements of this recommendation in line with the timescales of the action plan. Further details are included in Appendix 2.

## Completeness of draft accounts

We received a complete set of draft accounts on 31 May 2018, which was the statutory deadline.

## Quality of supporting working papers

We issued our Accounts Audit Protocol to Stuart Donnelly on 22 February 2018. This important document sets out our audit approach and timetable. It also summarised the working papers and other evidence we required the Authority to provide to support our audit work. This helped the Authority and the Pension Fund to provide audit evidence in line with our expectations. We followed this up with a meeting with Management to discuss specific requirements of the document request list.

## Response to audit queries

We are pleased to report that our agreed turnaround time for dealing with audit queries was achieved by Officers, including those who are not part of the finance team. As a result of this, all of our audit work was completed within the timescales expected with no outstanding queries.

## Pension Fund audit

The audit of the Fund was completed alongside the main audit. There are no specific matters to bring to your attention relating to this.

# Specific audit areas

**We anticipate issuing an unqualified audit opinion on the Authority's 2017-18 financial statements and those of the Pension Fund by 31 July 2018. We will also report that your Annual Governance Statement complies with the guidance issued by CIPFA/SOLACE ('Delivering Good Governance in Local Government') published in April 2016.**

**For the year ending 31 March 2018, the Authority has reported a surplus on provision of services of £7.821m. The impact on the General Fund has been an increase of £0.41m.**

Auditing standards require us to consider two standard risks for all organisations. We consider these as a matter of course in our audit and will have set out the findings arising from our work in our ISA 260 Report below.

01

## Management override of controls

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

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

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

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

02

## Fraudulent revenue recognition

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

In our *External Audit Plan 2017-18* we reported that we do not consider this to be a significant risk for Local Authorities as there is unlikely to be an incentive to fraudulently recognise revenue.

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

Over the following pages we have set out our assessment of the specific significant risks and areas of audit focus we identified in relation to the audit of the Authority's financial statements and those of the Pension Fund.

# Specific audit areas

## Significant Audit Risks – Authority

Those risks requiring specific audit attention and procedures to address the likelihood of a material financial statement error in relation to the Authority.

<b>Risk:</b>	<b>Valuation of PPE</b> <p>The Code requires that where assets are subject to revaluation, their year end carrying value should reflect the appropriate fair value at that date. The Authority has adopted a rolling revaluation model which sees all land and buildings revalued over a three year cycle. As a result of this, however, individual assets may not be revalued for three years.</p> <p>This created a risk that the carrying value of those assets not revalued in year differed materially from the year end fair value. In addition, the Authority brought forward the valuation date to 28 February 2018 in response to Faster Close deadlines. As a result of this there was a risk that the fair value was different at the year end.</p>
<b>Our assessment and work undertaken:</b>	<p>We reviewed the approach that the Authority adopted to assess the risk that assets not subject to valuation were materially misstated and considered the robustness of that approach.</p> <p>In relation to those assets which have been revalued during the year we reviewed the accounting entries made to record the results of the revaluation in order to ensure that they were appropriate. We also assessed the valuer’s qualifications, objectivity and independence to carry out such valuations and reviewed the methodology used (including testing the underlying data and assumptions).</p> <p>As a result of this work we determined that the valuations used are reasonable.</p> <p>We have set out our view of the assumptions used in relation to accounting for Property, Plant &amp; Equipment at page 16.</p>

# Specific audit areas (cont.)

## Significant Audit Risks – Authority (cont.)

<b>Risk:</b>	<b>Pension Liabilities</b> <p>The net pension liability represents a material element of the Authority’s balance sheet. The Authority is an admitted body of Wiltshire Pension Fund which had its last triennial valuation completed as at 31 March 2016. This forms an integral basis of the valuation as at 31 March 2018.</p> <p>The valuation of the Local Government Pension Scheme relies on a number of assumptions, most notably around the actuarial assumptions, and actuarial methodology which results in the Authority’s overall valuation.</p> <p>There are financial assumptions and demographic assumptions used in the calculation of the Authority’s valuation, such as the discount rate, inflation rates, mortality rates etc. The assumptions should also reflect the profile of the Authority’s employees, and should be based on appropriate data. The basis of the assumptions is derived on a consistent basis year to year, or updated to reflect any changes.</p> <p>There was a risk that the assumptions and methodology used in the valuation of the Authority’s pension obligation were not reasonable. This could have had a material impact to net pension liability accounted for in the financial statements.</p>
<b>Our assessment and work undertaken:</b>	<p>As part of our work we reviewed the controls that the Authority had in place over the information sent to the Scheme Actuary, including the Authority’s process and controls with respect to the assumptions used in the valuation. We also evaluated the competency, objectivity and independence of Hymans Robertson.</p> <p>We reviewed the appropriateness of the key assumptions included within the valuation and compared them to expected range by involving a KPMG Actuary to provide a specialist assessment of those assumptions. We also reviewed the methodology applied in the valuation by Hymans Robertson.</p> <p>In addition, we reviewed the overall Actuarial valuation and considered the disclosure implications in the financial statements.</p> <p>In order to determine whether the net pension liability has been appropriately accounted for we also considered the valuation of pension assets. As part of our audit of the Pension Fund we gained assurance over the overall value of fund assets.</p> <p>As a result of this work we determined that the figures used by the Pension Fund are materially accurate.</p> <p>We have set out our view of the assumptions used in valuing pension assets and liabilities at page 17.</p>

# Specific audit areas (cont.)

## Other areas of audit focus – Authority

Those risks with less likelihood of giving rise to a material error but which are nevertheless worthy of audit understanding.

**Issue:**

**Faster Close**

In prior years, the Authority has been required to prepare draft financial statements by 30 June and then final signed accounts by 30 September. For years ending on and after 31 March 2018 however, revised deadlines apply which require draft accounts by 31 May and final signed accounts by 31 July.

The Authority has already developed the plans and processes necessary to produce the accounts to this shortened timescales and has met this in prior years.

We highlighted, however, that for the year ended 31 March 2018 there was no longer the comfort that the Authority was working to an internally advance timescale where any delays would not impact on statutory deadlines. Whilst we had not experienced significant delays in recent years, if such delays were to arise this year there was a substantial risk that the audit would not be completed by the 31 July deadline.

There was also an increased likelihood that the Audit Certificate (which confirms that all audit work for the year has been completed) may be issued separately at a later date if work was still ongoing in relation to the Authority's Whole of Government Accounts return and the Pension Fund Annual Report. This is not a matter of concern and is not seen as a breach of deadlines.

**Our assessment and work undertaken:**

The Authority produced its draft accounts in accordance with the advance timescales and we anticipate issuing our audit report on 24 July 2018.

In addition, whilst our work on the Whole of Government Accounts is ongoing at the date of this report we anticipate that it will be completed by 24 July and that as a result we will also be able to issue our Audit Certificate on that date.

**Issue:**

**Changes to MRP Approach**

Local authorities are required each year to set aside some of their revenues as provision for debt. More precisely, the provision is in respect of capital expenditure financed by borrowing or credit arrangements. There are a number of options set out in statutory regulations which Authorities may adopt when calculating the level of its Minimum Revenue Provision. When selecting an approach, the Authority is required to do so in a manner which ensures that the resulting provision represents the most prudent and appropriate result.

We understood that the Authority was considering revising the approach it adopts in relation to the calculation of the Minimum Revenue Provision for the year ending 31 March 2018 onwards.

**Our assessment and work undertaken:**

We have reviewed the Authority's rationale for revising its approach to calculating its Minimum Revenue Provision and confirmed that it is compliant with the requirements of the Code and relevant Regulations.

In addition we are in the process of reviewing the calculations supporting the minimum revenue provision for the year ending 31 March 2018 to ensure that they are in line with the revised methodology and that the accounting entries made are appropriate.



# Specific audit areas (cont.)

## Other areas of audit focus – Authority (cont.)

**Issue:**

**Prior Year IT Issues**

Our audit approach is designed to place reliance upon key financial controls in order to reduce the level of substantive testing required and provide audit evidence. Where these controls are automated by way of the Authority’s IT systems we are required to undertake testing over the Authority’s general IT controls in order to gain assurance that such automated controls can be relied upon throughout the year. Of particular importance are the general ledger (SAP) and the revenues and benefits system (Northgate).

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

There were also a high number of Northgate accounts which have direct access to the system’s underlying database. Whilst we flagged this in our 2015/16 Report to Those charged with Governance, we clarified the extent of the changes that could be undertaken through these accounts during our 2016/17 audit and confirmed that they included the ability to delete underlying data and change reporting functionality without testing or approval.

As a result of these issues we were unable to rely on the Authority’s IT environment during the 2016/17 and had to undertake specific additional substantive procedures and lower the testing and sensitivity thresholds applied throughout our final audit visit.

We understood that the Authority had taken appropriate steps to address these areas of weakness for the current year.

**Our assessment and work undertaken:**

We reviewed the actions taken by the Authority to address the issues set out above. This included confirming that:

- the SAP\_ALL access profile has been deactivated; and
- the number of Northgate accounts with direct access to the underlying database has been reduced to an appropriate level.

As a result of this work we confirmed that the significant issues identified in prior years had been addressed and that the SAP\_All access profile had been deactivated.

Whilst our work over the Authority’s IT control environment identified some further areas for improvement these were of a lower priority and have been communicated to management for resolution.

# Specific audit areas (cont.)

## Significant Audit Risks – Pension Fund

Those risks requiring specific audit attention and procedures to address the likelihood of a material financial statement error in relation to the Pension Fund.

<b>Risk:</b>	<b>Valuation of hard to price investments</b> <p>The Pension Fund invests in a wide range of assets and investment funds, some of which are inherently harder to value or do not have publicly available quoted prices, requiring professional judgement or assumptions to be made at year end. The pricing of complex investment assets may also be susceptible to pricing variances given the number of assumptions underlying the valuation.</p> <p>In the prior year financial statements, £198 million out of a total of £2,174 million of investments, or 9.1%, were in this harder to price category.</p>
<b>Our assessment and work undertaken:</b>	<p>As part of our audit of the Pension Fund, we independently verified a selection of investment asset prices to third party information and obtained independent confirmation on asset existence. We also tested the extent to which the Pension Fund had challenged the valuations reported by investment managers for harder to price investments and obtained independent assessment of the figures.</p> <p>As a result of this work we determined that the Pension Fund place reliance on valuations provided by the investment managers. We assessed the valuation of harder to price investments as reasonable.</p>

## Other areas of audit focus – Pension Fund

Those risks with less likelihood of giving rise to a material error but which are nevertheless worthy of audit understanding in relation to the Pension Fund.

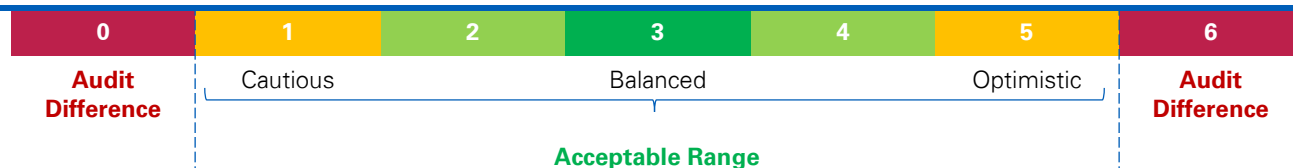
<b>Issue:</b>	<b>Change in Custodian</b> <p>During the year the Pension Fund has engaged a new Custodian (State Street). The role of the Custodian is to safeguard the pension assets.</p> <p>Where there is a change in Custodian there is a risk that, due to errors in the transfer of assets, the value of assets received by the new Custodian fails to reflect the closing value under the prior Custodian..</p>
<b>Our assessment and work undertaken:</b>	<p>We will confirmed that the value of assets recorded as received by State Street agrees to the closing values as reported by the previous Custodian with no issues being identified.</p>

In our *External Audit Plan 2017-18* we noted that there had been a significant staffing change in the Pension Fund’s financial reporting personnel since the 2016-17 audit. We have worked with the Pension Fund in order to minimise, so far as possible, any impact on our audit and can confirm that there has been no significant impact.

# Judgements

We have considered the level of prudence within key judgements in your 2017-18 financial statements and accounting estimates. We have set out our view below across the following range of judgements.

## Level of prudence



Subjective area	2017-18	2016-17	Commentary
Provisions (excluding Business Rates)  2018: £2.212m (2017: £2.613m)	3	3	The provisions balance (excluding NDR) has decreased by £0.4 million, mainly due to the PfP pension provision being fully utilised during the year with no need to create additional provisions for this matter. We have not identified any concerns relating to the provisions made by the Council.
Business Rates provision  2018: £1.804m (2017: £1.882m)	2	2	Since 2013/14 the Authority has been responsible for a proportion of successful rateable value appeals. The Authority provides for a fixed percentage of outstanding appeals in accounting for the potential liability. The Authority may wish to review its Non Domestic Rates (NDR) provisions in line with applicable accounting guidance. The Authority could perform this by reviewing its NDR provisions and incorporate historical appeals success rates to fairly reflect local information.
Property Plant & Equipment: HRA Assets  2018: £304.445m (2017: £287.876m)	3	0	<p>The Authority continues its use of the beacon methodology in line with the DCLG's <i>Stock Valuation for Resource Accounting</i> published in November 2016. The Authority has utilised GVA Grimley to provide valuation estimates. We have reviewed the instructions provided and deem that the valuation exercise is in line with the instructions. The resulting increase of 5.26% is in line with regional indices provided by Gerald Eve, the valuation firm engaged by the NAO to provide supporting valuation information.</p> <p>We have also compared the regional adjustment factor used as part of the Beacon Valuation Methodology to the DCLG guidance. We can confirm that the appropriate adjustment factor of 35% has been used for this financial period.</p> <p>The prior year assessment reflects the fact that the incorrect adjustment factor was used in the 2016-17 draft accounts.</p>
Property Plant & Equipment: Non-HRA Assets  2018: £1,137m (2017: £1,084m)	3	3	The Authority has a three year rolling programme of assets to be revalued. In 2017/18, the assets revalued included offices, libraries, youth centres and leisure centres. There were also other various miscellaneous buildings and new additions that have been revalued during the year. We have assessed the competence of the valuer used and have confirmed that the three year rolling programme ensures coverage over the Authority's asset base.

# Judgements (cont.)

**Subjective area**                      **2017-18**   **2016-17**   **Commentary**

Valuation of pension assets and liabilities

Assets: 2018: £1,045m (2017: £971m)

Liabilities: 2018: £1,596m (2017: £1,584m)

**3**                      **3**

The Authority continues to use Hymans Robertson to provide actuarial valuations in relation to the assets and liabilities recognised as a result of participation in the Local Government Pension Scheme. Due to the overall value of the pension assets and liabilities, small movements in the assumptions can have a significant impact on the overall valuation. For example, a 0.5% change in the discount rate would change the net liability by £152.6 million.

The actual assumptions adopted by the actuary fell within our expected ranges as set out below:

Assumption	Actuary Value	KPMG Benchmark	Assessment
Discount rate	2.60%	2.50%	2
Net discount rate	2.40%	2.16%	4
Salary Growth (CPI+)	0.3%	0%-2.0%	3
Life expectancy			
Current male / female	24.1 / 22.5	23.5 / 22.1	2
Future male/female	26.7 / 24.9	25.4 / 23.9	



# Proposed opinion and audit differences

**Subject to all outstanding queries being resolved to our satisfaction, we anticipate issuing an unqualified audit opinion on the Authority's 2017-18 financial statements following approval of the Statement of Accounts by the Audit Committee on 24 July 2018.**

## Audit differences

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

The final materiality (see Appendix 4) for this years audit was set at £9.000 million. Audit differences below £0.600 million are not considered significant.

We did not identify any material misstatements. We identified one non-material adjustment (see Appendix 3) that has been adjusted by management which related to a balance of £3.079 million of school debtors netting off against the sundry creditors balance. A reclassification has been raised to ensure the balance is reported on a gross basis.

In addition, we identified a small number of presentational adjustments required to ensure that the accounts are compliant with the Code of Practice on Local Authority Accounting in the United Kingdom 2017-18 ('the Code'). We understand that the Authority will be addressing these where significant.

The tables below illustrate the total impact of audit differences on the Authority's movements on the General Fund and Housing Revenue Account for the year and balance sheet as at 31 March 2018. There is no impact on the General Fund and Housing Revenue Account as a result of audit adjustments.

In addition, we identified a small number of presentational adjustments required to ensure that the accounts are compliant with the Code of Practice on Local Authority Accounting in the United Kingdom 2017-18 ('the Code'). We understand that the Authority will be addressing each of these where significant.

Movement on the General Fund 2017-18				Balance Sheet as at 31 March 2018			
£'000	Pre-Audit	Post-Audit	Ref <sup>1</sup>	£m	Pre-Audit	Post-Audit	Ref <sup>1</sup>
Surplus on the provision of services	7,821	7,821		Property, Plant & Equipment	1,136,801	1,136,801	
Adjustments between accounting basis and funding basis under regulations	(2,988)	(2,988)		Other long term assets	39,611	39,611	
Transfers to earmarked reserves	(9,642)	(9,642)		Current assets	120,771	123,850	T1.1
<b>Increase in General Fund and Housing Revenue Account</b>	<b>(4,809)</b>	<b>(4,809)</b>		Current liabilities	(106,521)	(109,600)	T1.1
Of which:				Long term liabilities	(972,886)	(972,886)	
General Fund	410	410		<b>Net worth</b>	<b>217,776</b>	<b>217,776</b>	
Housing Revenue Account	(5,219)	(5,219)		General Fund	12,944	12,944	
				Housing Revenue Account	17,951	17,951	
				Other useable reserves	109,080	109,080	
				Unusable reserves	77,801	77,801	
				<b>Total Reserves</b>	<b>217,776</b>	<b>217,776</b>	

<sup>1</sup> See referenced adjustments in Appendix 3.

# Proposed opinion and audit differences (cont.)

## **Annual governance statement**

We have reviewed the Authority's 2017-18 Annual Governance Statement and confirmed that it is not misleading and is consistent with other information we are aware of from our audit of the financial statements.

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

## **Narrative report**

We have reviewed the Authority's 2017-18 narrative report and are awaiting a revised version to ensure the suggested adjustments have been made.



# Pension Fund financial statements

**Subject to all outstanding queries being resolved to our satisfaction, we anticipate issuing an unqualified audit opinion on the Pension Fund's 2017-18 financial statements following approval of the Statement of Accounts by the Pension Fund Committee on 24 July 2018.**

## Pension Fund audit

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

For the audit of the Fund we used a materiality level of £25.0 million. Audit differences below £1.25m are not considered significant.

We have set out the significant audit differences in Appendix 3 and it is our understanding that these will be adjusted in the final version of the financial statements.

In addition, we identified a small number of presentational adjustments. We understand that the Fund will be addressing these where significant.

Fund account as at 31 March 2018			
£m	Pre-Audit	Post-Audit	Ref <sup>1</sup>
Opening net assets of the scheme	2,187	2,187	
Contributions	104	104	
Benefits	(87)	(87)	
Management expenses	(13)	(9)	T2.1
Return on investments	207	203	T2.1
<b>Closing net assets of the scheme</b>	<b>2,398</b>	<b>2,398</b>	

Net assets as at 31 March 2018			
£m	Pre-Audit	Post-Audit	Ref <sup>1</sup>
Net investments	2,382	2,398	
Net current assets	16	16	
<b>Net assets of the scheme</b>	<b>2,398</b>	<b>2,398</b>	

<sup>1</sup> See referenced adjustments in Appendix 3.

## Annual report

The Pension Fund Annual Report has not been prepared yet and we are yet to confirm that the financial and non-financial information it contains is not inconsistent with the financial information contained in the audited financial statements.

We anticipate issuing an unqualified opinion on the Pension Fund Annual Report at the same time as our opinion on the Statement of Accounts.

# Completion

**We confirm that we have complied with requirements on objectivity and independence in relation to this year's audit of the Authority's 2017-18 financial statements.**

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

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

## Declaration of independence and objectivity

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

In relation to the audit of the financial statements of Wiltshire Council and Wiltshire Pension Fund for the year ending 31 March 2018, we confirm that there were no relationships between KPMG LLP and Wiltshire Council and Wiltshire Pension Fund, its directors and senior management and its affiliates that we consider may reasonably be thought to bear on the objectivity and independence of the audit engagement lead and audit staff. We also confirm that we have complied with Ethical Standards and the Public Sector Audit Appointments Ltd requirements in relation to independence and objectivity.

We have provided a detailed declaration in Appendix 6 in accordance with ISA 260.

## Management representations

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

## Other matters

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

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

There are no others matters which we wish to draw to your attention in addition to those highlighted in this report or our previous reports relating to the audit of the Authority's 2017-18 financial statements.



**Section three**

# Value for Money Arrangements



# Specific value for money risk areas

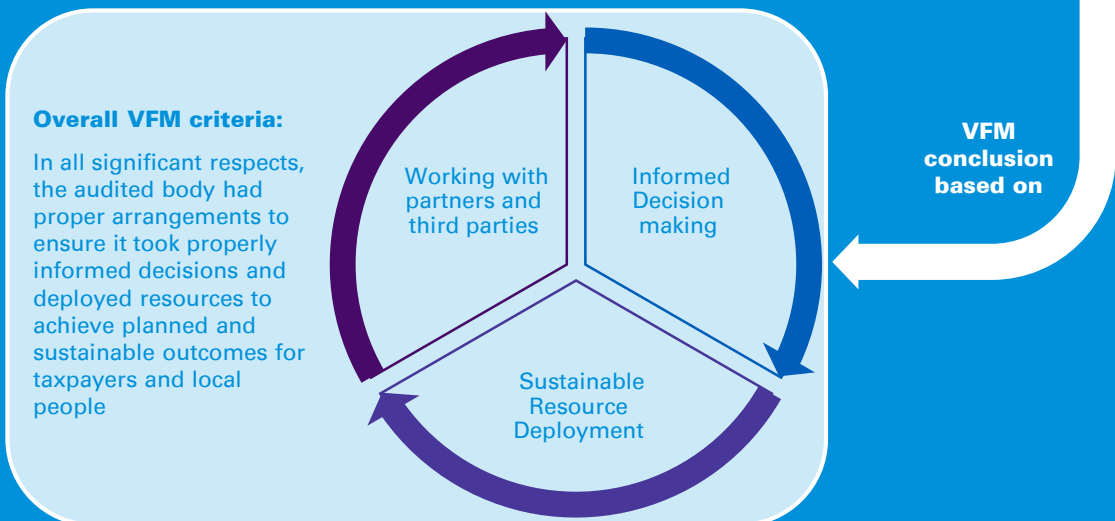
Our 2017-18 VFM conclusion considers whether the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

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

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

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

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



# Specific value for money risk areas (cont.)

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

Applicability of VFM Risks to VFM sub-criteria			
VFM Risk	Informed decision making	Sustainable resource deployment	Working with partner and third parties
Delivery of budgets	✓	✓	✓

In consideration of the above, we have concluded that in 2017-18, the Authority has made proper arrangements to ensure it took properly-informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

Our work identified the following areas of weakness in the Authority’s arrangement which we have raised in appendix 1:

- Monitoring of saving plans throughout the period (see recommendation two); and
- Maintaining an accurate and up to date contracts register (see recommendation three).

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



# Specific value for money risk areas (cont.)

As communicated to you in our *External Audit Plan 2017-18*, we have identified one risk requiring specific audit attention and procedures to address the likelihood that proper arrangements are not in place to deliver value for money.

We are satisfied that external or internal scrutiny provides sufficient assurance that the Authority's current arrangements in relation to these risk areas are adequate.

We have provided below a summary of the risk areas identified, our work undertaken and the conclusions reached.

**Risk:**

**Delivery of budgets**

The Authority identified the need to make savings of £13 million in 2017/18 and delivered an underspend of £0.4 million during the year.

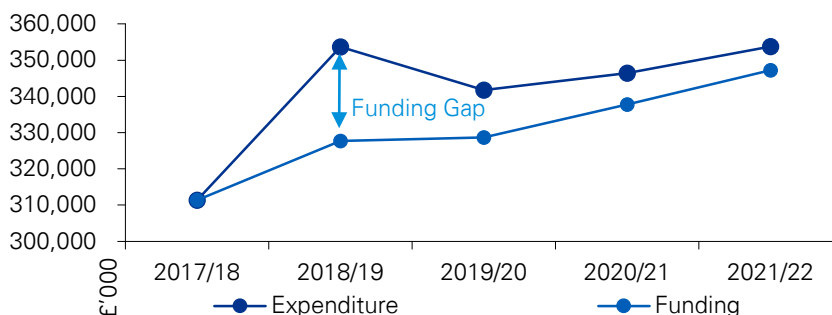
The Authority's budget for 2018/19 was approved at the Council meeting on 20 February 2018 and recognises a need for £26 million in savings of which £4 million will be met as a result of transformation decisions already taken by the Authority. The approved budget included individual proposals to support the delivery of the overall savings requirement. Further savings of £31 million will be required over the period 2019 to 2022 to principally address future reductions to local authority funding alongside service cost and demand pressures. As a result, the need for savings will continue to have a significant impact on the Authority's financial resilience

**Our assessment and work undertaken:**

Like most of local government, the Authority faces a challenging future driven by funding reductions and an increase in demand for services.

The Authority reported a small underspend position on its net expenditure budget for 2017/18. This enabled the General Fund balance to increase to £12.9 million as of 31 March 2018.

The Authority's MTFP details a balanced budget for 2018/19 including savings of £26.0 million in year, all of which have been identified. However, the MTFP details the increasingly difficult financial challenges faced each year, resulting in the need for ever rising savings which have yet to be identified, up to £54.2 million by 2020/21. Whilst the Council has identified areas to deliver savings, we believe there is greater scope to monitor and track these projects to ensure accountability and progress reporting.



# Specific value for money risk areas (cont.)

## Significant VFM Risks (cont.)

**Our assessment and work undertaken (cont.):**

### **Delivery of Budgets (cont.)**

As part of our additional risk based work, we have reviewed the controls the Authority has in place to ensure financial resilience, specifically that the Medium Term Financial Plan has duly taken into consideration factors such as funding reductions, salary and general inflation, demand pressures, restructuring costs and sensitivity analysis given the degree of variability in the above factors. In addition we have considered the way in which the Authority identifies, approves, and monitors both savings plans and income generation projects. We have raised two recommendations in relation to the tracking of savings plans and updating contracts register (see Appendix 1).

# Appendices

# Key issues and recommendations

Our audit work on the Authority’s 2017-18 financial statements has identified a small number of issues. We have listed these issues in this appendix together with our recommendations which we have agreed with Management. We have also included Management’s responses to these recommendations.

The Authority should closely monitor progress in addressing the risks, including the implementation of our recommendations.

We have given each recommendation a risk rating and agreed what action management will need to take.

## Priority Rating for Recommendations

<b>High</b>	<p><b>Priority One:</b> Issues that are fundamental and material to your system of internal control. We believe that these issues might mean that you do not meet a system objective or reduce (mitigate) a risk.</p>	<b>Medium</b>	<p><b>Priority Two:</b> Issues that have an important effect on internal controls but do not need immediate action. You may still meet a system objective in full or in part or reduce (mitigate) a risk adequately but the weakness remains in the system.</p> <p style="text-align: right;">Recommendations Raised: 2</p>	<b>Low</b>	<p><b>Priority Three:</b> Issues that would, if corrected, improve the internal control in general but are not vital to the overall system. These are generally issues of best practice that we feel would benefit you if you introduced them.</p> <p style="text-align: right;">Recommendations Raised: 1</p>
-------------	---	---------------	---	------------	--

No.	Risk	Issue & Recommendation	Management Response
1	<b>Medium</b>	<p><b>Related Parties Audit Trail</b></p> <p>The Council is required by IAS 24 to disclose related parties to draw attention to the possibility that its financial position may have been affected by the existence of related parties.</p> <p>The Council currently keeps a list of member’s interests on the website in order to identify related parties. However, upon audit testing, it was identified that the original submissions are not kept.</p> <p><b>Risk</b></p> <p>The Council do not currently have an auditable system of capturing related parties. This is important to ensure that declarations are updated and complete.</p> <p><b>Recommendation</b></p> <p>The Council should introduce a method to ensure that original declarations are retained and ensure that this can be subject to audit.</p>	<p>The process will be reviewed and amended as appropriate.</p> <p><b>Responsible Officer</b></p> <p>Paul Kelly – Head of Democratic Services</p> <p><b>Implementation Deadline</b></p> <p>31 December 2018</p>

# Key issues and recommendations (cont.)

No.	Risk	Issue & Recommendation	Management Response
2	Medium	<p><b>Outdated Contracts Register</b></p> <p>The Council currently has an outdated contracts register. For example, there is a contract still listed for one supplier which was ended in FY 2016.</p> <p><b>Risk</b></p> <p>A contracts register acts as an important financial document to monitor key business transactions and ensure financial statements reflect Council arrangements.</p> <p><b>Recommendation</b></p> <p>The Council should ensure that the Contract register is updated and continues to be amended upon the creation or cessation of contracts.</p>	<p>The Contracts Register is published on a quarterly basis with the last version published on in March 18.</p> <p>It was noted that an expired contract was included within the register which was an oversight and has now been removed. To manage the risk of old contracts being included within the contract register the Strategic Procurement Hub Team will now include a monthly check within its processes and procedures to review the Contracts Register and remove any such obsolete contracts.</p> <p><b>Responsible Officer</b></p> <p>Wayne Welsby – Head of Strategic Procurement</p> <p><b>Implementation Deadline</b></p> <p>31 December 2018</p>
3	Low	<p><b>Tracking of Budget Savings</b></p> <p>The Council is facing an unprecedented level of savings to deliver in the 2018-19 financial year, with further savings required until 2020-21 in order to deliver a balanced budget. We recognise that the Council has a strong track record of delivering against its savings plans through a RAG rating approach. Due to the level of savings required going forward however it is likely that the Authority will need to monitor savings plans on a more granular level in order to ensure that it delivers its budgets.</p> <p><b>Risk</b></p> <p>The Council has a good historical record in achieving planned savings, however, these are likely to be increasingly difficult to achieve and will require increased monitoring to identify areas of slippage.</p> <p><b>Recommendation</b></p> <p>The Council should continue to monitor budget savings and ensure this is performed at a sufficiently granular level as to ensure savings performance is tracked at an individual project level.</p> <p>This will help ensure accountability of delivery and will ensure there is appropriate time to adapt for cases of underperformance.</p> <p>We are aware that the Council has already begun a revised and improved process to ensure this is completely on a timely period throughout the year.</p>	<p>The Council will continue to monitor budget savings. As mentioned in the recommendation we have already strengthened this monitoring process due to the level of savings in the 2018/19 budget. Reports will be taken regularly to ensure accountability and delivery.</p> <p><b>Responsible Officer</b></p> <p>Ian Duncan – Interim Director, Finance &amp; Procurement Matthew Tiller – Chief Accountant</p> <p><b>Implementation Deadline</b></p> <p>Already implemented</p>



# Follow-up of prior year recommendations

The Authority has implemented all of the recommendations raised through our previous audit work.

This appendix summarises the progress made to implement the recommendations identified in our *ISA 260 Report 2016/17* and re-iterates any recommendations still outstanding.

## Number of recommendations that were

Included in the original report	1
Implemented in year or superseded	1
Outstanding at the time of our final audit	-

No.	Risk	Issue & Recommendation	Management Response	Status as at July 2018
1	1	<p><b>IT Control Failures</b> The control failings identified can be summarised as follows:</p> <p><i>SAP IT Issues</i> The Authority had previously implemented a process to monitor the use of the extremely powerful SAP_ALL access profile. Due to staffing changes in August 2016, these accounts were not appropriately monitored during the year after that period creating a potential for unlimited access to change system parameters and alter audit trails without detection.</p> <p><i>Northgate IT Issues</i> There are a high number of Northgate accounts which have access to systems underlying database. The testing performed in 2016/17 has confirmed that this includes the ability to delete records and change reporting functionality without testing or approval.</p> <p>Due to the critical and sensitive nature of the issues identified, a separate IT report has been issued detailing the full range of SAP issues and our recommendations.</p> <p><b>Recommendation</b> Ensure that the agreed recommendations set out in the separate IT report are actioned in a timely manner.</p>	<p><i>SAP IT Issues</i> Point agreed and actions taken. All access was removed from all dialog SAP accounts at various points during the financial year, with the last one removed 5 January 2017. No dialog users therefore now have access to SAP-ALL. Action now complete, but area will be continually reviewed as part of normal controls procedures.</p> <p><i>Northgate IT Issues</i> Point agreed and actions taken. Immediate action was taken to clear out all user accounts that have no need to access the domain at this level. Accounts were also removed during the 2016/2017 financial year. Action now complete, but area will be continually reviewed as part of normal controls procedures.</p> <p><i>Other</i> The other medium and low risk IT issues have also been discussed and appropriate actions taken. Most have actions have already been completed.</p> <p><b>Responsible Officer</b> Steve Vercella (Head of ICT)</p> <p><b>Deadline for Implementation</b> High risk areas Complete. Most medium and low risk already complete, but final target 31/12/2017.</p>	<p>We have used internal KPMG IT specialists to perform testing over the Council's IT environment during the year. It was found that there was appropriate monitoring of SAP_ALL access by the Council. We also confirmed that the level of access to the Northgate underlying database had also been reviewed.</p> <p>Whilst we identified a number of more minor issues that could be improved, none of these warranted communication to the Audit Committee. All matters have been fully communicated to management for resolution.</p> <p><b>Status:</b> Closed.</p>

## Appendix 3:

# Audit differences

We are required by ISA 260 to report all uncorrected misstatements, other than those that we believe are clearly trivial, to those charged with governance (which in your case is the Audit Committee).

We are also required to report all material misstatements that have been corrected but that we believe should be communicated to you to assist you in fulfilling your governance responsibilities.

A number of minor amendments focused on presentational improvements have also been made to the 2017-18 draft financial statements. The Finance team is committed to continuous improvement in the quality of the financial statements submitted for audit in future years.

### Adjusted audit differences – Authority

The following table sets out the significant audit differences identified by our audit of Wiltshire Council's financial statements for the year ended 31 March 2018. It is our understanding that these will be adjusted. However, we have not yet received a revised set of financial statements to confirm this.

Table 1: Adjusted audit differences – Authority (£'000)

No.	Income and expenditure statement	Movement in reserves statement	Assets	Liabilities	Reserves	Basis of audit difference
1			DR Sundry Debtors 3,079	CR Sundry Creditors (3,079)		There was a balance of school debtors netting off the sundry creditors balance. A reclassification has been raised to ensure the balance is reported on a gross basis.
	Nil	Nil	DR 3,079	CR (3,079)	Nil	<b>Total Impact of Adjustments</b>

### Unadjusted audit differences

We have not identified any unadjusted audit differences for the year ended 31 March 2018.

### Appendix 3:

# Audit differences (cont.)

## Adjusted audit differences – Pension Fund

The following table sets out the significant audit differences identified by our audit of Wiltshire Pension Fund's financial statements for the year ended 31 March 2018. It is our understanding that these will be adjusted. However, we have not yet received a revised set of financial statements to confirm this.

**Table 2: Adjusted audit differences – Pension Fund (£'000)**

No.	Fund Account	Assets	Liabilities	Reserves	Basis of audit difference
1	DR Change in market value 3,565				Management had double-posted a transaction to recognise investment manager transaction costs. This adjustment amends that by reversing one of the transactions. The effect is to increase the change in market value and to decrease management expenses, with no net effect on the fund account.
	CR Management expenses (3,565)				
	<b>Nil</b>	<b>Nil</b>	<b>DR</b>	<b>CR</b>	<b>Total Impact of Adjustments</b>

## Unadjusted audit differences

We have not identified any unadjusted audit differences for the year ended 31 March 2018.

# Materiality and reporting of audit differences

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

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

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

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

We used the same planning materiality reported in our *External Audit Plan 2017-18*, presented to you in February 2018.

## Reporting to the Audit Committee

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

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

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

In the context of the Authority, an individual difference is considered to be clearly trivial if it is less than £0.600 million for the Authority.

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

## Materiality – Pension fund audit

The same principles apply in setting materiality for the Pension Fund audit. Materiality for the Pension Fund was set at £25.000 million which is approximately 1.0 percent of gross assets.

We design our procedures to detect errors at a lower level of precision, set at £18.750 million for 2017-18.

## Appendix 5:

# Required communications with the Audit Committee

We have provided below at-a-glance summary of the information we are required to report to you in writing by International Accounting Standards.

Required Communication	Commentary
Our draft management representation letter	We have not requested any specific representations in addition to those areas normally covered by our standard representation letter for the year ended 31 March 2018.
Adjusted audit differences	<p>We have identified one adjusted audit differences with a total value of £3.079 million in the Authority's financial statements. See page 31 for details. These adjustments result in no impact on either the reported surplus on provision of services or the General Fund balance.</p> <p>Our audit of the Pension Fund also identified one adjusted audit differences with a total value of £3.565 million. See page 32 for details. These adjustments result in a net increase of £3.565 million in the reported net increase in the fund.</p>
Unadjusted audit differences	We have identified no unadjusted differences as a result of our audit of the Authority's and Pension Fund's financial statements
Related parties	There were no significant matters that arose during the audit in connection with the entity's related parties.
Other matters warranting attention by the Audit Committee	There were no matters to report arising from the audit that, in our professional judgment, are significant to the oversight of the financial reporting process.
Control deficiencies	<p>We have set out our assessment of the Authority's internal control environment, including confirmation that there were no significant deficiencies identified, in Section one of this report (see pages 5-7).</p> <p>We communicated to management in writing all deficiencies in internal control over financial reporting of a lesser magnitude than significant deficiencies identified during the audit that had not previously been communicated in writing as a result of our IT work and also verbally during the Final Audit Meeting on 28 June 2018.</p>
Actual or suspected fraud, noncompliance with laws or regulations or illegal acts	We identified no actual or suspected fraud involving the Authority's Member or officers with significant roles in internal control, or where the fraud resulted in a material misstatement in the financial statements.
Significant difficulties	No significant difficulties were encountered during the audit.
Modifications to auditor's report	There are no modifications to our audit report.
Disagreements with management or scope limitations	The engagement team had no disagreements with management and no scope limitations were imposed by management during the audit.
Other information	<p>No material inconsistencies were identified related to other information in the Narrative Report or Annual Governance Statement.</p> <p>These reports were found to be fair, balanced and comprehensive, and compliant with applicable requirements.</p>

**Appendix 5:**

# Required communications with the Audit Committee (cont.)

Required Communication	Commentary
Our declaration of independence and any breaches of independence	No matters to report. The engagement team and others in the firm, as appropriate, the firm and, when applicable, KPMG member firms have complied with relevant ethical requirements regarding independence. See Appendix 6 for further details.
Accounting practices	Over the course of our audit, we have evaluated the appropriateness of the Authority's accounting policies, accounting estimates and financial statement disclosures. In general, we believe these are appropriate. We have set out our view of the assumptions used in valuing pension assets and liabilities at page 17.
Significant matters discussed or subject to correspondence with management	There were no significant matters arising from the audit which were discussed, or subject to correspondence, with management.



# Declaration of independence

## **ASSESSMENT OF OUR OBJECTIVITY AND INDEPENDENCE AS AUDITOR OF WILTSHIRE COUNCIL**

Professional ethical standards require us to provide to you at the conclusion of the audit a written disclosure of relationships (including the provision of non-audit services) that bear on KPMG LLP's objectivity and independence, the threats to KPMG LLP's independence that these create, any safeguards that have been put in place and why they address such threats, together with any other information necessary to enable KPMG LLP's objectivity and independence to be assessed.

In considering issues of independence and objectivity we consider relevant professional, regulatory and legal requirements and guidance, including the provisions of the Code of Audit Practice, the provisions of Public Sector Audit Appointments Limited's ('PSAA's') Terms of Appointment relating to independence, the requirements of the FRC Ethical Standard and the requirements of Auditor Guidance Note 1 - General Guidance Supporting Local Audit (AGN01) issued by the National Audit Office ('NAO') on behalf of the Comptroller and Auditor General.

This Statement is intended to comply with this requirement and facilitate a subsequent discussion with you on audit independence and addresses:

- General procedures to safeguard independence and objectivity;
- Independence and objectivity considerations relating to the provision of non-audit services; and
- Independence and objectivity considerations relating to other matters.

### **General procedures to safeguard independence and objectivity**

KPMG LLP is committed to being and being seen to be independent. As part of our ethics and independence policies, all KPMG LLP partners, Audit Directors and staff annually confirm their compliance with our ethics and independence policies and procedures. Our ethics and independence policies and procedures are fully consistent with the requirements of the FRC Ethical Standard. As a result we have underlying safeguards in place to maintain independence through:

- Instilling professional values
- Communications
- Internal accountability
- Risk management
- Independent reviews.

In relation to the audit of the Pension Fund financial statements the conclusion of the audit engagement leader as to our compliance with the FRC Ethical Standard is subject to review by an engagement quality control reviewer, who is an Audit Director not otherwise involved in your affairs

We are satisfied that our general procedures support our independence and objectivity.

### **Independence and objectivity considerations relating to the provision of non-audit services**

#### *Summary of fees*

We have considered the fees charged by us to the authority and its controlled entities for professional services provided by us during the reporting period. We have detailed the fees charged by us to the authority and its controlled entities for significant professional services provided by us during the reporting period in Appendix 7, as well as the amounts of any future services which have been contracted or where a written proposal has been submitted. Total fees charged by us for the period ended 31 March 2018 can be analysed as shown on the following page.

**Appendix 6:**

# Declaration of independence (cont.)

	<b>2017-18</b> <b>£</b>	<b>2016-17</b> <b>£</b>
Audit of the Authority	167,420	167,420
Audit of the Pension Fund	24,246	24,246
Additional work related to 2016-17 IT issues <sup>1</sup>	-	13,142
<b>Total audit services</b>	<b>191,666</b>	<b>204,808</b>
Allowable non-audit services	2,700	6,250
Audit related assurance services	8,500	6,000
Mandatory assurance services	16,916	21,165
<b>Total Non Audit Services</b>	<b>28,116</b>	<b>33,415</b>

<sup>1</sup> This amount was charged to the Authority in 2017-18 following final determination by PSAA Ltd.

We are required by AGN 01 to limit the proportion of fees charged for non-audit services (excluding mandatory assurance services) to 70% of the total fee for all audit work carried out in respect of the Authority under the Code of Audit Practice for the year. The ratio of non-audit fees to audit fees for the year was 0.14:1. We do not consider that the total of non-audit fees creates a self-interest threat since the absolute level of fees is not significant to our firm as a whole.

We confirm that there were no non-audit services which required approval by the audit committee.

In addition, no approvals have been required from PSAA as no non-audit services above the relevant thresholds were provided by us during the reporting period.

Facts and matters related to the provision of non-audit services and the safeguards put in place that bear upon our independence and objectivity, are set out table on the following page.



## Appendix 6:

# Declaration of independence (cont.)

Analysis of Non-audit services for the year ended 31 March 2018

Description of scope of services	Principal threats to independence and Safeguards applied	Basis of fee	Value of services delivered in the year ended 31 March 2018 £	Value of services committed but not yet delivered £
<b>Allowable non-audit services</b>				
Review of the Medium Term Financial Plan	<p><b>Management Threat:</b> The nature of this work is to review the assumptions and conclusions as part of the Medium Term Financial planning process. The audit team do not have any direct involvement in the budgeting process and are not making any management decisions.</p> <p>Any recommendations raised as part of the review are ultimately up to the discretion of management whether to implement and is for advisory purposes only.</p> <p>The nature of this work is more detailed than that undertaken required to fulfil our responsibilities under the Value for Money element of our audit.</p> <p>We have determined that no actual independence threat arises.</p>	Fixed daily rate	2,700	-
<b>Audit-related assurance services</b>				
Grant Certification – Homes England PPA Compliance, Teachers Pensions Return and Pooling of Housing Capital Receipts Return	The nature of these audit-related services is to provide an independent report on each of these returns by way of Agreed Upon Procedures. As such we do not consider them to create any independence threats.	Fixed Fee	8,500	6,000
<b>Mandatory assurance services</b>				
Grant Certification – Housing Benefit Subsidy Return	The nature of this mandatory assurance service is to provide independent assurance on each of the returns. As such we do not consider it to create any independence threats.	Fixed Fee	21,165	16,916

## Independence and objectivity considerations relating to other matters

There are no other matters that, in our professional judgment, bear on our independence which need to be disclosed to the Audit Committee.

## Appendix 6:

# Declaration of independence (cont.)

### Confirmation of audit independence

We confirm that as of the date of this report, in our professional judgment, KPMG LLP is independent within the meaning of regulatory and professional requirements and the objectivity of the partner and audit staff is not impaired.

This report is intended solely for the information of the Audit Committee of the authority and should not be used for any other purposes.

We would be very happy to discuss the matters identified above (or any other matters relating to our objectivity and independence) should you wish to do so.

**KPMG LLP**

## Appendix 7:

# Audit fees

As communicated to you in our *External Audit Plan 2017-18*, our scale fee for the audit is £167,420 plus VAT (£167,420 in 2016/17), which is consistent from the prior year.

Our work on the certification of the Authority's Housing Benefit Subsidy return is planned for September 2017. The planned scale fee for this is £16,916 plus VAT (£21,165 in 2016/17). Planned fees for other grants and claims which do not fall under the PSAA arrangements amount to £8,500 plus VAT (£6,000 in 2016/17), see further details below.

Component of the audit	2017-18 Planned Fee £	2016-17 Actual Fee £
<b>Accounts opinion and value for money work</b>		
PSAA Scale fee (Wiltshire Council)	167,420	167,420
PSAA Scale fee (Wiltshire Pension Fund)	24,246	24,246
Additional fee in relation to 2016-17 IT Issues	-	13,142
<b>Total audit services</b>	<b>191,666</b>	<b>204,808</b>
<b>Mandatory assurance services</b>		
Housing Benefits Certification (work planned for September 2018)	16,916	21,165
<b>Total mandatory assurance services</b>	<b>16,916</b>	<b>21,165</b>
<b>Audit-related assurance services</b>		
Teachers' Pension Return (work planned for August 2018)	3,000	3,000
Pooling of Housing Capital Receipts (work planned for August 2018)	3,000	3,000
Homes England PPA Compliance (Completed)	2,500	-
<b>Total audit-related assurance services</b>	<b>8,500</b>	<b>6,000</b>
<b>Allowable non-audit services</b>		
Medium Term Financial Planning Review	2,700	6,250
<b>Total allowable non-audit services</b>	<b>2,700</b>	<b>6,250</b>
<b>Total non-audit services</b>	<b>28,116</b>	<b>33,415</b>
<b>Grand total fees for the Authority</b>	<b>219,782</b>	<b>238,223</b>

All fees quoted are exclusive of VAT.





The key contacts in relation to our audit are:

**Jonathan Brown**  
Partner

T: +44 (0) 117 905 4362  
E: jonathan.brown@kpmg.co.uk

**Adam Bunting**  
Manager

T: +44 (0) 292 046 8003  
E: adam.bunting@kpmg.co.uk

**Phil Tapping**  
Assistant Manager

T: +44 (0) 117 905 4671  
E: philip.tapping@kpmg.co.uk

**Duncan Laird**  
Senior Manager

T: +44 (0) 117 905 4253  
E: duncan.laird@kpmg.co.uk

**kpmg.com/uk**



This report is addressed to the Authority and has been prepared for the sole use of the Authority. We take no responsibility to any member of staff acting in their individual capacities, or to third parties. We draw your attention to the Statement of Responsibilities of auditors and audited bodies, which is available on Public Sector Audit Appointment's website ([www.psaa.co.uk](http://www.psaa.co.uk)).

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

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

© 2018 KPMG LLP, a UK limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. All rights reserved.

The KPMG name and logo are registered trademarks or trademarks of KPMG International.

CREATE: CRT086281A

## WILTSHIRE COUNCIL AUDIT

24 JULY 2018

---

### WILTSHIRE COUNCIL: STATEMENT OF ACCOUNTS 2017/2018

#### **Purpose of Report**

1. To present the Statement of Accounts in respect of the 2017/2018 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 2017/18 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 Code of Audit Practice (issued by the Audit Commission) and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom set out the requirements for the production and publication of the annual Statement of Accounts.
4. The draft Statement of Accounts are required to be certified by the Chief Finance Officer within two months of the financial year end (by 31 May 2018). At Wiltshire Council the Chief Finance Officer is the Associate Director, Finance.
5. The draft Statement of Accounts are then subject to external audit by the Council's appointed auditors (KPMG) before the final set is brought to the Audit Committee for final approval. This adoption process ensures that there is external independent scrutiny of the figures in the Statement of Accounts before they are brought to the Audit Committee. Under the constitutions, in Wiltshire the Statement of Accounts are adopted by the Audit Committee.
6. KPMG are required to report on any amendments from the draft Statement of Accounts as part of the submission of the final version to the Audit Committee. This is elsewhere on the agenda. The full report on issues arising from this audit is included in the ISA 260 report to those charged with governance. This report should be read in light of this document and the proposal is subject to any issues arising from this report.

## **Key Issues Arising**

7. The draft accounts were signed by the Chief Finance Officer on 31 May 2018, in line with the revised statutory deadline. KPMG started the year end audit on 4 June 2018. The draft accounts were taken to Cabinet on 12 June 2018.
8. The presentation of the audited Statement of Accounts to Audit Committee is ahead of the Statutory Deadline of 31 July.
9. The final outturn on the General Revenue Fund reported to Cabinet on 12 June 2018 was an underspend of £0.410 million and this was returned to General Revenue Fund Reserves. Further details of this were reported to Cabinet on 12 June 2018 in the Revenue Outturn Report.
10. The Housing Revenue Account was originally projected to return £0.592 million to HRA reserves. The final unaudited outturn position on the HRA is an underspend of £0.951 million. Additionally, there was a planned draw of £6.762 million from reserves to support the HRA new build programme. This results in an overall draw from reserves of £5.219 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.
12. The national reporting requirements set out that the Accounts are prepared in accordance with a single set of standards for public and private sector bodies. As local authorities are funded from local and national taxation there are a number of technical adjustments made to the Comprehensive Income and Expenditure Account to ensure that consistency. These adjustments mean it can appear there is a different reporting position from the outturn. To overcome that there is now a reconciliation statement – the Expenditure Funding Analysis (EFA) that ties into this Outturn report. This identifies £85.998 million of technical adjustments:

	Net Expenditure Chargeable to the General Fund & HRA Balances £000	Adjustments between Funding and Accounting Basis (see note 13) £000	Net Expenditure in the Comprehensive Income & Expensive Statement £000
<b>General Fund Services</b>			
ASC Operations - Access & Reablement	52,024	1,664	53,688
Learning Disability & Mental Health	65,189	868	66,057
Public Health & Protection	1,739	1,557	3,296
Commissioning	20,497	230	20,727
Family & Children Services	57,759	2,835	60,594
Education & Skills	714	17,122	17,836
Economic Development & Planning	2,542	12,075	14,617
Highways & Transport	29,469	9,678	39,147
Waste & Environment	36,599	1,441	38,040
Housing & Commercial Development	15,370	13,567	28,937
Communities & Communications	6,720	6,757	13,477
Corporate Services & Digital	14,823	2,002	16,825
Finance	5,290	800	6,090
Legal & Democratic	5,144	478	5,622
Human Resources & Org Development	3,483	405	3,888
Corporate Directors	3,049	66	3,115
Corporate	(9,470)	14,453	4,983
<b>Net Cost of Service General Fund</b>	<b>310,941</b>	<b>85,998</b>	<b>396,939</b>

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

	Adjustments for Capital Purposes (Note 13a) £000	Net change for the Pension Adjustments (Note 13b) £000	Other Differences (Note 13c) £000	Total Adjustments £000
<b>General Fund Services</b>				
ASC Operations - Access & Reablement	646	1,016	2	1,664
Learning Disability & Mental Health	203	654	11	868
Public Health & Protection	1,029	516	12	1,557
Commissioning	0	232	(2)	230
Family & Children Services	233	2,601	1	2,835
Education & Skills	16,084	1,966	(928)	17,122
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
Communities & Communications	5,622	1,156	(21)	6,757
Corporate Services & Digital	991	985	26	2,002
Finance	0	803	(3)	800
Legal & Democratic	5	487	(14)	478
Human Resources & Org Development	35	372	(2)	405
Corporate Directors	0	65	1	66
Corporate	3	376	14,074	14,453
<b>Net Cost of Service</b>	<b>60,760</b>	<b>13,774</b>	<b>11,464</b>	<b>85,998</b>

### **Overview and Scrutiny Engagement**

14. There is a 30 working day public inspection period where interested parties may come in inspect the accounts.
15. The Wiltshire Pension Fund Statement of Accounts were taken to Pension Committee on 21 June 2018. At this meeting it was resolved to approve the draft Wiltshire Pension Fund Financial Statements 2017/18, subject to the completion of the audit and to refer the accounts to the Audit Committee to consider as part of the Wiltshire Pension Fund Committee accounts.

### **Safeguarding Implications**

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

### **Public Health Implications**

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

### **Procurement Implications**

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

### **Equalities Impact of the Proposal**

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

### **Environmental and Climate Change Considerations**

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

### **Risk Assessment**

21. None.

### **Financial Implications**

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

### **Legal Implications**

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

### **Recommendations**

24. That Cabinet receives and notes the Statement of Accounts for 2017/2018.

### **Reason for Recommendations**

25. The Cabinet are aware of the Statement of Accounts for 2017/2018.



**IAN DUNCAN**

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 2017/2018

Appendix B

Wiltshire Pension Fund Statement of Accounts 2017/2018

This page is intentionally left blank

## Wiltshire Council

### Annual Report and Statement of Accounts

2017/2018

## Content

	Page
<b>Annual Report</b>	
Leader's Introduction	3
Corporate Directors' Introduction	4
Director of Finance's Narrative Report	5
Annual Governance Statement	9
<b>Statements to the Accounts</b>	
Statement of Responsibilities for the Statement of Accounts	11
Auditors' Report	12
<b>Key Financial Statements</b>	
Comprehensive Income and Expenditure Account	16
Movement in Reserves Statement	17
Balance Sheet	18
Cashflow	19
Expenditure Funding Analysis	20
<b>Explanatory notes</b>	
Explanatory notes to the Key Financial Statement	21
Accounting Policies	62
<b>Housing Revenue Account</b>	<b>75</b>
<b>Collection Fund</b>	<b>80</b>
<b>Glossary of Terms</b>	<b>82</b>

## Leader's introduction

*2017/2018 has been an interesting and challenging year. The year commenced with our councillor election and ended with our staff demonstrating to the whole world how effective they are in responding to a major incident.*

Following the confirmation that my administration would again be running this Council for the next four years we introduced a refreshed Business Plan, but this time looking over a longer-term time horizon. We recognise that the financial and organisational landscape of local government is changing; as is the expectations and needs of our communities. We want to plan and start delivering that change today in readiness for the next decade. As such we set out an ambitious Business Plan and a financial plan to deliver that in.

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

The Plans are not new and are a culmination of the hard work and direction we have set out over the last decade. We have checked our vision and plans to deliver it through our Peers and received positive feedback.

2017/18 has been another challenging year financial, yet I am delighted that the attached statements show yet again we have delivered our budget, with a small surplus.

This has been achieved whilst delivering £26 million of saving proposals, and doing so without having to use our reserves. We have continued to make big decisions to ensure the County of Wiltshire is prepared for the future, for example:

- commencement of phase 1 of the adult social care transformation programme, including setting up an inhouse reablement process

- commencement of the families and children's service transformation programme, which aims to significantly improve the chances of all our children living safely, healthily and happily in their own families and communities
- investment in a new children's case management system, to replace 5 legacy systems, which the initial phases are scheduled to go live in 2018/2019

We have also set out a new four-year financial plan to run alongside and set the pace for the delivery of our business plan. This focus on transforming the way we work in adults and children; how we interact with our communities both physically and digitally; and we are focusing on how we can grow our income through the adoption of even more commercial practices. All with the aim to deliver over £50 million of savings in that period.

I continue to lobby central government to influence its thoughts on the planned changes to how local government is funded, and we are a key player in those discussions.

Finally, I must mention the hard work and praise our staff for everything they have done in dealing with the incident that occurred at the end of the financial year in Salisbury. We have incurred considerable costs and continue to work with Government to reclaim those costs. Importantly that has included how we ensure the City of Salisbury, its residents and businesses, recovers and grows.



**Cllr Baroness Scott of Bybrook, OBE**  
Leader of Wiltshire Council 24 July 2018

## Corporate Directors introduction



*2017/2018 has been a year of significant delivery and change for us*

Following the elections last May we refreshed our Business Plan and set out four key priorities:

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

Over the last 12 months we have sought to deliver on our goals and we are proud of our staff, services and what we have achieved together. This has included:

- More than 45% of household waste was recycled or composted
- Connected more than 4,400 premises to fibre broadband
- Fixed more than 10,000 potholes
- Helping up to 670 vulnerable people to live at home rather than be in residential care
- At any time we support around 3,000 children through our social care

and support services with 360 children having child protection plans and 443 children in care

- We had a positive joint local area SEN inspection in Wiltshire in January 2018

We have continued to manage and take action to mitigate risks, for example:

- Long-term strategy in recruiting and retaining key staff including social workers
- Improved service budget and savings management

We have worked effectively with our partners to deliver improvements in health, with our Health and Wellbeing Board.

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

Despite all these improvements we are not slowing down and our new Medium-term Financial Plan aligned to our 2017-2027 Business Plan sets out an ambitious programme to deliver £58 million of savings and transformation over the next three years. This will be done through a number of significant change programmes:

Importantly we are also investing in our staff through development and apprenticeship programmes. We are also seeking to draw new staff from Wiltshire and our vulnerable communities.

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

**Carlton Brand, Alistair Cunningham and Terence Herbert**  
Corporate Directors  
24 July 2018

## 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. In total Government funding has fallen by nearly £130 million since 2009. Yet despite this, and through good financial management and capabilities, 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 difficult a challenge it has been, but also show how we have risen and delivered on this challenge.

Looking back on 2017/2018, the Council has had another successful year financially. In setting the 2017/2018 budget the Council planned to deliver £13 million of savings. The outturn shows that we have delivered a small underspend of £0.410 million and thus delivered again on the saving goals.

Service Area	2017/2018 £m	2016/2017 £m
Adults	139.449	138.620
Children	58.473	61.177
Place & Environment	83.980	82.741
Central Support	38.509	37.050
Corporate	(9.470)	(6.3310)
<b>Net position</b>	<b>310.941</b>	<b>313.257</b>
<b>Net Budget</b>	<b>(311.351)</b>	<b>(313.585)</b>
<b>Surplus</b>	<b>(0.410)</b>	<b>(0.328)</b>

At the same time we have seen continued good performance in other key financial targets:

- 97.9% Council Tax collected in year
- £11m decrease in short term debt

Accountancy staff have continued to improve controls and have again closed down and produced the attached set of Accounts efficiently and within the shortened statutory deadlines, and I express my thanks to their hard work.

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

I recognise that to the ordinary reader the set of accounts can appear complicated, so the remainder of this narrative highlights simply some of the key outcomes contained in the 2017/18 Statement of Accounts.



**Ian Duncan, CPFA**  
Interim Director of Finance  
Wiltshire Council  
24 July 2018

## 2017/2018 Financial and Performance Review

### Overall Financial Outturn

The Accounts report a small underspend for 2017/2018. This has been achieved after a challenging year where we again saw more reductions in government funding but an increase in demand for local services.

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

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

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

	2017/2018 £000	2016/2017 £000
Adults	139,449	138,620
Childrens	58,473	61,177
Place & Environment	83,980	82,741
Central Support	38,509	37,050
Corporate	(9,470)	(6,331)
<b>Budget Requirement</b>	<b>310,941</b>	<b>313,257</b>
Funding	(311,351)	(313,585)
<b>Surplus in year</b>	<b>(410)</b>	<b>(328)</b>

The following pages set out how this financial outturn links to performance and demand. In addition, in setting the 2018/2019 Budget Council took account of its Business Plan to reprioritise funding where required and identified £26 million of

savings to be delivered (further 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 changes are due to an increase in long term assets through incurred capital expenditure as well as revaluation increases on assets valued in year, and an increase in the Council's pension liabilities and the way these are measured. The Pension Fund has a plan agreed with its actuaries to return the fund to balanced by 2036 and will keep this under review. The key elements of the balance sheet are as follows:

	31 March 2018 £000	31 March 2017 £000
Long Term Assets	1,176,412	1,119,294
Current Assets	123,850	130,730
Current liabilities	(109,600)	(117,805)
Net Pension Liability	(550,836)	(612,791)
Other long term liabilities	(422,050)	(440,364)
<b>Net Assets</b>	<b>217,776</b>	<b>79,064</b>
Financed by		
Usable Reserves	(139,975)	(112,243)
Unusable Reserves	(77,801)	33,179
<b>Total Reserves</b>	<b>(217,776)</b>	<b>(79,064)</b>

### Delivery of the Capital Programme

The Council's 2017/2018 programme saw £109 million spent to deliver a wide range of capital works. Plans sought to fund large elements of this programme from £72 million in grants, £6 million from receipts, £18 million HRA contribution and £13 million from borrowing.



## 2017/18 Financial and Performance Review, continued

Over £60 million of capital spend has been on improvements, including £18 million on council house build programme and refurbishment of council stock.

Note 25 on Assets Held for Sale identifies that we expect £10 million of receipts shortly for sale of Council property. These sales will continue the Council's strive to build more homes.

### Impact on Treasury Management and cash flow:

The Council has an internal Treasury Management team that manages its cash within the strategy approved by Full Council. The Treasury Strategy was adhered to in 2017/2018; the average long term borrowing rate was 3.77%; and the return on short term investments was 0.38%

At the end of 2017/18 the Council has £327.9 million of outstanding borrowing. That is £10 million less than 31<sup>st</sup> March 2017, and reflects the Council's prudent approach to managing long term debt.

### 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 reduction the pension deficit to £551 million reflects an ongoing risk to the Council. This risk is being mitigated through a recover plan agreed with Wiltshire Pension Fund's actuary that will see the employer's contribution fall by £62 million.

### 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 £4.017 million set aside in provisions, mainly relating to insurance claims and NNDR appeals. More details are set out at Note 29 to the Accounts.

### General Fund & Earmarked Reserves

Overall the outturn has meant that the Council's General Fund Reserve is £12.9 million. Over the last five years this has remained relatively constant, although 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 CFO. Other earmarked reserves have slightly increased due to ring fenced grants.

## 2017/18 Financial and Performance Review, continued

### Financial & activity / performance

In setting the 2017/2018 budget the Council faced a 47% reduction in its revenue support grant funding (£16 million). This meant in 2017/2018 an additional £5.8 million was needed to be raised from Council Tax, and £6.8 million from a new Social Care Levy to fund adult care pressures. Overall there was a net change of £2.2 million in our net funding position. This shift to less government grant also means over 94% of our funds now come from local residents and business, up from 77% in 2016/2017

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.

In Adult and Children's Care we saw £11.4 million invested taking the net budget to £201 million. The outturn identifies that both broadly broke even.

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

In Family & Childrens Services in particular we have experienced additional demand. This has resulted in spend above budget by £0.7 million. This area continues to be a key focus and the 2018/19 budget has been increased by £4.3 million to respond to this.

# 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 Finance 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 Finance 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 Finance 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 Finance Officer

I certify that the Statement of Accounts gives a true and fair view of the financial position of Wiltshire Council at 31 March 2018 and of its income and expenditure for the year then ended.

**Ian Duncan**

Interim Director, Finance & Procurement (Chief Finance Officer/Section 151 Officer)  
Wiltshire Council  
24 July 2018

### 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 2018.

**Councillor Richard Britton**

Chairman of the Audit Committee  
24 July 2018

## Independent Auditor's Report to the Members of Wiltshire Council

### REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

#### Opinion

We have audited the financial statements of Wiltshire Council ('the Authority') for the year ended 31 March 2018 which comprise the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Movement in Reserves Statement, the Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement, the Collection Fund, the Fund Account and Net Assets Statement for the Wiltshire Pension Fund and the related notes, including the accounting policies in note 44 and the Pension Fund accounting policies in note 44.

In our opinion the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2018 and of the Authority's expenditure and income for the year then ended;
- give a true and fair view of the financial transactions of the Wiltshire Pension Fund during the year ended 31 March 2018 and the amount and disposition of the Fund's assets and liabilities as at 31 March 2018; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Authority in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

#### Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

#### Other information published with the financial statements

The Chief Financial Officer is responsible for the other information published with the financial statements, including the Narrative Statement and the Annual Governance Statement. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information. In our opinion the other information published with the financial statements for the financial year is consistent with the financial statements.

#### Chief Financial Officer's responsibilities

As explained more fully in the statement set out on page 11, the Chief Financial Officer is responsible for: the preparation of the Authority's 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 2017/18; 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; assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting on the assumption that the functions of the Authority will continue in operational existence for the foreseeable future.

**Auditor's responsibilities**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities)

**REPORT ON OTHER LEGAL AND REGULATORY MATTERS****Report on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources****Conclusion**

On the basis of our work, having regard to the guidance issued by the Comptroller and Auditor General in November 2017, we are satisfied that, in all significant respects, Wiltshire Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

**Respective responsibilities in respect of our review of arrangements for securing economy, efficiency and effectiveness in the use of resources**

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

We are required under Section 20(1) (c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, as to whether Wiltshire Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether Wiltshire Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

**Statutory reporting matters**

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

- any matters have been reported in the public interest under Section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of, the audit;
- any recommendations have been made under Section 24 of the Local Audit and Accountability Act 2014;
- an application has been made to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- an advisory notice has been issued under Section 29 of the Local Audit and Accountability Act 2014; or
- an application for judicial review has been made under Section 31 of the Local Audit and Accountability Act 2014.

**We have nothing to report in these respects**

**THE PURPOSE OF OUR AUDIT WORK AND TO WHOM WE OWE OUR RESPONSIBILITIES**

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014. Our audit work has been undertaken so that we might state to the members of the Authority, as a body, those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members of the Authority, as a body, for our audit work, for this report, or for the opinions we have formed.

**DELAY IN CERTIFICATION OF COMPLETION OF THE AUDIT****Due to work on the WGA Return not being completed by 24 July 2018**

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

**Due to the Pension Fund Annual Report not being prepared by 24 July 2018**

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

**Jonathan Brown**

**For and on behalf of KPMG LLP, Statutory Auditor**

*Chartered Accountants*

66 Queen Square

Bristol

BS1 4BE

24 July 2018



# KEY FINANCIAL STATEMENTS

## Comprehensive Income and Expenditure Statement

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

	2017/2018		2016/2017 (RESTATED)			
	Expenditure £000	Income £000	Net Expenditure £000	Expenditure £000	Income £000	Net Expenditure £000
<b>General Fund Services</b>						
ASC Operations - Access & Reablement	71,278	(17,590)	53,688	77,379	(15,509)	61,870
Learning Disability & Mental Health	75,113	(9,056)	66,057	69,130	(7,988)	61,142
Public Health & Protection	20,473	(17,177)	3,296	19,990	(17,584)	2,406
Commissioning	66,086	(45,359)	20,727	62,821	(49,135)	13,686
Family & Children Services	99,012	(38,418)	60,594	96,377	(35,651)	60,726
Education & Skills	189,773	(171,937)	17,836	199,185	(181,405)	17,780
Economic Development & Planning	22,353	(7,736)	14,617	10,334	(7,437)	2,897
Highways & Transport	51,569	(12,422)	39,147	54,208	(13,852)	40,356
Waste & Environment	45,743	(7,703)	38,040	45,048	(7,350)	37,698
Housing & Commercial Development	39,453	(10,516)	28,937	31,499	(9,685)	21,814
Communities & Communications	22,865	(9,388)	13,477	30,653	(9,834)	20,819
Corporate Services & Digital	20,619	(3,794)	16,825	19,472	(4,889)	14,583
Finance	122,088	(115,998)	6,090	133,539	(127,899)	5,640
Legal & Democratic	8,588	(2,966)	5,622	8,102	(3,190)	4,912
Human Resources & Org Development	5,458	(1,570)	3,888	5,382	(2,088)	3,294
Corporate Directors	3,128	(13)	3,115	3,001	(126)	2,875
Corporate	13,847	(8,864)	4,983	9,192	(1,725)	7,467
Housing Revenue Account (HRA)	20,856	(25,675)	(4,819)	23,925	(25,799)	(1,874)
<b>Net Cost of Service</b>	<b>898,302</b>	<b>(506,182)</b>	<b>392,120</b>	<b>899,237</b>	<b>(521,146)</b>	<b>378,091</b>
<b>Other operating Expenditure</b>		<b>Note 3</b>	<b>30,200</b>			<b>23,892</b>
<b>Financing and Investment Income and Expenditure</b>		<b>Note 4</b>	<b>27,091</b>			<b>30,550</b>
<b>Taxation and non-specific grant income</b>		<b>Note 5</b>	<b>(457,232)</b>			<b>(428,971)</b>
<b>(Surplus)/ Deficit on Provision of Services</b>			<b>(7,821)</b>			<b>3,562</b>
(Surplus) or deficit on revaluation of Property, Plant and Equipment Assets			<b>(39,406)</b>			<b>(66,469)</b>
Actuarial (gains)/losses on pension assets / liabilities			<b>(91,485)</b>			<b>53,805</b>
<b>Other Comprehensive Income and Expenditure</b>			<b>(130,891)</b>			<b>(12,664)</b>
<b>Total Comprehensive Income and Expenditure</b>			<b>(138,712)</b>			<b>(9,102)</b>

The Council has restated its 2016/2017 Comprehensive Income and Expenditure Statement to reflect the Council's structural changes during 2017/2018. Further details are included in note 53.

## 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
<b>Balance at 1 April 2016</b>	(38,583)	(20,479)	(13,865)	(9,115)	(26,617)	(108,659)	38,697	(69,962)
<b>Movement in reserves during 2016/2017</b>								
<b>Total Comprehensive Income and Expenditure</b>	(1,800)	5,362	0	0	0	3,562	(12,664)	(9,102)
Adjustments between accounting basis & funding basis under regulations	(2,996)	(8,053)	4,143	7,933	(8,173)	(7,146)	7,146	0
<b>Net (Increase)/Decrease before Transfers</b>	(4,796)	(2,691)	4,143	7,933	(8,173)	(3,584)	(5,518)	(9,102)
<b>Balance at 31 March 2017 carried forward</b>	<b>(43,379)</b>	<b>(23,170)</b>	<b>(9,722)</b>	<b>(1,182)</b>	<b>(34,790)</b>	<b>(112,243)</b>	<b>33,179</b>	<b>(79,064)</b>
<b>Movement in reserves during 2017/2018</b>								
<b>Total Comprehensive Income and Expenditure</b>	(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
<b>Net (Increase)/Decrease before Transfers</b>	(10,052)	5,219	(3,275)	(417)	(19,207)	(27,732)	(110,980)	(138,712)
<b>Balance at 31 March 2018 carried forward</b>	<b>(53,431)</b>	<b>(17,951)</b>	<b>(12,997)</b>	<b>(1,599)</b>	<b>(53,997)</b>	<b>(139,975)</b>	<b>(77,801)</b>	<b>(217,776)</b>

**Balance Sheet**

This statement summarises the Council's assets and liabilities at 31 March for the years 2018 and 2017.

	NOTES	31 March 2018		31 March 2017
		£000	£000	£000
<b>Property, Plant and Equipment</b>	<b>15</b>			
Council Dwellings & Garages		270,823		256,922
Other Land and Buildings		354,635		359,027
Vehicles, Plant, Furniture and Equipment		74,993		57,127
Infrastructure		357,494		357,060
Community Assets		6,160		7,944
Assets Under Construction		62,806		39,204
Surplus Assets Not Held for Sale		9,890		6,490
			1,136,801	1,083,774
<b>Investment Properties</b>	<b>23</b>	23,244		22,952
<b>Intangible Assets</b>	<b>24</b>	564		988
<b>Assets Held for Sale</b>	<b>25</b>	10,165		8,750
<b>Long Term Debtors</b>		5,638		2,830
			39,611	
<b>Long Term Assets</b>			<b>1,176,412</b>	<b>1,119,294</b>
<b>Current Assets</b>				
Short Term Investments		63,805		56,791
Inventories		737		1,255
Short Term Debtors	<b>26</b>	50,614		58,680
Cash and Cash Equivalents	<b>27</b>	8,694		14,004
<b>Current Assets</b>			<b>123,850</b>	<b>130,730</b>
<b>Current Liabilities</b>				
Short Term Creditors	<b>28</b>	(86,079)		(96,216)
Short Term Borrowing	<b>30</b>	(16,951)		(14,683)
Short Term PFI Creditors	<b>22</b>	(2,553)		(2,411)
Provisions	<b>29</b>	(4,017)		(4,495)
<b>Current Liabilities</b>			<b>(109,600)</b>	<b>(117,805)</b>
<b>Long Term Liabilities</b>				
Long Term PFI Creditors	<b>22</b>	(48,367)		(51,343)
Long Term Borrowing	<b>30</b>	(313,037)		(327,859)
Other Long Term Liabilities		(7,376)		(3,742)
Pension Fund Liability	<b>38</b>	(550,836)		(612,791)
Planning Deposits		(53,270)		(57,420)
<b>Long Term Liabilities</b>			<b>(972,886)</b>	<b>(1,053,155)</b>
<b>Net Assets</b>			<b>217,776</b>	<b>79,064</b>
<b>Financed by</b>				
<b>Usable Reserves</b>	<b>31</b>		<b>(139,975)</b>	<b>(112,243)</b>
<b>Unusable Reserves</b>	<b>35</b>		<b>(77,801)</b>	<b>33,179</b>
<b>Total Reserves</b>			<b>(217,776)</b>	<b>(79,064)</b>



**Ian Duncan**

Interim Director, Finance & Procurement (Section 151 Officer)

24 July 2018

## Cashflow Statement

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

	NOTES	2017/2018 £000	2016/2017 £000
<b>Net (surplus) or deficit on the provision of services</b>		(7,821)	3,562
Adjustments to net surplus or deficit on the provision of services for non-cash movements		13,750	(49,586)
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	39	(12,162)	(12,361)
<b>Net cash flows from Operating Activities</b>		<b>(6,233)</b>	<b>(58,385)</b>
Investing Activities	40	(1,011)	31,875
Financing Activities	41	12,554	31,991
Net decrease or (increase) in cash and cash equivalents		<b>5,310</b>	<b>5,481</b>
Cash and cash equivalents at the beginning of the reporting period		14,004	19,485
Cash and cash equivalents at the end of the reporting period		8,694	14,004

## 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.

	2017/2018			2016/2017 (RESTATED)		
	Net Expenditure Chargeable to the General Fund & HRA Balances £000	Adjustments between Funding and Accounting Basis (see note 13) £000	Net Expenditure in the Comprehensive Income & Expensive Statement £000	Net Expenditure Chargeable to the General Fund & HRA Balances £000	Adjustments between Funding and Accounting Basis (see note 13) £000	Net Expenditure in the Comprehensive Income & Expensive Statement £000
<b>General Fund Services</b>						
ASC Operations - Access & Reablement	52,024	1,664	53,688	61,385	485	61,870
Learning Disability & Mental Health	65,189	868	66,057	60,918	224	61,142
Public Health & Protection	1,739	1,557	3,296	2,555	(149)	2,406
Commissioning	20,497	230	20,727	13,762	(76)	13,686
Family & Children Services	57,759	2,835	60,594	59,612	1,114	60,726
Education & Skills	714	17,122	17,836	1,565	16,215	17,780
Economic Development & Planning	2,542	12,075	14,617	3,161	(264)	2,897
Highways & Transport	29,469	9,678	39,147	28,061	12,295	40,356
Waste & Environment	36,599	1,441	38,040	35,637	2,061	37,698
Housing & Commercial Development	15,370	13,567	28,937	15,882	5,932	21,814
Communities & Communications	6,720	6,757	13,477	6,913	13,906	20,819
Corporate Services & Digital	14,823	2,002	16,825	12,903	1,680	14,583
Finance	5,290	800	6,090	5,911	(271)	5,640
Legal & Democratic	5,144	478	5,622	5,015	(103)	4,912
Human Resources & Org Development	3,483	405	3,888	3,411	(117)	3,294
Corporate Directors	3,049	66	3,115	2,897	(22)	2,875
Corporate	(9,470)	14,453	4,983	(6,331)	13,798	7,467
<b>Net Cost of Service General Fund</b>	<b>310,941</b>	<b>85,998</b>	<b>396,939</b>	<b>313,257</b>	<b>66,708</b>	<b>379,965</b>
Housing Revenue Account (HRA)	5,219	(10,038)	(4,819)	(2,691)	817	(1,874)
Transfer to Earmarked Reserves	(9,642)	9,642	0	(4,468)	4,468	0
<b>Net Cost of Service</b>	<b>306,518</b>	<b>85,602</b>	<b>392,120</b>	<b>306,098</b>	<b>71,993</b>	<b>378,091</b>
<b>Other operating Expenditure</b>	0	30,200	30,200	0	23,892	23,892
<b>Financing and Investment Income and Expenditure</b>	0	27,091	27,091	0	30,550	30,550
<b>Taxation and non-specific grant income</b>	(311,351)	(145,881)	(457,232)	(313,585)	(115,386)	(428,971)
<b>(Surplus)/ Deficit</b>	<b>(4,833)</b>	<b>(2,988)</b>	<b>(7,821)</b>	<b>(7,487)</b>	<b>11,049</b>	<b>3,562</b>
<b>Balance Summary</b>						
Opening General Fund & HRA Balance at 31 March	(66,549)			(59,062)		
Add (Surplus) on General Fund & HRA Balances in Year	(4,833)			(7,487)		
Closing General Fund and HRA Balance at 31 March	(71,382)			(66,549)		

Analysed between type of balance	General Fund	Earmarked Reserves	HRA	Total Balances
<b>Opening Balance at 1 April 2016</b>	(12,206)	(26,377)	(20,479)	(59,062)
Add (Surplus)/ Deficit in year 2016/2017	(328)	(4,468)	(2,691)	(7,487)
<b>Closing Balance at 31 March 2017</b>	<b>(12,534)</b>	<b>(30,845)</b>	<b>(23,170)</b>	<b>(66,549)</b>
Add (Surplus) in year 2017/2018	(410)	(9,642)	5,219	(4,833)
<b>Closing balances at 31 March 2018</b>	<b>(12,944)</b>	<b>(40,487)</b>	<b>(17,951)</b>	<b>(71,382)</b>

## Notes to the Core Financial Statements

### Introduction to the Explanatory Notes

The Statement of Accounts summarises the Council's transactions for the 2017/2018 financial year and its position at the year-end of 31 March 2018. The Statement of Accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2017/2018 and the accounting policies are set out in the Notes to the Accounts Annex 1. For ease of reference, the notes to the core financial statement are grouped in functional areas. In order to streamline the Statement of Accounts and make them more user friendly, a number of notes have been removed this year from previous years, as allowed by the code of practice. These are all non-material notes so do not affect the information presented.

### NOTES TO THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

#### Note 1 Revenue outturn

In respect of net revenue outturn, the Council's 2017/2018 General Fund revised budget and actual spending figures were as below:

	Original Budget £m	Revised Budget £m	Actual £m	Difference £m
<b>Total General Fund (a)</b>	<b>311.351</b>	<b>311.351</b>	<b>310.941</b>	<b>(0.410)</b>
<b>Funded by:</b>				
Draw from General Fund reserves				
Formula Grant	(18.290)	(18.288)	(18.288)	0.000
Business Rates Retained	(54.211)	(50.161)	(50.161)	0.000
Council Tax	(226.202)	(226.202)	(226.202)	0.000
Social Care Levy	(11.102)	(11.102)	(11.102)	0.000
Collection Fund (Surplus)/Deficit Council Tax	0.000	(2.530)	(2.530)	0.000
Collection Fund (Surplus)/Deficit NNDR	(1.546)	(3.068)	(3.068)	0.000
<b>Total Funding (b)</b>	<b>(311.351)</b>	<b>(311.351)</b>	<b>(311.351)</b>	<b>0.000</b>
<b>Movement on General Fund (a) + (b)</b>	<b>0.000</b>	<b>0.000</b>	<b>(0.410)</b>	<b>(0.410)</b>

The overall underspend against the revised 2017/2018 budget was £0.410 million. More details about the Council's revenue spending on services are given, with notes, in the Comprehensive Income & Expenditure Statement and subsequent notes. The overall movement on the General Fund is a £0.410 million return to reserves.

#### Note 1b Expenditure and Income Analysed by Nature

	2017/2018 £000	2016/2017 £000
<b>Expenditure</b>		
Services expenses	853,750	846,182
Depreciation, amortisation and impairment	60,760	72,737
Interest payments	12,590	12,869
Precept and levies	16,954	15,416
Loss on disposal of assets	12,491	7,727
<b>Total Expenditure</b>	<b>956,545</b>	<b>954,931</b>
<b>Income</b>		
Fees, charges and other service income	(506,182)	(521,146)
Interest and investment income	(428)	(508)
Movements in the market value of Investment Properties	(524)	(744)
Income from Council Tax and Business Rates	(306,826)	(298,178)
Government Grants and contributions	(59,524)	(75,118)
Other grants and contributions	(90,882)	(55,675)
<b>Total Income</b>	<b>(964,366)</b>	<b>(951,369)</b>
<b>Deficit on the Provision of Services</b>	<b>(7,821)</b>	<b>3,562</b>

**Note 2 Exceptional items**

There are no exceptional items in the accounts for either 2017/2018 or 2016/2017.

**Note 3 Other Operating Expenditure**

	2017/2018 £000	2016/2017 £000
Parish council precepts	16,954	15,416
Payments to the Government Housing Capital Receipts Pool	755	749
(Gains)/losses on the disposal of non-current assets	12,491	7,727
<b>Total</b>	<b>30,200</b>	<b>23,892</b>

**Note 4 Financing and Investment Income and Expenditure**

	2017/2018 £000	2016/2017 £000
Interest payable and similar charges	12,590	12,869
Interest and investment income	(428)	(508)
Pension Interest Costs and expected return on pension assets	15,453	18,933
Movements in the market value of Investment Properties	(524)	(744)
<b>Total</b>	<b>27,091</b>	<b>30,550</b>

**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.

	2017/2018 £000	2016/2017 £000
Council Tax Transfer	(237,304)	(224,723)
Collection Fund Surplus	(2,530)	(5,054)
Parish Council Precepts	(16,954)	(15,416)
Adjustment for statutory requirements	3,191	(3,903)
<b>Council Tax Income</b>	<b>(253,597)</b>	<b>(249,096)</b>
General Government Grants	(41,236)	(40,392)
Formula Grant	(18,288)	(34,726)
Business Rates Retention Scheme	(53,229)	(49,082)
Capital grants and contributions	(90,882)	(55,675)
<b>Total</b>	<b>(457,232)</b>	<b>(428,971)</b>



**Note 6 Grant Income**

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2017/2018:

	2017/2018 £000	2016/2017 £000
<b>Credited to Taxation and Non Specific Grant Income</b>		
General Government Grants	(41,236)	(40,392)
Formula Grant	(18,288)	(34,726)
Business Rates Retention Scheme	(53,229)	(49,082)
<b>Total</b>	<b>(112,753)</b>	<b>(124,200)</b>
<b>Credited to Services</b>		
Dedicated Schools Grant	(177,679)	(178,448)
Public Health Grant	(17,819)	(18,269)
Pupil Premium Grant	(7,788)	(8,325)
Learning & Skills Council	(1,512)	(1,651)
Universal Infant Free School Meals	(4,350)	(4,592)
PFI	(7,541)	(7,541)
Housing Benefit & Council Tax Admin Grant	(1,597)	(1,789)
Other Grants	(40,591)	(22,013)
Other Contributions	(7,637)	(1,411)
Donations	(871)	(912)
<b>Total</b>	<b>(267,385)</b>	<b>(244,951)</b>
<b>Total Grants, Contributions &amp; Donations</b>	<b>(380,138)</b>	<b>(369,151)</b>

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:

	2017/2018 £000	2016/2017 £000
<b>Revenue Grants to be returned (Creditor)</b>		
Other Grants	76	0
<b>Total</b>	<b>76</b>	<b>0</b>

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

	2017/2018 £000	2016/2017 £000
<b>Revenue Grants Receipts in Advance</b>		
SEND Reform Grant 2018/2019	(245)	0
Other Grants	(76)	(11)
<b>Total</b>	<b>(245)</b>	<b>0</b>

**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 2017/2018 are as follows:

	Central Expenditure £000	Individual Schools Budget (ISB) £000	2017/2018 Total £000	2016/2017 Total £000
Final DSG for year before academy recoupment			(330,349)	(317,290)
Academy figure recouped			152,675	138,842
<b>Total DSG after academy recoupment</b>			<b>(177,674)</b>	<b>(178,448)</b>
Brought forward from previous year			(583)	(591)
Agreed initial budget distribution	(64,108)	(114,149)	(178,257)	(179,039)
In Year Adjustments	246	0	246	38
<b>Final budgeted distribution</b>	<b>(63,862)</b>	<b>(114,149)</b>	<b>(178,011)</b>	<b>(179,001)</b>
Less actual central expenditure	63,016	0	63,016	56,555
Less actual ISB deployed to schools	0	114,149	114,149	121,863
<b>Carry forward</b>	<b>(846)</b>	<b>0</b>	<b>(846)</b>	<b>(583)</b>

## 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:

	2017/2018 £000	2016/2017 £000
Self Care, Self Support	1,569	1,614
Intermediate Care	13,503	12,215
Access, rapid response 7 day working	3,777	3,751
Care Bill	2,500	2,500
Protecting Social Care	12,577	9,183
Invest in Engagement with Heathwatch	100	100
Scheme Management	248	328
Social Care Capital	2,275	2,551
Workforce and bought forward schemes	0	26
Integrated Community Equipment	4,971	0
<b>Total Expenditure before return to partners</b>	<b>41,520</b>	<b>32,268</b>
Return to Partners CCG	0	320
Return to Partners Wiltshire Council	3,435	320
<b>Total Schemes</b>	<b>44,955</b>	<b>32,908</b>

This was funded from income and grants as follows:

	<b>2017/2018</b>	<b>2016/2017</b>
	<b>£000</b>	<b>£000</b>
Wiltshire CCG BCF Contribution	(31,551)	(27,948)
Wiltshire Council BCF Contribution	(4,524)	(2,409)
Disabled Facilities Grant	(3,070)	(2,551)
Improved Better Care Fund	(5,810)	0
<b>Total Income and Grants</b>	<b>(44,955)</b>	<b>(32,908)</b>

The Integrated Community Equipment spend was not included in the pool in 2016/2017. The comparable figure for 2016/2017 was 5.018 million

#### **Note 9 Members' Allowances**

The Council paid the following amounts to Members of the Council during the year.

	<b>2017/2018</b>	<b>2016/2017</b>
	<b>£000</b>	<b>£000</b>
Allowances	1,860	1,837
Expenses	78	73
<b>Total</b>	<b>1,938</b>	<b>1,910</b>

**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 £	2017/2018	2016/2017
	No. Employees	No. Employees
50,000-54,999	95	103
55,000-59,999	84	84
60,000-64,999	48	57
65,000-69,999	18	17
70,000-74,999	18	15
75,000-79,999	4	4
80,000-84,999	3	3
85,000-89,999	3	3
90,000-94,999	3	1
95,000-99,999	3	5
100,000-104,999	2	8
105,000-109,999	1	1
110,000-114,999	0	0
115,000-119,999	0	0
120,000-124,999	0	0
125,000-129,999	1	1
130,000-134,999	1	0
135,000-139,999	0	0
140,000-144,999	1	0
145,000-149,999	0	1
150,000-154,999	1	1
155,000-159,999	1	0
160,000-164,999	1	0
165,000-169,999	0	0
170,000-174,999	1	0
175,000-179,999	1	1
<b>TOTAL</b>	<b>290</b>	<b>305</b>

**Notes:**

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

**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	Employers Pension Contributions	Total Remuneration including pension contributions
	£	£		£	£			£		£
Corporate Director, Communities, Resources & Digital - Carlton Brand (Subnote F)	151,265	0	0	179	0	0	0	151,444	28,740	180,184
	151,265	0	0	179	0	0	0	151,444	28,740	180,184

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

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

**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 £	Benefits in Kind £	Total Remuneration excluding pension contributions 2017/2018 £	Employers Pension Contributions £	Total Remuneration including pension contributions 2016/2017 £
	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.

2016/2017 Remuneration for Senior Employees - Salary is less than £150,000 but equal to or more than £50,000 per year  
(Included in Officer's Remuneration Bandings)

2016/2017	Post Holder	Salary (including fees and allowances) £	Bonuses £	Expense Allowances £	Compensation £	Benefits in Kind £	Total Remuneration excluding pension contributions 2015/2016 £	Employers Pension Contributions £	Total Remuneration including pension contributions 2015/2016 £
Corporate Director A (subnote G)		149,767	0	1,068	0	0	150,835	26,958	177,793
Corporate Director B (subnote G and H)		141,129	0	710	37,067	0	178,906	10,601	189,507
Corporate Director C (subnote G and I)		149,767	0	0	0	0	149,767	26,958	176,725
Associate Director Finance - s151 Officer		104,761	0	86	0	0	104,847	18,857	123,704
Associate Director Legal and Governance - Monitoring Officer		101,513	0	0	0	0	101,513	18,272	119,785
		646,937	0	1,864	37,067	0	685,868	101,646	787,514

#### Subnote G:

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

#### Subnote H:

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

#### Subnote I:

Corporate Director C is designated as the Director of Children's Services (which is a required statutory role).

#### Exit Packages

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

Exit Package Cost Band (including special payments) £	Number of Compulsory Redundancies		Number of Other Departures Agreed		Total Number of Exit Packages by Cost Band		Total Cost of Exit Packages in Each Band	
	2016/2017	2017/2018	2016/2017	2017/2018	2016/2017	2017/2018	2016/2017 £	2017/2018 £
0-20,000	4	3	167	90	171	93	1,396,159	794,469
20,001-40,000	0	0	45	7	45	7	1,243,028	196,692
40,001-60,000	0	0	5	1	5	1	253,825	58,989
60,001-80,000	0	0	0	2	0	2	0	152,270
80,001-100,000	0	0	0	1	0	1	0	81,169
<b>Total</b>	<b>4</b>	<b>3</b>	<b>217</b>	<b>101</b>	<b>221</b>	<b>104</b>	<b>2,893,012</b>	<b>1,283,589</b>

In 2017/2018 there were 32 exit package relating to schools, with a value of £197,972.

**Note 11 External Audit Fees**

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

	2017/2018 £000	2016/2017 £000
Fees payable for external audit services carried out by the appointed auditor	180	167
Fees payable for the certification of grant claims and returns	27	32
Fees payable in respect of other services provided by external auditors during the year	0	0
<b>Total</b>	<b>207</b>	<b>199</b>

**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 2017/2018 is shown in note 9. If a Member declares an interest in a transaction which involves the Council, these transactions are recorded in the Register of Members' Interests, open to public inspection at County Hall, Trowbridge. The register has been reviewed and Members have not disclosed any material transactions with related parties.

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

**Wiltshire Pension fund** – In 2016/2017 the Council charged the fund £1.472 million (£1.430 million in 2016/2017) 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

	2016/2017 (RESTATED)			Total Adjustments
	Capital Purposes (Note 13a)	Pension Adjustments (Note 13b)	Other Differences (Note 13c)	
<b>General Fund Services</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
ASC Operations - Access & Reablement	740	(281)	26	485
Learning Disability & Mental Health	434	(184)	(26)	224
Public Health & Protection	14	(156)	(7)	(149)
Commissioning	0	(69)	(7)	(76)
Family & Children Services	1,861	(753)	6	1,114
Education & Skills	16,531	(588)	272	16,215
Economic Development & Planning	(17)	(238)	(9)	(264)
Highways & Transport	12,492	(194)	(3)	12,295
Waste & Environment	2,251	(188)	(2)	2,061
Housing & Commercial Development	7,632	(120)	(1,580)	5,932
Communities & Communications	14,239	(337)	4	13,906
Corporate Services & Digital	1,923	(251)	8	1,680
Finance	0	(258)	(13)	(271)
Legal & Democratic	65	(160)	(8)	(103)
Human Resources & Org Development	0	(113)	(4)	(117)
Corporate Directors	0	(18)	(4)	(22)
Corporate	0	616	17,650	18,266
Housing Revenue Account (HRA)	14,572	(74)	(13,681)	817
<b>Net Cost of Service</b>	<b>72,737</b>	<b>(3,366)</b>	<b>2,622</b>	<b>71,993</b>
Other operating Expenditure	7,727	0	16,165	23,892
Financing and Investment Income and Expenditure	(744)	18,933	12,361	30,550
Taxation and non-specific grant income	0	0	(115,386)	(115,386)
<b>(Surplus)/ Deficit</b>	<b>79,720</b>	<b>15,567</b>	<b>(84,238)</b>	<b>11,049</b>

	2017/2018			Total Adjustments
	Capital Purposes (Note 13a)	Pension Adjustments (Note 13b)	Other Differences (Note 13c)	
<b>General Fund Services</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
ASC Operations - Access & Reablement	646	1,016	2	1,664
Learning Disability & Mental Health	203	654	11	868
Public Health & Protection	1,029	516	12	1,557
Commissioning	0	232	(2)	230
Family & Children Services	233	2,601	1	2,835
Education & Skills	16,084	1,966	(928)	17,122
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
Communities & Communications	5,622	1,156	(21)	6,757
Corporate Services & Digital	991	985	26	2,002
Finance	0	803	(3)	800
Legal & Democratic	5	487	(14)	478
Human Resources & Org Development	35	372	(2)	405
Corporate Directors	0	65	1	66
Corporate	3	376	23,716	24,095
Housing Revenue Account (HRA)	0	263	(10,301)	(10,038)
<b>Net Cost of Service</b>	<b>60,760</b>	<b>14,037</b>	<b>10,805</b>	<b>85,602</b>
Other operating Expenditure	12,491		17,709	30,200
Financing and Investment Income and Expenditure		14,929	12,162	27,091
Taxation and non-specific grant income			(145,881)	(145,881)
<b>(Surplus)/ Deficit</b>	<b>73,251</b>	<b>28,966</b>	<b>(105,205)</b>	<b>(2,988)</b>



**Note 13a Adjustments for Capital Funding and Expenditure Purposes**

These adjustments are made to the General Fund Balances to meet the requirements of generally accepted accounting practises. For services, this column includes adjustments for 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 services costs and past service costs.

**Note 13c Other Differences**

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

**Note 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 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
<b>Adjustments primarily involving the Capital Adjustment Account</b>						
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement</b>						
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
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>						
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)
<b>Adjustments primarily involving the Capital Grants Unapplied Account:</b>						
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)
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>						
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
<b>Adjustments primarily involving the Deferred Capital Receipts Reserve</b>						
Transfer of deferred sale proceeds credited as part of the gain/ loss on disposal to the Comprehensive Income and Expenditure Statement	130		(229)			99
<b>Adjustment primarily involving the Major Repairs Reserve</b>						
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)
<b>Adjustment primarily involving the Financial Instruments Adjustments Account:</b>						
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)
<b>Adjustments primarily involving the Pensions Reserve</b>						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 61)	(29,267)	(263)				29,530
Employer's pensions contributions and direct payments to pensioners payable in the year						0
<b>Adjustments primarily involving the Collection Fund Adjustment Account:</b>						
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
<b>Adjustment primarily involving the Accumulated Absences Account</b>						
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
<b>Total Adjustments</b>	<b>1,596</b>	<b>1,392</b>	<b>(3,275)</b>	<b>(417)</b>	<b>(19,207)</b>	<b>19,911</b>

	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Unusable Reserves
	£000	£000	£000	£000	£000	£000
Reserves 2016/2017						
Adjustments primarily involving the Capital Adjustment Account Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement						
Charges for depreciation of non-current assets	(25,436)	(14,572)				40,008
Charges for impairment/ revaluations of plant, property and equipment	(10,306)					10,306
Movements in the market value of Investment Properties	744					(744)
Amortisation of intangible assets	(2,288)					2,288
Revenue expenditure funded from capital under statute	(20,136)					20,136
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(4,016)	(3,711)	(9,105)			16,832
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>						
Statutory provision for the financing of capital investment	16,006					(16,006)
Capital expenditure charged against the General Fund and HRA balances		3,975				(3,975)
<b>Adjustments primarily involving the Capital Grants Unapplied Account:</b>						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement and Expenditure Statement	55,676				(55,676)	0
Application of grants to capital financing transferred to the Capital Adjustment Account					47,503	(47,503)
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>						
Use of the Capital Receipts Reserve to finance new capital expenditure			12,684			(12,684)
Reserve to finance the payments to the Government capital receipts pool	(749)		749			0
<b>Adjustments primarily involving the Deferred Capital Receipts Reserve</b>						
Transfer of deferred sale proceeds credited as part of the gain/ loss on disposal to the Comprehensive Income and Expenditure Statement	353		(185)			(168)
<b>Adjustment primarily involving the Major Repairs Reserve</b>						
Reversal of Major Repairs Allowance credited to the HRA		6,187		8,385		(14,572)
Use of the Major Repairs Reserve to finance new capital expenditure and depreciation				(452)		452
<b>Adjustment primarily involving the Financial Instruments Adjustments Account:</b>						
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	1					(1)
<b>Adjustments primarily involving the Pensions Reserve</b>						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 61)	(19,548)					19,548
Employer's pensions contributions and direct payments to pensioners payable in the year	3,934	74				(4,008)
<b>Adjustments primarily involving the Collection Fund Adjustment Account:</b>						
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(2,431)					2,431
Amount by which non-domestic rate income credited to the Comprehensive Income and Expenditure Statement is different from non-domestic rates income calculated for the year in accordance with statutory requirements	6,334					(6,334)
<b>Adjustment primarily involving the Accumulated Absences Account</b>						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(1,134)	(6)				1,140
<b>Total Adjustments</b>	<b>(2,996)</b>	<b>(8,053)</b>	<b>4,143</b>	<b>7,933</b>	<b>(8,173)</b>	<b>7,146</b>

## 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
<b>Cost or Valuation</b>									
Opening Balance 1 April 2017	365,339	691,630	199,802	428,537	8,882	53,920	8,361	1,756,471	90,608
Additions	10,574	15,414	13,205	2,470		47,867	7	89,537	52
Derecognition - Disposals	(3,233)	(1,629)		(4,000)	(113)		(513)	(9,488)	
Derecognition - Other		(10,158)	(814)	(7)				(10,979)	
Revaluation increases recognised in the Revaluation Reserve	8,928	23,146	8,977		114		5,903	47,068	1,539
Revaluation decreases recognised in the Revaluation Reserve		(6,404)	(105)		(1,785)		(205)	(8,499)	
Category Adjustments	3,062	3,971	7,194	9,525		(24,265)	(1,565)	(2,078)	85
At 31 March 2018	384,670	715,970	228,259	436,525	7,098	77,522	11,988	1,862,032	92,284
<b>Depreciation and Impairments</b>									
Opening Balance 1 April 2017	(108,417)	(332,603)	(142,675)	(71,477)	(938)	(14,716)	(1,871)	(672,697)	(26,241)
Depreciation	(5,430)	(8,943)	(10,033)	(7,554)			(218)	(32,178)	(1,967)
Accumulated depreciation written back on derecognition of assets								0	
Revaluation losses/impairment recognised in the surplus/deficit on provision of services		(19,789)	(558)				(9)	(20,356)	
At 31 March 2018	(113,847)	(361,335)	(153,266)	(79,031)	(938)	(14,716)	(2,098)	(725,231)	(28,208)
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
Net Book Value at 31 March 2017	256,922	359,027	57,127	357,060	7,944	39,204	6,490	1,083,774	64,367

## 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 2017/2018 is £32,176,741. (£39,866,601 in 2016/2017)

**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 2018		31 March 2017
	£000	£000	£000
<b>Opening Capital Financing Requirement (see below)</b>		<b>537,296</b>	<b>551,625</b>
<b>Capital Investment</b>			
Plant Property & equipment Assets	89,485		59,659
Plant Property & equipment PFI Assets	52		29
Investment Properties	405		94
Intangible assets	22		109
Revenue Expenditure Funded from Capital under Statute	19,119		20,136
		<b>109,083</b>	<b>80,027</b>
<b>Sources of Finance</b>			
Government Grants	(71,675)		(47,503)
Major Repairs Reserve	(11,131)		(14,120)
Capital Receipts	(6,104)		(12,685)
Assets purchased through Revenue (inc HRA)	(6,762)		(3,975)
Repayment of capital long term assets	93		(67)
Minimum Revenue Provision	(8,542)		(13,278)
Voluntary Revenue Provision	(261)		(247)
Minimum Revenue Provision - PFI Schemes	(2,669)		(2,481)
		<b>(107,051)</b>	<b>(94,356)</b>
<b>Closing Capital Financing Requirement</b>		<b>539,328</b>	<b>537,296</b>
<b>Explanation of Movements in the Year</b>			
Increase / (decrease) in underlying need to borrow		2,032	(14,329)
Increase / (decrease) in Capital Financing Requirement		2,032	(14,329)

**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 2013/2014 by a qualified internal valuer.

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

The assets revalued during 2017/2018 include Offices, Stores, Depots, Leisure Centres, Libraries, Youth Centres, Foundation Schools as well as the Investment Estate, Surplus Assets Not Held for Sale and any new assets acquired during 2017/2018 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 2017/2018.

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

	Council Dwellings & Garages inc land £000	Other Land & Buildings £000	Vehicles, Plant and Equipment £000	Infra-structure £000	Community Assets £000	Assets under Construction £000	Surplus Assets £000	Total Property, and Plant & Equipment £000
Valued at historical cost		6,713	18,487	357,494	1,000	62,806		446,500
Valued at current value in:								
2017/2018	270,823	105,845	18,263		114		9,890	404,935
2016/2017		158,244	30,599		5,037			193,880
2015/2016		66,013	7,644		9			73,666
2014/2015		3,061						3,061
2013/2014		14,759						14,759
Book Value at 31 March 2018	270,823	354,635	74,993	357,494	6,160	62,806	9,890	1,136,801

### Schools Assets

During the 2017/2018 financial year a total of 9 schools became Academy schools so their assets have been removed from the balance sheet. This is shown as a derecognition in the note for Property plant and equipment above. The Council does not recognise Academy, Voluntary Controlled and Voluntary Aided schools in its accounts.

### Components and effect on depreciation

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

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

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

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

### Note 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.

**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 2017/2018.

**Operating leases**

An operating lease is a lease that is not a finance lease (see above) and includes vehicles and other equipment particularly in schools. Rentals paid in respect of operating leases and future obligations for operating leases are listed below:

Operating Lease payments in 2017/2018	2017/2018 £000	2016/2017 £000
Plant, vehicles and equipment	27	27

Operating lease payments due in future years	2017/2018 £000	2017/2018 £000
Amount due in 2018/2019	16	27
Amounts due in between 2019/2020 and 2023/2024	10	26
Amounts due after 2024/2025	0	0
	<b>26</b>	<b>53</b>
Asset Class		
Plant, vehicles and equipment	<b>26</b>	<b>53</b>

**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 2017	(26,473)	(6,069)	(21,213)	(53,755)
Payments during the year to reduce capital liability	946	605	1,284	2,835
Liability outstanding 31 March 2018	<b>(25,527)</b>	<b>(5,464)</b>	<b>(19,929)</b>	<b>(50,920)</b>
Split				
Due within 1 year	(1,050)	(467)	(1,036)	(2,553)
Due in over 1 year	(24,477)	(4,997)	(18,893)	(48,367)
Liability outstanding 31 March 2018	<b>(25,527)</b>	<b>(5,464)</b>	<b>(19,929)</b>	<b>(50,920)</b>

**North Wiltshire Schools PFI & Additional 6<sup>th</sup> Form Units.**

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



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

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

Period	Liability	Interest	Service charges	2017/2018 Total	2016/2017 Total
	£000	£000	£000	£000	£000
Within 1 years	(1,050)	(1,504)	(3,393)	(5,947)	(5,934)
Within 2-5 years	(5,109)	(5,094)	(14,441)	(24,644)	(24,590)
Within 6-10 years	(9,049)	(3,674)	(20,177)	(32,900)	(32,826)
Within 11-15 years	(10,319)	(365)	(17,079)	(27,763)	(35,083)
Within 16-20 years	0	0	0	0	0
<b>Total</b>	<b>(25,527)</b>	<b>(10,637)</b>	<b>(55,090)</b>	<b>(91,254)</b>	<b>(98,433)</b>

### Monkton Park Offices Modified PFI Scheme

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

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

Period	Liability	Interest	2017/2018 Total	2016/2017 Total
	£000	£000	£000	£000
Within 1 years	(467)	(1,035)	(1,502)	(1,456)
Within 2-5 years	(2,193)	(4,362)	(6,555)	(6,351)
Within 6-10 years	(2,804)	(4,719)	(7,523)	(9,271)
Within 11-15 years	0	0	0	0
<b>Main Scheme Total</b>	<b>(5,464)</b>	<b>(10,116)</b>	<b>(15,580)</b>	<b>(17,078)</b>
Equalisation Fund	0	0	0	(165)
<b>Total</b>	<b>(5,464)</b>	<b>(10,116)</b>	<b>(15,580)</b>	<b>(17,243)</b>

### Housing PFI Scheme

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

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

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

Period	Liability	Interest	2017/2018 Total	2016/2017 Total
	£000	£000	£000	£000
Within 1 years	(1,036)	(1,154)	(2,190)	(2,242)
Within 2-5 years	(4,308)	(3,963)	(8,271)	(8,465)
Within 6-10 years	(6,145)	(3,181)	(9,326)	(9,541)
Within 11-15 years	(7,219)	(1,103)	(8,322)	(8,512)
Within 16-20 years	(1,221)	0	(1,221)	(3,096)
<b>Total</b>	<b>(19,929)</b>	<b>(9,401)</b>	<b>(29,330)</b>	<b>(31,856)</b>

**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.

	2017/2018 £000	2016/2017 £000
Rental income from investment property	(2,761)	(2,722)
Direct operating expenses arising from investment properties	592	392
Net (Gain)/ Loss	<u>(2,169)</u>	<u>(2,330)</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:

	2017/2018 £000	2016/2017 £000
Balance at start of the year	22,952	25,143
Additions: Subsequent expenditure	405	94
Disposals	(819)	(1,482)
Gains from fair value adjustments	1,021	2,362
Losses from fair value adjustments	0	(347)
Impairments losses	(497)	(1,271)
Transfers (to)/from Property, Plant and Equipment	182	(1,547)
Balance at end of the year	<u>23,244</u>	<u>22,952</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 licenses and internally generated software.

All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the Council. The 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 2018 £000	31 March 2017 £000	
Planning System	197	410	1 year
Other items of software	367	578	1 - 5 years
<b>Total</b>	<u>564</u>	<u>988</u>	

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £0.477 million charged to revenue in 2017/2018 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.

	<b>2017/2018</b>	<b>2016/2017</b>
	<b>Purchased</b>	<b>Purchased</b>
	<b>Software</b>	<b>Software</b>
	<b>Licences</b>	<b>Licences</b>
	<b>£000</b>	<b>£000</b>
Gross carrying amounts	21,753	21,644
Accumulated amortisation	(20,765)	(18,477)
Net Carrying amount	<u>988</u>	<u>3,167</u>
Additions:		
Purchases	22	109
Amortisation for the period	(446)	(2,288)
Category Adjustments	0	0
Net carrying amount at end of year	<u>564</u>	<u>988</u>
Comprising:		
Gross carrying amounts	21,775	21,753
Accumulated amortisation	(21,211)	(20,765)
	<u>564</u>	<u>988</u>

#### Note 25 Assets Held for Sale

The Council held the following amounts as assets held for sale as at 31 March 2018. 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.

	<b>2017/2018</b>	<b>2016/2017</b>
	<b>£000</b>	<b>£000</b>
Balance at start of the year	8,750	1,567
Assets newly classified as held for sale	1,896	5,015
Depreciation	(207)	(142)
Assets Sold	(1,110)	(949)
Revaluations	836	3,259
Balance at end of the year	<u>10,165</u>	<u>8,750</u>

**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 2018 but not received at that date.

	2017/2018	2016/2017
	£000	£000
Other Local Authorities	1,795	1,827
Government Departments	11,976	9,362
NHS Bodies	3,063	2,529
Business Rates and Local Taxation	12,510	12,492
Tenants	1,497	1,221
Sundry Debtors	31,368	35,800
Payments in Advance	4,647	6,202
<b>Total Debtors</b>	<b>66,856</b>	<b>69,433</b>
Less: provision for bad debts		
General Fund debtors	(12,002)	(6,846)
Housing Rent arrears	(1,349)	(1,084)
Council Tax arrears	(2,540)	(2,505)
Business Rates Arrears	(351)	(318)
<b>Total Bad Debt provisions</b>	<b>(16,242)</b>	<b>(10,753)</b>
<b>Net Debtors</b>	<b>50,614</b>	<b>58,680</b>

**Note 27 Cash and Cash Equivalent**

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

	2017/2018	2016/2017
	£000	£000
Cash & Bank	(5,740)	(309)
Schools' bank accounts	14,434	14,313
	<b>8,694</b>	<b>14,004</b>

**Note 28 Short Term Creditors**

These represent sums owed by the Council for supplies and services received before 31 March 2018 but not paid for at that date, or provisions created in accordance with the accounting policies.

	2017/2018	2016/2017
	£000	£000
Other Local Authorities	(3,453)	(3,437)
Government Departments	(7,019)	(8,459)
NHS Bodies	(3,878)	(3,001)
Business Rates and Local Taxation	0	0
Sundry Creditors	(51,918)	(62,504)
Receipts in Advance	(13,462)	(12,525)
Accumulated Absences	(6,349)	(6,290)
	<b>(86,079)</b>	<b>(96,216)</b>

**Note 29 Provisions**

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

	Legal Claims £000	Insurance Claims £000	Business Rate Retention Scheme Appeals £000	Termination Benefits £000	Other £000	Total £000
<b>Balance at 1 April 2017</b>	<b>(482)</b>	<b>(1,061)</b>	<b>(1,882)</b>	<b>(56)</b>	<b>(1,014)</b>	<b>(4,495)</b>
Additional provisions made in year	0	(1,083)	(1,804)	(329)	(144)	(3,360)
Amounts Used in year	0	357	1,882	56	643	2,938
Unused amounts reversed in year	8	521	0	0	371	900
<b>Balance at 31 March 2018</b>	<b>(474)</b>	<b>(1,266)</b>	<b>(1,804)</b>	<b>(329)</b>	<b>(144)</b>	<b>(4,017)</b>

**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 £0.474 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 2018/2019 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 2017/2018 is made up of 24 claims totalling £1.266 million. The 24 claims consisted of a mixture of Public and Employers Liability claims and own Property claims.

The Council self insures, with the Council meeting the first £0.100 million of each employers and public liability claim and between £0.100 million and £0.250 million for own property claims. It is currently expected that all of these claims will be settled during 2018/2019.

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

**Termination Benefits**

As at 31 March 2018 the Council made a total provision of £0.329 million in respect of termination benefits, relating to redundancy costs for 10 employees. It is expected that all cases will be resolved during the first half of the 2018/2019 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 £3.681 million as at 31 March 2018. This liability however, is shared between Wiltshire Council (49%), Central Government (50%) and Wiltshire and Swindon Fire Authority (1%). The Council's share of this provision is therefore £1.804 million.

**Other Provisions**

All other provisions are expected to be used during 2018/2019.

**Note 30 Borrowing**

An analysis of loans by maturity is as follows:

	2017/2018 £000	2016/2017 £000
<b>Short Term Borrowing</b>		
Maturing within 1 year Temporary Loans	0	(2,535)
Maturing within 1 year Long Term Borrowing	(16,951)	(12,148)
	<u>(16,951)</u>	<u>(14,683)</u>
<b>Long Term Borrowing</b>		
Maturing in 1 to 2 years	(8,000)	(14,810)
Maturing in 2 to 5 years	(22,000)	(22,000)
Maturing in 5 to 10 years	(50,123)	(48,123)
Maturing in more than 10 years	(232,914)	(242,926)
Total Maturing after 1 year	<u>(313,037)</u>	<u>(327,859)</u>
	<u>(329,988)</u>	<u>(342,542)</u>
<b>Total Borrowing</b>	<u>(329,988)</u>	<u>(342,542)</u>

The total borrowing can be further analysed by lender category:

	2017/2018 £000	2016/2017 £000
Temporary Loans	0	(2,535)
Long Term Loans:		
Public Works Loans Board	(267,995)	(278,002)
Money Market	(61,993)	(62,005)
	<u>(329,988)</u>	<u>(342,542)</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	2017/2018 £000	2016/2017 £000
General Fund		(12,943)	(12,534)
Earmarked Reserves	32	(40,488)	(30,845)
<b>General Fund balance per Movement in Reserves Statement</b>		<b>(53,431)</b>	<b>(43,379)</b>
Housing Revenue Account Balance		(17,951)	(23,170)
<b>Closing General fund and HRA balance per Expenditure &amp; Funding Statement</b>		<b>(71,382)</b>	<b>(66,549)</b>
Other Usable Reserves			
Major Repairs Reserve	33	(1,599)	(1,182)
Usable Capital Receipts Reserve	34	(12,997)	(9,722)
Capital Grants and Contributions		(53,997)	(34,790)
Unapplied Account			
<b>Total Usable Reserves</b>		<u><b>(139,975)</b></u>	<u><b>(112,243)</b></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 2017/2018.

Earmarked Reserves	2016/2017	Movement	2017/2018
	£000	in 2017/2018 £000	£000
PFI Reserve	(4,255)	382	(3,873)
Insurance Reserve	(3,554)	315	(3,239)
Locally Managed Schools' Balances	(6,264)	334	(5,930)
Elections Reserve	(825)	625	(200)
Area Board Reserve	(22)	(12)	(34)
Revenue Grants Earmarked Reserve	(2,523)	(4,191)	(6,714)
Digital Inclusion	(183)	183	0
PFI Housing Scheme Earmarked Reserve	(2,916)	65	(2,851)
Economic Development & Planning Reserve	(14)	(7)	(21)
Single View of the Customer Reserve	(911)	82	(829)
Play Area Asset Transfers	(78)	(2)	(80)
Enabling Fund	(2,000)	(3,227)	(5,227)
Business Rates Equalisation Fund	(800)	(4,028)	(4,828)
Housing Benefit Subsidy Clawback	(500)	0	(500)
Transitional Fund	(6,000)	6,000	0
Childrens Management System	0	(325)	(325)
Disabled Facilities Grant	0	(273)	(273)
Adoption West	0	(200)	(200)
Waste Transformation	0	(1,250)	(1,250)
Area Board Pavements	0	(150)	(150)
Leisure	0	(67)	(67)
Capital Financing	0	(3,300)	(3,300)
Development of Local Plan	0	(500)	(500)
Building control	0	(30)	(30)
Development control cyclical fund	0	(66)	(66)
<b>Total</b>	<b>(30,845)</b>	<b>(9,642)</b>	<b>(40,487)</b>

**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.

	2017/2018 £000	2016/2017 £000
Transfer to Capital	11,131	14,120
HRA Depreciation	(11,548)	(14,568)
Transfer to HRA		8,381
Movement in Year	(417)	7,933
<b>Balance at 1 April</b>	<b>(1,182)</b>	<b>(9,115)</b>
<b>Balance at 31 March</b>	<b>(1,599)</b>	<b>(1,182)</b>

**Note 34 Usable Capital Receipts Reserve**

	2016/2018	2016/2017
	£000	£000
<b>Amounts Receivable in year</b>		
- disposal of land and buildings	(8,798)	(8,107)
- Other capital receipts - mortgages	(229)	(185)
- Other capital receipts	(352)	(249)
- Housing Pooled Capital Receipt	(755)	(749)
	<u>(10,134)</u>	<u>(9,290)</u>
<b>Amounts applied to finance new capital investment in year</b>		
- capital receipts utilised	6,104	12,684
- transfer to I&E equal to contribution to Housing Pooled Capital receipt	755	749
	<u>6,859</u>	<u>13,433</u>
<b>Movement in Year</b>	<u>(3,275)</u>	<u>4,143</u>
<b>Balance at 1 April</b>	(9,722)	(13,865)
<b>Balance at 31 March</b>	<u>(12,997)</u>	<u>(9,722)</u>

**Note 35 Unusable Reserves**

Reserve	Note	2017/2018	2016/2017
		£000	£000
Revaluation Reserve	36	(250,631)	(229,778)
Capital Adjustment Account	37	(381,111)	(349,593)
Financial Instruments Adjustment Account		953	955
Deferred capital receipts		(1,806)	(1,906)
Pensions Reserve	38	550,836	612,791
Collection Fund Adjustment Account		(2,391)	(5,581)
Accumulated Absences Account		6,349	6,291
<b>Total Unusable Reserves</b>		<u>(77,801)</u>	<u>33,179</u>

**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	2017/2018	2016/2017
	£000	£000
<b>Balance at 1 April</b>	<u>(229,778)</u>	<u>(180,457)</u>
Upward revaluation of assets	(47,905)	(77,720)
Downward revaluations not charged to surplus/ deficit on the provision of services	8,499	11,251
<b>Surplus or deficit on revaluation of non-current assets not posted to surplus/ deficit on the provision of services</b>	<u>(269,184)</u>	<u>(246,926)</u>
Difference between fair value depreciation and historic cost depreciation	9,323	9,618
Accumulated gains on assets sold or scrapped	9,230	9,525
Other Adjustments to Capital Adjustment Account	0	(1,995)
<b>Balance at 31 March</b>	<u>(250,631)</u>	<u>(229,778)</u>



**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.

	2017/2018 £000	2016/2017 £000
<b>Opening balance at 1 April</b>	<b>(349,593)</b>	<b>(326,983)</b>
<b>Reversal of items relating to capital expenditure debited or credited to the comprehensive income and expenditure account</b>		
- charges for depreciation of non-current assets	32,385	40,008
- charges for impairment/ revaluations of plant, property and equipment	20,357	10,306
- gains in fair value on Investment properties	(524)	(744)
- amortisation of intangible assets	446	2,288
- revenue expenditure funded from capital under statute	19,119	20,136
- disposals	22,396	16,833
	<b>94,179</b>	
<b>Adjusting amounts written out of Revaluation Reserve</b>	<b>(18,553)</b>	<b>(19,144)</b>
<b>Other Adjustment to Revaluation Reserve</b>		1,995
<b>Net written out amount of the cost of non-current assets consumed in the year</b>	<b>(273,967)</b>	<b>(255,305)</b>
<b>Capital financing applied in the year</b>		
-Use of capital receipts reserve to finance new capital expenditure	(6,104)	(12,684)
-Use of major repairs reserve to finance new capital expenditure	(11,131)	(14,120)
-application of capital grants	(71,675)	(47,503)
-statutory provision for the financing of capital investment charged against the general fund and HRA balances	(11,472)	(16,006)
-capital expenditure charged against the general fund and HRA balances	(6,762)	(3,975)
<b>Balance at 31 March</b>	<b>(381,111)</b>	<b>(349,593)</b>

**Note 38 Pension Fund Liability**

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

	Period ended 31 March 2018			Period ended 31 March 2017		
	Assets		Net (liability)/	Assets		Net (liability)/
	Obligations	Liabilities	asset	Obligations	Liabilities	asset
	£000	£000	£000	£000	£000	£000
Fair value of employer assets	971,217	0	971,217	805,620	0	805,620
Present value of funded liabilities	0	(1,525,509)	(1,525,509)	0	(1,293,695)	(1,293,695)
Present value of unfunded liabilities	0	(58,499)	(58,499)	0	(55,371)	(55,371)
<b>Opening Position</b>	<b>971,217</b>	<b>(1,584,008)</b>	<b>(612,791)</b>	<b>805,620</b>	<b>(1,349,066)</b>	<b>(543,446)</b>
Service cost						
Current service cost*	0	(50,252)	(50,252)	0	(30,630)	(30,630)
Past service cost (including curtailments)	0	(376)	(376)	0	(615)	(615)
Effect of settlements	(4,440)	7,377	2,937	(2,157)	3,578	1,421
<b>Total service cost</b>	<b>(4,440)</b>	<b>(43,251)</b>	<b>(47,691)</b>	<b>(2,157)</b>	<b>(27,667)</b>	<b>(29,824)</b>
Net interest						
Interest income on plan assets	24,064	0	24,064	28,016	0	28,016
Interest cost on defined benefit obligation	0	(39,517)	(39,517)	0	(46,949)	(46,949)
Impact of asset ceiling on net interest	0	0	0	0	0	0
<b>Total net interest</b>	<b>24,064</b>	<b>(39,517)</b>	<b>(15,453)</b>	<b>28,016</b>	<b>(46,949)</b>	<b>(18,933)</b>
<b>Total defined benefit cost recognised in Profit or (Loss)</b>	<b>19,624</b>	<b>(82,768)</b>	<b>(63,144)</b>	<b>25,859</b>	<b>(74,616)</b>	<b>(48,757)</b>
Cashflows						
Plan participants' contributions	7,577	(7,577)	0	7,693	(7,693)	0
Employer contributions	30,134	0	30,134	29,634	0	29,634
Contributions in respect of unfunded benefits	3,480	0	3,480	3,583	0	3,583
Benefits paid	(45,849)	45,849	0	(43,150)	43,150	0
Unfunded benefits paid	(3,480)	3,480	0	(3,583)	3,583	0
<b>Expected closing position</b>	<b>982,703</b>	<b>(1,625,024)</b>	<b>(642,321)</b>	<b>825,656</b>	<b>(1,384,642)</b>	<b>(558,986)</b>
Remeasurements						
Change in demographic assumptions	0	0	0	0	16,143	16,143
Change in financial assumptions	0	29,294	29,294	0	(246,443)	(246,443)
Other experience	0	(92)	(92)	0	30,934	30,934
Return on assets excluding amounts included in net interest	62,283	0	62,283	145,561	0	145,561
<b>Total remeasurements recognised in Other Comprehensive Income (OCI)</b>	<b>62,283</b>	<b>29,202</b>	<b>91,485</b>	<b>145,561</b>	<b>(199,366)</b>	<b>(53,805)</b>
Effect of business combination and disposals	0	0	0	0	0	0
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)
<b>Closing position</b>	<b>1,044,986</b>	<b>(1,595,822)</b>	<b>(550,836)</b>	<b>971,217</b>	<b>(1,584,008)</b>	<b>(612,791)</b>

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

**NOTES TO THE CASHFLOW STATEMENT****Note 39 Cash Flow Operating Activities**

The cash flows for operating activities include the following items:

	2017/2018	2016/2017
	£000	£000
Interest Received	(428)	(508)
Interest Payable	12,590	12,869

**Note 40 Cash Flow Investing Activities**

	2017/2018	2016/2017
	£000	£000
Purchase of Property, plant and equipment, investment property and intangible assets	92,798	62,639
Investments - Purchase of and deposits made	752,872	610,491
Investments - Sale of and returning of deposits made	(745,858)	(576,238)
Proceeds from sale of property, plant and equipment, investment property and intangible assets	(9,941)	(9,273)
Other receipts from investing activities	(90,882)	(55,744)
<b>Net Cash flows from investing activities</b>	<b>(1,011)</b>	<b>31,875</b>

**Note 41 Cash Flow Financing Activities**

	2017/2018	2016/2017
	£000	£000
Cash Receipts of short and long term borrowing	12,554	31,991
<b>Net cash flows from financing activities</b>	<b>12,554</b>	<b>31,991</b>

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

For 2017/2018, there are a number of accounting policy changes that have been issued but not yet adopted. The standards introduced in the 2018/2019 Code of Practice that have not yet been adopted are:

- IFRS 9 Financial Instruments
- IFRS 15 Revenue from Contracts with Customers including amendments to IFRS 15 Clarifications to IFRS 15 Revenue from Contracts with Customers
- Amendments to IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses
- Amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative

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 2018 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 2017/2018 on PPE assets was £32 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 59, 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 authority's assets and liabilities is disclosed in note 52 below.

The Council uses the discounted cash flow (DCF) model to measure the fair value of some of its investment properties and financial assets.

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

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

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

**Provisions**

The Council has made a number of provisions in the accounts, totalling £4.017 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 2018, the Council had a balance of debtors of £63.8 million. A bad debt provision of £16.2 million or around 25% of the debt has been made. In the current economic climate it is difficult to access the accuracy of this provision, but this will be continually.

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

**Note 45 Authorisation of Accounts for Issue**

These accounts were considered and authorised by the Chief Financial Officer of Wiltshire Council on 31 May 2018. The final audited version of these accounts was considered for approval by the Audit Committee at its meeting on 24 July 2018.

**Note 46 Events after the Balance Sheet Date**

The Statement of Accounts were authorised by the Chief Financial Officer on 31 May 2018. 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 2017/2018.

**Note 47 Contingent Liabilities**

A contingent liability is a potential liability which depends on the occurrence or non-occurrence of one or more uncertain future events. The Council is required to disclose an estimate in respect of future costs that may occur that are not currently reflected in the accounts. The Council has identified one contingent liability as at 31 March 2018:

**Insurance Claims**

As at 31 March 2018 there are 25 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 £0.931 million

#### Note 48 Pension Schemes Accounted for as defined contribution Schemes

##### Teachers pension scheme

In 2017/2018 the Council paid £9.81 million (£10.57 million in 2016/2017) to the Department for Education and Skills in respect of teachers' pension costs which represent 16.48% of teachers' pensionable pay. In addition, the Council is responsible for all pension payments relating to added years it has awarded, together with the related increases. In 2017/2018 these amounted to £2.37 million (£2.38 million in 2016/2017).

#### 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 2016.

Pension costs have been charged to the Comprehensive Income and Expenditure Statement on the basis required by IAS 19, contributions payable to the Wiltshire Council pension scheme are based on a 2016 actuarial valuation report dated 31 March 2018. 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 2018 are as follows:

Local Government Pension Scheme	31 March 2018 £000	31 March 2017 £000
<b>Fair Value of Employer Assets</b>	1,044,986	971,217
Present Value of Funded Liabilities	(1,539,538)	(1,525,509)
<b>Net (Under)/Overfunding in Funded Plans</b>	<b>(494,552)</b>	<b>(554,292)</b>
Present value of Unfunded Liabilities	(56,284)	(58,499)
<b>Net Asset/(Liability)</b>	<b>(550,836)</b>	<b>(612,791)</b>
Amount on balance sheet		
<b>Asset</b>	<b>1,044,986</b>	<b>971,217</b>
<b>Liability</b>	<b>(1,595,822)</b>	<b>(1,584,008)</b>
<b>Liability Amount in Balance Sheet</b>	<b>(550,836)</b>	<b>(612,791)</b>

A more detailed breakdown is included in note 38

**Information about the defined benefit obligation**

	Liability split		Duration
	£000	%	years
Active members	561,200	36.5	23.8
Deferred members	392,316	25.5	21.6
Pensioner members	586,022	38.1	10.1
<b>Total</b>	<b>1,539,538</b>	<b>100.0</b>	<b>16.5</b>

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 2018 % per annum	31 March 2017 % per annum
Pension Increase Rate	2.4%	2.4%
Salary Increase Rate	2.7%	2.7%
Discount Rate	2.6%	2.5%

**Assumptions on Mortality Rates**

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

	Males	Females
Current Pensioners	22.5 years	24.9 years
Future Pensioners	24.1 years	26.7 years

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

Year Ended	Prospective Pensioners	Pensioners
31 March 2016	CMI 2010 model assuming the current rate of improvements has peaked and will converge to a long term rate of 1.25% p.a.	CMI 2010 model assuming the current rate of improvements has peaked and will converge to a long term rate of 1.25% p.a.

**Pension Assets****Fair value of employer assets**

Assets in the Wiltshire County Council Pension Fund are valued at a fair value, principally market value for investment and consist of the following categories, by proportion:

Asset Category	31 March 2018				31 March 2017				
	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	%	
<b>Equity Securities:</b>									
Consumer	21,693	0	21,693	2%	20,162	0	20,162	2%	
Manufacturing	16,152	0	16,152	2%	15,012	0	15,012	2%	
Financial Institutions	2,954	0	2,954	0%	2,745	0	2,745	0%	
Health & Care	4,673	0	4,673	0%	4,343	0	4,343	0%	
Information Technol	107,305	0	107,305	10%	99,730	0	99,730	10%	
Other	8,735	0	8,735	1%	8,118	0	8,118	1%	
<b>Real Estate:</b>									
UK Property	0	109,598	109,598	11%	0	101,861	101,861	11%	
Overseas Property	0	23,876	23,876	2%	0	22,191	22,191	2%	
<b>Investment Funds &amp; Unit Trusts:</b>									
Equities	0	549,806	549,806	53%	0	510,993	510,993	53%	
Bonds	0	171,067	171,067	16%	0	158,991	158,991	16%	
Infrastructure	0	18,453	18,453	2%	0	17,150	17,150	2%	
Other	0	2,910	2,910	0%	0	2,705	2,705	0%	
<b>Cash &amp; Cash Equivalents</b>									
All	7,764	0	7,764	1%	7,216	0	7,216	1%	
<b>Total</b>	<b>169,276</b>	<b>875,710</b>	<b>1,044,986</b>	<b>100%</b>	<b>157,326</b>	<b>813,891</b>	<b>971,217</b>	<b>100%</b>	

### Projected defined benefit costs for the period to 31 March 2019

The estimated employer contributions for the year to 31 March 2019 will be approximately £27.821 million.

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

Period Ended 31 March 2019	Assets	Obligations	Net (Liability)/Asset	
	£000	£000	£000	% of Payroll
Projected Current Service Cost	0	48,530	(48,530)	(40.8%)
<b>Total Service Costs</b>	<b>0</b>	<b>48,530</b>	<b>(48,530)</b>	<b>(40.8%)</b>
Interest Income on Plan Assets	27,649	0	27,649	23.2%
Interest Cost on Defined Benefit Obligation	0	42,170	(42,170)	(35.4%)
<b>Total Net Interest Cost</b>	<b>27,649</b>	<b>42,170</b>	<b>(14,521)</b>	<b>(12.2%)</b>
<b>Total included in Profit or Loss</b>	<b>27,649</b>	<b>90,700</b>	<b>(63,051)</b>	<b>(53.0%)</b>

### 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 2018	Approximate % increase to Employer	Approximate monetary amount (£000)
0.5% decrease in Real Discount Rate	10%	152,620
0.5% increase in the Salary Increase Rate	1%	17,656
0.5% increase in the Pension Increase Rate	8%	133,228



Further information can be found in the Wiltshire Pension Fund annual report 2017/2018 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 requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, in accordance with the Fitch, Moody's and Standard & Poor's Credit Ratings Services. The Annual Investment Strategy also considers maximum amounts and time limits with a financial institution located in each category.

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

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

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

The full Investment Strategy for 2017/2018 was approved by Full Council on 21 February 2017 and is available on the Council's website.

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

The Council's maximum exposure to credit risk in relation to its investments in financial institutions of £63.8m 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 2018 that this was likely to crystallise.

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

The Council does not generally allow credit for its customers.

During 2017/2018 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.

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

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

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

**Maturity Analysis of Financial Liabilities**

	Approved Minimum Limits	Approved Maximum Limits	Actual 31 March 2018		Actual 31 March 2017	
			£000s	%	£000s	%
Less than 1 Year	0%	25%	16,951	5.1%	12,148	3.6%
Between 1 and 2 Years	0%	25%	8,000	2.4%	14,810	4.3%
Between 2 and 5 Years	0%	45%	22,000	6.7%	22,000	6.5%
Between 5 and 10 Years	0%	75%	50,123	15.2%	48,123	14.2%
More than 10 Years	0%	100%	232,914	70.6%	242,926	71.4%
			<b>329,988</b>	<b>100.0%</b>	<b>340,007</b>	<b>100.0%</b>

**Market Risk – Interest Rates Risk**

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

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

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

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

According to this assessment strategy, at 31 March 2018, 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**

	<b>2016/2017</b>
	<b>£000</b>
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	(158)
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)	53,170

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;
- 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:

<b>Financial Liabilities</b>	<b>31 March 2018</b>		<b>31 March 2017</b>	
	<b>Carrying Amount</b>	<b>Fair Value</b>	<b>Carrying Amount</b>	<b>Fair Value</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Long Term Debt:</b>				
Non-PWLB (Market) Debt	(61,993)	(91,725)	(62,005)	(93,920)
PWLB Debt	(267,995)	(323,216)	(278,002)	(338,605)
<b>Total Long Term Debt</b>	<b>(329,988)</b>	<b>(414,941)</b>	<b>(340,007)</b>	<b>(432,525)</b>
Temporary Debt	0	0	0	0
Short Term Debt	0	0	(2,535)	(2,186)
<b>Total Debt Value</b>	<b>(329,988)</b>	<b>(414,941)</b>	<b>(342,542)</b>	<b>(434,711)</b>
Short Term Creditors	(86,079)	(86,079)	(96,216)	(96,216)
Long Term Creditors	(7,676)	(7,376)	(3,742)	(3,742)
<b>Total Financial Liabilities</b>	<b>(423,743)</b>	<b>(508,396)</b>	<b>(442,500)</b>	<b>(534,669)</b>

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

Financial Liabilities	31 March 2018		31 March 2017	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£000	£000	£000	£000
<b>Long Term Debt:</b>				
Non-PWLB (Market) Debt	(61,993)	(113,966)	(62,005)	(114,389)
PWLB Debt	(267,995)	(363,610)	(278,002)	(381,995)
<b>Total Long Term Loans</b>	<b>(329,988)</b>	<b>(477,576)</b>	<b>(340,007)</b>	<b>(496,384)</b>
Temporary Debt	0	0	0	0
Short Term Debt	0	0	(2,535)	(2,342)
<b>Total Loans Value</b>	<b>(329,988)</b>	<b>(477,576)</b>	<b>(342,542)</b>	<b>(498,726)</b>
Short Term Creditors	(86,079)	(86,079)	(96,216)	(96,216)
Long Term Creditors	(7,676)	(7,376)	(3,742)	(3,742)
<b>Total Financial Liabilities</b>	<b>(423,743)</b>	<b>(571,031)</b>	<b>(442,500)</b>	<b>(598,684)</b>

The Council has used a transfer value for the fair value of financial liabilities. We have also calculated an exit price fair value of £477.576 million which is calculated using early repayment discount rates. The Council has no contractual obligation to pay these penalty costs and would not incur any additional cost if the loans run to their planned maturity date.

The fair value of the liabilities is greater than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans in the market at the balance sheet date. This shows a notional future loss (based on economic conditions at 31 March 2018) 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 £267.995 million would be valued at £323.216 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 £363.610 million.

Financial Assets	31 March 2018		31 March 2017	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£000	£000	£000	£000
<b>Loans and Receivables:</b>				
Cash and Cash Equivalents	0	0	900	900
Money markets Loans < 1 Year	13,700	13,700	11,689	11,689
Short Term investment	50,106	50,106	45,101	45,121
<b>Total Loans and Receivables</b>	<b>63,806</b>	<b>63,806</b>	<b>57,690</b>	<b>57,710</b>
Short Term Debtors	50,614	40,995	58,680	49,011
Long Term Debtors	5,638	5,638	2,830	2,830
<b>Total Financial Assets</b>	<b>120,058</b>	<b>110,439</b>	<b>119,200</b>	<b>109,551</b>

The fair value of the 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 2018 and 2017 are as follows:

Recurring fair value measurements using:	Quoted prices in active market for identical assets (Level 1) £000	Other significant observable inputs (Level 2) £000	Significant unobservable inputs (Level 3) £000	Fair value as at 31 March 2018 £000
Main Portfolio	0	0	23,244	23,244
Other	0	0	0	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>23,244</b>	<b>23,244</b>

Recurring fair value measurements using:	Quoted prices in active market for identical assets (Level 1) £000	Other significant observable inputs (Level 2) £000	Significant unobservable inputs (Level 3) £000	Fair value as at 31 March 2017 £000
Main Portfolio	0	0	22,952	22,952
Other	0	0	292	292
<b>Total</b>	<b>0</b>	<b>0</b>	<b>23,244</b>	<b>23,244</b>

### 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 2018 £000	Valuation technique used to measure fair value	Unobservable inputs	Sensitivity
<b>Main Portfolio</b>	23,244,257	Income Market Rentals Yields	Comparables Databases (Public & GVA Internal) Rents, yields, capital costs	Medium

**Valuation Process for Investment Properties**

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

**Note 53 Prior Year Adjustments**

The Council has restated its 2016/2017 Comprehensive Income and Expenditure Statement to reflect the Council's structural changes during 2017/2018. The table below shows the comparative movements between the old and new Council reporting structures.

<b>Net Expenditure as reported 2016/2017 Accounts Net Movement</b>	<b>As reported 2016/2017 Accounts £000</b>	<b>Adjustments due to Council Restructure £000</b>	<b>As restated 2016/2017 Net Expenditure by Directorate £000</b>
Adult Social Care Operations	124,174	(62,304)	61,870
Adult Care Commissioning & Housing	12,950	48,192	61,142
Public Health & Public Protection Commissioning, Performance & School Effectiveness	14,964	(3,983)	10,981
Operational Children's Services	25,967	(4,929)	21,038
Economy & Planning	58,760	1,966	60,726
Highways & Transport	0	10,426	10,426
Waste & Environment	3,735	(838)	2,897
Communities & Communications	40,356	0	40,356
Corporate Function, Procurement & Programme Office	37,698	0	37,698
Finance	0	29,165	29,165
Legal & Governance	8,193	4,051	12,244
People & Business Services	6,379	8,204	14,583
Corporate Directors	2,675	2,965	5,640
Corporate	3,105	1,808	4,913
Housing Revenue Account (HRA)	30,667	(34,723)	(4,056)
	2,875	0	2,875
	7,467	0	7,467
	(1,874)	0	(1,874)
<b>Net Cost of Service</b>	<b>378,091</b>	<b>0</b>	<b>378,091</b>

## Notes to Accounts Annex 1 Accounting Policies

### i. General Principles

The Statement of Accounts summarises the Council's transactions for the 2017/2018 financial year and its position at the year-end of 31 March 2018. 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 2017/2018 supported by International Financial Reporting Standards (IFRS).

### ii. Accruals of Income and Expenditure

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

- Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption; they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

### iii. Provisions

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

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

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



**Landfill Allowance Schemes**

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

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

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

**Contingent Liabilities**

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

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

**Contingent Assets**

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

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

**iv. Reserves**

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

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

**v. Government Grants and Contributions**

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

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

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

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

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

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

## **vi. Employee Benefits**

### **Benefits Payable During Employment**

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

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

### **Termination Benefits**

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

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

### **Post Employment Benefits**

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

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

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

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

## The Local Government Pension Scheme

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

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

Liabilities are discounted to their value at current prices, using a discount rate of 4.3% (based on the gross redemption yield on the Iboxx Sterling Corporates Index, AA over 15 years), at the IAS19 valuation date (subject to the removal of recently re-rated bonds from the index).

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

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

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

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

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

### Discretionary Benefits

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

#### vii. VAT

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

#### viii. Overheads and Support Services

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

#### ix. Intangible Fixed Assets

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

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

#### x. Property, Plant and Equipment

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

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

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

- Infrastructure, community assets and assets under construction – depreciated historical cost
- Dwellings – fair value, determined using the basis of existing use value for social housing (EUV-SH)
- All other assets – fair value, determined as the amount that would be paid for the asset in its existing use value (EUV).

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

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

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

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

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

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

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

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

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

### Depreciation

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

Depreciation is calculated on the following bases:

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

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately. Full details on componentisation are included in note 17.

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

### Disposals and Non-current Assets Held for Sale

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

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

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

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

#### **xi. Investment Property**

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale. Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's-length. Properties are not depreciated. Gains and losses on revaluation are posted to the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal. Rentals received in relation to investment properties result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance.

#### **xii. Charges to Revenue for Non-Current Assets**

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

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

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

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

#### **xiii. Revenue Expenditure Funded From Capital Under Statute**

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

#### **xiv. Leases**

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

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

### **The Council as Lessee**

#### **Finance Leases**

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

Lease payments are apportioned between:

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

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

#### **Operating Leases**

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

### **The Council as Lessor**

#### **Finance Leases**

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

Lease rentals receivable are apportioned between:

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

#### **Operating Leases**

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

## **xv. Financial Instruments**

### **Financial Liabilities**

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

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

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

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

### Loans and receivables

#### Financial Assets

Financial assets are classified into two types:

- loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market
- available-for-sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments.

#### Loans and Receivables

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

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

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

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



**Available-for-Sale Assets**

Available-for-sale assets are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (e.g. dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Council.

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

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

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

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

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

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

**xvi. Inventories and Long Term Contracts**

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

**xvii. Interest in companies and other entities**

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

**xviii. Private Finance Initiative (PFI)**

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

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

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

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

#### **xix. Exceptional Items**

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

#### **xx. Cash and Cash Equivalents**

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

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

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

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

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

#### **xxii. Events after the Balance Sheet Date**

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

Two types of events can be identified:

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

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

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

#### **xxiii. Non-Compliance with Code of Practice**

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

#### **xxiv. Foreign Currency**

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

#### **xxv. Heritage Assets**

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

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

For Wiltshire Council, which does not hold museum or art collections, the costs of commissioning external valuations exceeds the benefit to the users of the accounts therefore the assets are disclosed in a note to the accounts only. The assets disclosed in note 34 include a property (the East Grafton Windmill), the White Horse in Westbury, and a small collection of art held across the county.

#### **xxvi. Carbon Reduction Commitment scheme**

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

**xxvii. Fair value measurement**

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

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

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

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

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

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

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

## Housing Revenue Account

This account records the transactions relating to the Council's housing stock. The Local Government and Housing Act 1989 requires its separation to give a clear picture of the cost of providing homes for council tenants. Housing Revenue Account income and expenditure does not affect the amount of Council Tax levied.

	NOTE	2017/2018		2016/2017	
		£000	£000	£000	£000
<b>Income</b>					
Rents (gross):					
- dwellings		(24,334)		(24,582)	
- garages		(359)		(353)	
- other		(349)	(25,042)	(221)	(25,156)
Charges for services and facilities			(633)		(643)
<b>Total Income</b>			<b>(25,675)</b>		<b>(25,799)</b>
<b>Expenditure</b>					
Repairs and Maintenance			5,219		5,430
Supervision and Management:					
- general		2,554		2,564	
- special services		844	3,398	967	3,531
Increased provision for bad debts			370		71
Depreciation & Impairments of Fixed Assets					
- On dwellings	3	11,348		14,372	
- On garages	3	148		148	
- On other Assets	3	52		52	
<b>Total Expenditure</b>			<b>20,535</b>		<b>23,604</b>
<b>Net Cost Of Services per Income &amp; Expenditure Account</b>			<b>(5,140)</b>		<b>(2,195)</b>
HRA Services share of Corporate and Democratic Core			321		321
<b>Net Cost Of HRA Services</b>			<b>(4,819)</b>		<b>(1,874)</b>
(Gain)/Loss on sale of HRA fixed assets			5,108		3,711
Interest Payable			3,673		3,673
Interest:					
- on mortgages		(60)		(58)	
- on balances		(75)	(135)	(90)	(148)
<b>(Surplus)/Deficit for the Year on HRA services</b>			<b>3,827</b>		<b>5,362</b>

## Statement of Movement on the HRA Balances

	2017/2018 £000	2016/2017 £000
Balance on HRA at the end of previous year		(23,170)
(Surplus)/ Deficit for year on HRA Income and Expenditure Account	3,827	5,362
Adjustments between accounting basis and funding basis under statute	1,392	(8,053)
<b>Net (increase)/decrease before transfers to/ from reserves</b>	<b>5,219</b>	<b>(2,691)</b>
Transfer to/ from reserves		0
<b>Net (increase)/decrease in year on HRA</b>	<b>5,219</b>	<b>(2,691)</b>
<b>Balance on HRA at the end of current year</b>	<b>(17,951)</b>	<b>(23,170)</b>

## Note to Statement of Movement on the HRA Balances

	2017/2018 £000	2016/2017 £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	(5,108)	(3,711)
Items not included in the HRA Income and Expenditure Account but included from the movement on HRA balance for the year		
Transfer to/from Major Repairs Reserve note 5	0	(8,385)
Transfer to/from Pension Reserve note 6	(263)	74
Transfer to/from accumulated absences	1	(6)
Revenue Contributions to Capital Expenditure	6,762	3,975
<b>Net Additional amount required by statute to be credited to the HRA balance for the year</b>	<b>1,392</b>	<b>(8,053)</b>

## Housing Revenue Account Notes

## 1 Housing Stock

	31 March 2018	31 March 2017
<b>Houses and Bungalows</b>		
- 1 bedroom	278	278
- 2 bedrooms	1,417	1,421
- 3 bedrooms	1,727	1,747
- 4+ bedrooms	135	141
<b>Flats</b>		
- 1 bedroom	915	916
- 2 bedrooms	683	689
- 3+ bedrooms	66	66
<b>Total dwellings as at 31 March</b>	<b>5,221</b>	<b>5,258</b>

The council sold 37 houses during 2017/2018, of which 37 were sold under the right to buy scheme (RTB). The Council received a total before pooling of £3.950 million as capital receipts.

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

**2 Arrears**

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

	31 March 2018 £000	31 March 2017 £000
Rent arrears	1,420	1,141
less rent payments in advance	(535)	(544)
less bad debt provision	(1,349)	(1,084)
<b>Net arrears position</b>	<b>(464)</b>	<b>(487)</b>

**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 2017	157,320	30,520	96,673	3,268	95	287,876
Additions in Year	8,319		2,255			10,574
Disposals	(2,280)					(2,280)
Revaluations	5,999	1,511	2,929			10,439
Depreciation	(5,245)	(6,104)		(148)	(51)	(11,548)
Category Adjustments	2,537	6,323	524			9,384
<b>Balance at 31 March 2018</b>	<b>166,650</b>	<b>32,250</b>	<b>102,381</b>	<b>3,120</b>	<b>44</b>	<b>304,445</b>

The Balance Sheet value of Council Dwellings (structures, services and land) as at 31 March 2018 was £301.283 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 2018 was £860.809 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 2018 was £559.526 million.

The value of land valued in the HRA which is included in the balance sheet value of the council dwellings is £102.381 million

**4 Financing of HRA capital expenditure**

	2017/2018 £000
Revenue and Reserves	6,762
Other receipts (MRR)	11,131
	<b>17,893</b>
Council Dwellings (Structures and Services)	8,625
Plant & Equipment	0
Asset under Construction	9,268
	<b>17,893</b>

**5 Major Repairs Reserve**

	2017/2018 £000	2016/2017 £000
Brought forward at 1 April	(1,182)	(9,115)
Transfer to Capital	11,131	14,120
HRA Depreciation	(11,548)	(14,568)
Transfer to HRA	0	8,381
Carried forward at 31 March	<u>(1,599)</u>	<u>(1,182)</u>

**6 Contribution to Pension Reserve**

The HRA bears a share of the pension contribution due to the IAS 19 adjustment in proportion to the payments made during the year. See note 61 to the Core Financial Statements for more information on accounting for retirement benefits.



## Collection Fund

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

	NOTE	Non-Domestic			Non-Domestic		
		Rates 2017/2018	Council Tax 2017/2018	Total 2017/2018 £000	Rates 2016/2017	Council Tax 2016/2017	Total 2016/2017 £000
<b>Income</b>							
Council Tax	1		(304,709)	(304,709)		(285,782)	(285,782)
Non-Domestic Rates		(147,256)		(147,256)	(153,602)		(153,602)
Transferred from General Fund							
Transitional Relief		3,234		3,234	211		211
		(144,022)	(304,709)	(448,731)	(153,391)	(285,782)	(439,173)
<b>Disbursement</b>							
Precepts and Demands							
- Wiltshire Council		71,993	237,304		70,882	224,723	
- Police			30,275			29,540	
- Fire		1,469	12,551		1,446	12,235	
- Town/ and Parish Councils			16,954			15,416	
- Central Government		73,463			72,328		
				444,009			426,570
Share of surplus/(deficit) on Collection Fund							
- Wiltshire Council		3,068	2,530		(3,598)	5,054	
- Police			332			678	
- Fire		63	138		(73)	268	
- Central Government		3,130			(3,672)		
				9,261			(1,343)
Cost of collection allowance	2	622			626		
Provision for Bad Debts		67	41		(81)	(192)	
Write offs		988	828		769	940	
Appeals		(159)			272		
Other transfers to general fund		2,372			1,561		
Interest on overpayments		0			4		
				4,759			3,899
Fund surplus/(deficit) for the year		(13,054)	3,755	(9,299)	12,927	(2,879)	10,048
		144,022	304,708	448,730	153,391	285,783	439,174
<b>Fund Balance</b>							
		Non-Domestic		Total	Non-Domestic		Total
		Rates	Council Tax		Rates	Council Tax	
Fund balance b/f		(4,834)	(3,821)	(8,655)	8,093	(6,700)	1,393
(Surplus)/deficit for year		13,054	(3,755)	9,299	(12,927)	2,879	(10,048)
Fund balance c/f	3	8,220	(7,576)	644	(4,834)	(3,821)	(8,655)

## Notes to the Collection Fund

### 1 Council Tax

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

The average amount of Council Tax required from a property in any tax band is the band D charge, average for Wiltshire Council was £1,670.84 for 2017/2018 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	2017/2018 Band D Equivalent Dwellings	2016/2017 Band D Equivalent Dwellings
Band A Disabled	5/9	27	15	16
Band A	6/9	14,836	9,890	9,307
		14,863	9,905	9,323
Band B	7/9	29,297	22,786	21,975
Band C	8/9	42,437	37,722	36,623
Band D	9/9	32,217	32,217	31,421
Band E	11/9	25,344	30,976	30,204
Band F	13/9	15,615	22,556	22,006
Band G	15/9	9,971	16,619	16,321
Band H	18/9	1,140	2,280	2,244
			175,061	170,117
Adjustment for MOD contribution in lieu, new properties, & collection rate			2,744	6,663
<b>Council Tax Base 2017/2018</b>			<b>177,805</b>	<b>176,780</b>

### 2 National Non-Domestic Rates

The total non-domestic rateable value at 31 March 2018 was £384,427,006 (£370,100,104 at 31 March 2017). The national non domestic multiplier for the year was 47.9p (49.7p in 2016/2017) and the small business rates relief multiplier was 46.6p (48.4p in 2016/2017).

**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	Council Tax	Total	Rates	Council Tax	Total
	31/03/2018 £000	31/03/2018 £000	31/03/2018 £000	31/03/2017 £000	31/03/2017 £000	31/03/2017 £000
Wiltshire Council	4,028	(6,418)	(2,390)	(2,369)	(3,222)	(5,591)
Police	0	(824)	(824)	0	(424)	(424)
Fire	82	(334)	(252)	(48)	(175)	(223)
Central Government	4,110	0	4,110	(2,417)	0	(2,417)
	<b>8,220</b>	<b>(7,576)</b>	<b>644</b>	<b>(4,834)</b>	<b>(3,821)</b>	<b>(8,655)</b>

## Glossary

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

### Accruals

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

### Amortisation

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

### Assets

These can be either:

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

### Balance Sheet

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

### Best Value

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

### Budget

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

### Capital Expenditure

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

### Capital Receipts

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

### Cashflow Statement

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

### CIPFA

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

### Code of Practice

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

**Comprehensive Income and Expenditure Statement (CI&ES)**

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

**Creditors**

Money owed by the Council to others.

**Debtors**

Money owed to the Council by others.

**Dedicated Schools Grant (DSG)**

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

**Depreciation**

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

**Employee Costs**

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

**Exceptional Items**

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

**Extraordinary Items**

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

**General Fund**

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

**Government Grants**

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

**Government Grants Deferred**

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

**Gross Expenditure**

Expenditure before deducting any related income.

**Housing Revenue Account (HRA)**

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

**Impairment**

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

**IFRSs**

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

**Leases**

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

**Liabilities**

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

**Long Term Contracts**

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

**Minimum Revenue Provision (MRP)**

Statute requires revenue accounts to be charged with a Prudent Minimum Revenue Provision as a notional redemption cost of all external loans.

**Major Repairs Allowance (MRA)**

Funded by Central Government. It represents the long term average amount of capital spending required to maintain a Council's housing stock in its current condition.

**Net Expenditure**

Gross expenditure less directly related income.

**Non-Domestic Rates (NDR)**

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

**Precept**

The amount of income demanded of the Collection Fund by an authority entitled to that income.

**Preceptor**

An authority entitled to demand money of the Collection Fund. The preceptors on Wiltshire Council's Collection Fund are the Council itself, the Office of the Police and Crime Commissioner for Wiltshire and Swindon, Wiltshire Fire and Rescue Service and Parish and Town Councils.

**Private Financing Initiative (PFI)**

A long-term contractual public private partnership under which the private sector takes on the risks associated with the delivery of public services in exchange for payments tied to standards of performance.

**Provision for Credit Liabilities (PCL)**

Statute requires the Council to set aside provision to repay external loans and other credit transactions. Debt-free authorities do not have to apply the whole of the balance shown within the Capital Financing Reserve.

**Provisions**

Amounts held in reserve against specific potential liabilities or losses where there is uncertainty as to amounts and/or due dates. Payment to a provision is counted as service expenditure.

**Rateable Value**

Assessment by the Inland Revenue of a property's value from which rates payable are calculated.

**Reserves**

Amounts prudently held to cover potential liabilities. Payments to reserves are not counted as service expenditure.

**Revaluation Reserve**

A capital reserve where changes in the value of fixed assets are disclosed when they are revalued. This reserve replaces the Fixed Asset Restatement Account (FARA) which was previously required.

**Revenue Expenditure**

Day to day running costs of services.

**Revenue Income**

Day to day income received for services.

**Revenue Support Grant**

A Government grant paid towards the cost of General Fund services.

**Running Expenses**

The cost of running a service less employee expenses and capital charges.

**Usable Capital Receipts Reserve**

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

**Useful Life**

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

**Value Added Tax (VAT)**

An indirect tax levied on vatable goods and services.

This page is intentionally left blank



## 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 2018 included 21,781 active members, 16,273 pensioners and 29,253 deferred members.

### Responsibility for the Report

#### Wiltshire Council

The Council has to arrange for the proper administration of the Wiltshire Pension Fund. In particular, it needs to ensure an economic, efficient and effective use of resources in carrying out this administration and that the Fund's investments are safeguarded.

The Council has delegated this responsibility to the Wiltshire Pension Fund Committee. It also, however, has to ensure that one of its officers has responsibility for the financial aspects of that administration, this being the Associate Director 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 2017/2018 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 sufficient funds are available to meet all members'/dependants' benefits as they fall due for payment;
- to ensure that employer contribution rates are reasonably stable where appropriate;
- to minimise the long-term cash contributions which employers need to pay to the Fund by recognising the link between assets and liabilities and adopting an investment strategy which balances risk and return (this will also minimise the costs to be borne by Council Tax payers);
- to reflect the different characteristics of different employers in determining contribution rates. This involves the Fund having a clear and transparent funding strategy to demonstrate how each employer can best meet its own liabilities over future years; and
- to use reasonable measures to reduce the risk to other employers and ultimately to the Council Tax payer from an employer defaulting on its pension obligations.

The FSS sets out how the Administering Authority seeks to balance the conflicting aims of securing the solvency of the Fund and keeping employer contributions stable.

## Funding Position as at the last formal valuation

The most recent actuarial valuation carried out under Regulation 62 of the Local Government Pension Scheme Regulations 2013 was as at 31 March 2016. This valuation revealed that the Fund's assets, which at 31 March 2016 were valued at £1,831 million, were sufficient to meet 82% of the liabilities (i.e. the present value of promised retirement benefits) accrued up to that date. The resulting deficit at the 2016 valuation was £415 million.

Each employer had contribution requirements set at the valuation, with the aim of achieving full funding within a time horizon and probability measure as per the FSS. Individual employers' contributions for the period 1 April 2017 to 31 March 2020 were set in accordance with the Fund's funding policy as set out in its FSS.

## Principal Actuarial Assumptions and 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 takes into account pensionable membership up to the valuation date, and makes an allowance for expected future salary growth to retirement or expected earlier date of leaving pensionable membership.

**Assumptions**

A market-related approach was taken to valuing the liabilities, for consistency with the valuation of the Fund assets at their market value.

The key financial assumptions adopted for the 2016 valuation were as follows:

Financial Assumptions	31 March 2016
Discount rate	4.0%
Salary increase assumption	2.4%
Benefit increase assumption (CPI)	2.1%

The key demographic assumption was the allowance made for longevity. The life expectancy assumptions are based on the 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.

**Audit**

KPMG LLP act as the external auditor of the Council, and therefore the pension fund.

### Investment Management Policy

Overall responsibility for investment policy lies with the Wiltshire Pension Fund Committee, which reports directly to Wiltshire Council.

The Investment Strategy is revised annually by the Fund.

The current strategy has the dual aim of increasing returns and reducing risk by increasing diversification and alternative approaches. Details of the strategy are provided in the Investment Strategy Statement (ISS) which can be supplied upon request or viewed at [www.wiltshirepensionfund.org.uk](http://www.wiltshirepensionfund.org.uk).

The full list of managers as at 31 March 2018 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%
Legal & General	Passive UK Equity	7.5%
Legal & General	Global Equities	5.0%
Legal & General	Government Bonds	10.0%
Legal & General	Fundamental Equities	12.5%
Investec Asset Management	Emerging Market Multi Asset	10.0%
Partners Group	Infrastructure	5.0%
M&G Investment Management	UK Companies Financing Fund	1.5%

The value of assets under management at 31 March 2018 was £2,382.2 million, broken down by managers as follows:

	31-Mar-18	31-Mar-17
Legal & General	£876.3 million	£808.8 million
Baillie Gifford	£372.5 million	£356.1 million
CBRE Global Multi Manager	£314.7 million	£291.7 million
Loomis Sayles	£276.1 million	£231.3 million
Investec Asset Management	£252.4 million	£232.6 million
Barings Asset Management	£242.2 million	£210.7 million
Partners Group	£35.7 million	£37.1 million
M&G Investment Management	£2.1 million	£5.8 million
Cash held at custodian	£9.4 million	
Long-term investment - Brunel Pension Partnership	£0.8 million	
<b>Total</b>	<b>£2,382.2 million</b>	<b>£2,174.1 million</b>

2018

		<b>£ million</b>	<b>% of Fund total</b>
<b>Geographical analysis</b>	United Kingdom	762.7	32.0
	North America	212.3	8.9
	Europe	78.6	3.3
	Asia, ex Japan	5.9	0.2
	Other - Overseas	102.2	4.3
	Other - Pooled Funds	1,220.5	51.3
		<b>2,382.2</b>	<b>100.0</b>
<b>Sector analysis</b>	Long term assets	0.8	0.0
	Equities	1,251.6	52.6
	Fixed interest bonds	276.1	11.6
	Cash	29.1	1.2
	Property	281.4	11.8
	Emerging Market	252.4	10.6
	Infrastructure	35.7	1.5
	Index linked bonds	255.1	10.7
	<b>2,382.2</b>	<b>100.0</b>	

Comparative figures for 2016/2017 are shown below.

2017

		<b>£ million</b>	<b>% of Fund total</b>
<b>Geographical analysis</b>	United Kingdom	714.5	32.9
	North America	223.6	10.3
	Europe	78.3	3.6
	Asia, ex Japan	6.4	0.3
	Other - Overseas	78.0	3.6
	Other - Pooled Funds	1073.3	49.4
		<b>2,174.1</b>	<b>100.0</b>
<b>Sector analysis</b>	Equities	1,266.8	58.3
	Fixed interest bonds	231.3	10.6
	Cash	20.0	0.9
	Property	262.8	12.1
	Emerging Market	232.6	10.7
	Infrastructure	35.7	1.6
	Index linked bonds	124.9	5.7
	<b>2,174.1</b>	<b>100.0</b>	

Safe custody of all investments is the responsibility of State Street and some legacy assets with BNY Mellon and as such, they are registered in the name of, and are held by, its nominee companies or, alternatively, by overseas agents.

<b>Fund Account</b>	<b>Notes</b>	<b>2017/2018</b>	<b>2016/2017</b>
<b>For the year ended 31 March</b>		<b>£000</b>	<b>£000</b>
<b>Contributions and benefits</b>			
Contributions receivable	5	100,221	95,901
Individual transfers		3,798	3,604
		<b>104,019</b>	<b>99,505</b>
Benefits payable	6	(83,315)	(78,814)
Payments to and on account of leavers	7	(4,003)	(4,808)
		<b>(87,318)</b>	<b>(83,622)</b>
Management Expenses	8&12	(9,081)	(11,181)
		<b>7,620</b>	<b>4,702</b>
<b>Returns on investments</b>			
Investment income	9	11,701	10,076
Change in market value of investments	11	191,688	334,031
<b>Net returns on investments</b>		<b>203,389</b>	<b>344,107</b>
<b>Net Increase in the fund during the year</b>		<b>211,009</b>	<b>348,809</b>
<b>Opening Net Assets of the Fund</b>		2,187,470	1,838,661
<b>Closing Net Assets of the Fund</b>		<b>2,398,479</b>	<b>2,187,470</b>

## The Wiltshire Pension Fund

<b>Net Asset Statement At 31 March</b>	<b>Notes</b>	<b>31 March 2018</b>	<b>31 March 2017</b>
		<b>£000</b>	<b>£000</b>
<b>LONG TERM INVESTMENTS</b>			
Brunel Pension Partnership		840	0
<b>INVESTMENT ASSETS</b>	<b>11</b>		
Equities		388,220	372,221
Pooled investment vehicles		1,682,650	1,519,157
Property		281,427	262,758
Cash held on deposit		28,614	19,799
Other investment balances		473	170
		<u>2,382,224</u>	<u>2,174,105</u>
<b>INVESTMENT LIABILITIES</b>	<b>11</b>		
<b>Total net investments</b>		<u>2,382,224</u>	<u>2,174,105</u>
Current assets	<b>13</b>	19,767	17,047
Current liabilities	<b>14</b>	(3,512)	(3,682)
<b>Net assets of the Fund at 31 March</b>		<u><b>2,398,479</b></u>	<u><b>2,187,470</b></u>

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.

**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 is accounted for as it is earned or incurred, rather than as it is received and paid.

**2. Accounting Policies**

The principal accounting policies of the Fund are as follows:

**Contributions**

Contributions are received from employer bodies in respect of their own and their pensionable employees' contributions. Employers' contributions (for both Normal and Deficit Funding) are prescribed in the Actuary's Rates and Adjustment Certificate following the review of the Fund's assets and liabilities during the triennial valuation. The Employees' contributions are included at the rates prescribed by the Local Government Pension Scheme Regulations.

Employer augmentation contributions are accounted for in accordance with the agreement under which they are being paid.

**Benefits and Refund of Contributions**

The benefits payable and refunds of contributions have been brought into account on the basis of all valid claims approved during the year.

**Transfers to and from Other Schemes**

No account is taken of liabilities to pay pensions and other benefits after the year end. Transfer values, which are those sums paid to, or received from, other pension schemes relating to previous periods of employment, have been brought into account on a cash basis.

**Investment Income**

Dividends, interest and coupon receipts have been accounted for on an accruals basis. Income on pooled investments is accumulated and reflected in the valuation of units.



**Valuation of Investments**

Investments are shown in the accounts at market value, determined on the following basis:

- (i) **Quoted securities**  
Quoted Securities have been valued at 31 March 2018 by the Fund's custodian using the bid price where a quotation was available on a recognised stock exchange or unlisted securities market.
- (ii) **Unquoted securities**  
Unquoted securities have been valued according to the latest trades, professional valuation, asset values or other appropriate financial information.
- (iii) **Pooled investment vehicles**  
Pooled investments are stated at bid price for funds with bid/offer spreads, or single price/net asset value where there are no bid/offer spreads, as provided by the investment manager.
- (iv) **Fixed Interest Stocks**  
Segregated fixed interest stocks are valued on a clean basis. Accrued income is accounted for within investment income.
- (v) **Derivative Contracts**  
Derivatives are stated at market value. Exchange traded derivatives are stated at market values determined using quoted prices. For exchange traded derivative contracts which are assets, market value is based on quoted bid prices. For exchange traded derivative contracts which are liabilities, market value is based on quoted offer prices.

Over the Counter (OTC) derivatives are stated at market value using pricing models and relevant market data as at the year-end date.

Forward foreign exchange contracts are valued by determining the gain or loss that would arise from closing out the contract at the reporting date by entering into an equal and opposite contract at that date.

All gains and losses arising on derivative contracts are reported within 'Change in Market Value'.

Reported changes in the market value of investments over the year of account include realised gains or losses arising upon the disposal of investments during the year.

**Foreign Currency Translation**

All investments held in foreign currencies are shown at market value translated into sterling using the WM 4PM rate on 31 March 2018.

Foreign currency transactions are accounted for on the basis of the equivalent sterling value of the underlying transactions, by applying the relevant exchange rate ruling at the time. Where overseas securities are acquired with currency either previously purchased directly or accruing from the sale of securities, the sterling book cost of the new security will be based on the exchange rate ruling at the time of the purchase of that security. Any profit or loss arising on currency transactions either realised or unrealised, will be reflected in the Net Asset Statement.

### **Management Expenses**

The Fund discloses its management expenses in accordance with the CIPFA guidance Accounting for Local Government Pension Scheme Management Costs.

Investment management expenses are based on the quarter end market value of the investments held. The fees paid are determined by the agreed fee scales for each individual manager.

Where a management fee notification has not been received by the time of preparing the accounts, an estimate based upon the market value of the mandate is used for inclusion in the Fund account.

### **Acquisition Costs of Investments**

Transaction costs are charged as part of investment management expenses. These include costs charged directly to the fund such as fees, commissions, stamp duty and other fees.

### **Administration Expenses**

A proportion of the relevant officers' salaries, salary on-costs and general overheads, have been charged to the Fund on the basis of time spent on Fund administration.

### **Taxation**

The Fund is a registered pension scheme for tax purposes and as such is not liable for UK income tax on investment income, nor capital gains tax. As Wiltshire Council is the administering authority, VAT input tax is recoverable on all expenditure.

Income earned from investments in stocks and securities in the USA is exempt from US tax and is not subject to withholding tax. Most tax deducted from income on European investments is also recoverable.

### **Additional Voluntary Contributions (AVCs)**

The accounts of the Fund in accordance with regulation 5 (2) (C) of the Pension Scheme (Management and Investment of Funds) Regulations 1998 do not include transactions in respect of AVCs. These are money purchase arrangements made by individual Fund members under the umbrella of the Local Government Pension Scheme, to enhance pension benefits.

**3. Critical Judgement in Applying Accounting Policies****Pension Fund Liability**

The Pension Fund liability is calculated every three years by the appointed actuary, with annual updates in the intervening years. The methodology used is in line with accepted guidelines and in accordance with IAS19. Assumptions underpinning the valuations are agreed with the actuary and are summarised in the actuarial position statement. 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 2018 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 2018, the fund had a balance of £19.8m for debtors (£1.9m relate to a long-term debtor). A review of significant balances suggested that no impairment is currently necessary. However, in the current economic climate, it is not certain that all debts will be paid.	If collection rates deteriorate it may be necessary for an allowance to be included in the accounts for doubtful debts.

**5. Contributions Receivable**

	2017/2018 £000	2016/2017 £000
<b>Employer</b>		
- Normal	65,373	61,280
- Augmentation	1,976	1,401
- Deficit Funding*	12,812	14,064
<b>Members</b>		
- Normal	19,846	18,959
- Additional Contributions	214	197
	<b>100,221</b>	<b>95,901</b>
<b>Analysis of contributions receivable</b>		
	2017/2018 £000	2016/2017 £000
<i>Contributions from employees (Including Additional Contributions)</i>		
- Wiltshire Council	7,565	7,063
- Other scheduled bodies	11,582	11,123
- Admitted bodies	914	970
	<b>20,061</b>	<b>19,156</b>
<i>Contributions from employers (Including Augmentations)</i>		
- Wiltshire Council	29,737	30,194
- Other scheduled bodies	43,461	40,188
- Admitted bodies	6,962	6,363
	<b>80,160</b>	<b>76,745</b>
Total contributions receivable	<b>100,221</b>	<b>95,901</b>

97

\* 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 in order to improve the Fund's funding position. The recovery period at the last valuation over which the deficit funding is recovered is mainly 20 years for scheduled bodies and 14 years or the length of the employer's contract (whichever is the shorter) for admitted bodies.

## 6. Benefits payable

	2017/2018 £000	2016/2017 £000
Pensions	68,166	65,540
Commutation and lump sum retirement benefits	13,412	11,141
Lump sum death benefits	1,737	2,133
	<b>83,315</b>	<b>78,814</b>
<b>Analysis of benefits payable</b>	<b>2017/2018 £000</b>	<b>2016/2017 £000</b>
<i>Pensions payable</i>		
- Wiltshire Council	35,825	34,940
- Other scheduled bodies	25,578	24,200
- Admitted bodies	6,763	6,400
	<b>68,166</b>	<b>65,540</b>
<i>Retirement and Death grants payable</i>		
- Wiltshire Council	5,830	5,651
- Other scheduled bodies	7,751	6,186
- Admitted bodies	1,568	1,437
	<b>15,149</b>	<b>13,274</b>
Total benefits payable	<b>83,315</b>	<b>78,814</b>

## 7. Payments to and on account of leavers

	2017/2018 £000	2016/2017 £000
Individual transfer out to other schemes	3,690	4,394
Bulk transfer out to other schemes	0	2
Refunds to members leaving service	259	269
State Scheme Premiums	54	143
	<b>4,003</b>	<b>4,808</b>

## 8. Management Expenses

	2017/2018 £000	2016/2017 £000
Administration costs	2,773	1,955
Investment Management expenses	6,173	9,117
Oversight & Governance	135	109
	<b>9,081</b>	<b>11,181</b>

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

The guidance requires the reporting of external investment management fees that are deducted from asset values (rather than invoiced and paid directly). These are now shown gross. Wherever possible, these figures are based on actual costs disclosed by the manager; where actual costs were not

available, best estimates have been made using other available information. It is important to note that this is a change in reporting only and does not represent an actual increase in costs, nor a decrease in Fund's resources available to pay pension benefits.

Investment Management expenses includes £1.6m of performance-related fees paid to the fund's investment managers (2016/2017: £2.3m).

## 9. Investment Income

	<b>2017/2018</b>	<b>2016/2017</b>
	<b>£000</b>	<b>£000</b>
<i>Quoted securities</i>		
- UK equities	146	545
- Overseas equities	1,099	999
<i>Pooled Investment Vehicles</i>		
- Overseas equities	62	0
- UK property	8,944	8,616
- Global property	89	0
- Infrastructure	1,226	0
<i>Cash held on deposit</i>		
- Sterling Cash	50	77
- Overseas Cash	85	-161
	<b>11,701</b>	<b>10,076</b>

## 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 £52.1 million (2.2% of the total) were on loan at 31 March 2018. Collateral for these securities is held in a pooled form, the Wiltshire Pension Fund's share (0.019%) representing a value of £55.9million (107.28%). Income earned from this programme amounted to £0.306 million in the year.

WPF Securities on loan	52.1	77.8
<i>(percentage of total)</i>	2.19%	3.58%
WPF Collateral share of pool	0.02%	0.01%
Value of WPF pooled share	55.9	84.9
Percentage of securities on loan	107.3%	109.1%
Income earned in year	0.306	0.367

## 11. Investments

## Reconciliation of investments held at beginning and end of year

	Value at 01 April 2017	Purchases at cost & derivative payments	Sales Proceeds and derivative receipts	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 funds:					
- Other	1,519,157	437,221	(360,730)	87,002	1,682,650
- Property	262,758	45,107	(37,085)	10,647	281,427
Derivative assets					
	<b>2,154,136</b>	<b>515,249</b>	<b>(508,279)</b>	<b>192,031</b>	<b>2,353,137</b>
Cash deposits	19,799			(349)	28,614
Other Investment	170			6	473
Balances					
	<b>2,174,105</b>			<b>191,688</b>	<b>2,382,224</b>

	Value at 01 April 2016	Purchases at cost & derivative payments	Sales Proceeds and derivative receipts	Change in Market Value	Value at 31 March 2017
	£000	£000	£000	£000	£000
Equities	320,848	39,154	(84,266)	96,485	372,221
Pooled funds:					
- Other	1,252,637	459,029	(486,619)	294,110	1,519,157
- Property	230,505	63,985	(30,907)	(825)	262,758
Derivative assets					
- Forward FX	1,246	163,377	(117,950)	(46,673)	0
	<b>1,805,236</b>	<b>725,545</b>	<b>(719,742)</b>	<b>343,097</b>	<b>2,154,136</b>
Cash deposits	20,977			(9,086)	19,799
Other Investment	179			20	170
Balances					
	<b>1,826,392</b>			<b>334,031</b>	<b>2,174,105</b>

The PRAG guidance, Accounting for Derivatives in Pension Schemes, recommends that derivatives are set out separately in the investment reconciliation table for reasons of clarity and are reconciled on a 'net' basis as opposed to 'gross' as reported in the Net Assets Statement.

Transaction costs have been debited through the Fund Account and have been disclosed as part of the Investment Management Expenses. Costs are also borne by the Fund in relation to transactions in pooled investment vehicles.

## Details of investments held at year end

<b>LONG TERM ASSETS</b>		
Brunel Pension Partnership	840	0
<b>INVESTMENT ASSETS</b>		
<b>Equities</b>		
- UK equities	24,939	23,851
- Overseas equities	363,281	348,370
	<b>388,220</b>	<b>372,221</b>
<b>Pooled Investment Vehicles</b>		
- UK equities	171,423	285,230
- Overseas equities	691,999	609,342
- Overseas fixed income	276,116	231,301
- UK index linked Government bonds	255,092	124,948
- Property	281,427	262,758
- Emerging Market Debt	100,946	93,038
- Emerging Market Equities	151,419	139,557
- Infrastructure	35,655	35,741
	<b>1,964,077</b>	<b>1,781,915</b>
<b>Cash held on deposit</b>		
- Sterling Cash	14,966	17,561
- Overseas Cash	13,648	2,238
	<b>28,614</b>	<b>19,799</b>
<b>Other Investment Balances</b>		
- Outstanding dividend entitlements	304	4
- Recoverable tax	169	166
	<b>473</b>	<b>170</b>
<b>INVESTMENT LIABILITIES</b>		
<b>Total of investments held</b>	<b>2,382,224</b>	<b>2,174,105</b>
<b>NET CURRENT ASSETS &amp; LIABILITIES</b>		
Current Assets	19,767	17,047
Current Liabilities	(3,512)	(3,682)
<b>Total net current assets</b>	<b>16,255</b>	<b>13,365</b>
	<b>2,398,479</b>	<b>2,187,470</b>

**Objectives and Policies**

The Wiltshire Pension Fund Committee have authorised the use of derivatives by their investment managers as part of the investment strategy for the Fund.

The main objective for the use of key classes of derivatives and the policies followed during the year are summarised as follows:

**Options** – The Fund allows its managers to invest in options as part of their portfolio construction to assist them in achieving performance targets. These options are limited to ‘Over-the-Counter’ contracts purchased on major exchanges and must not exceed specified limits. Option exposures are limited and hedged through the use of futures.

**Futures** – The Fund allows a number of its managers to invest in futures, within specified exposure limits, as part of their overall portfolio construction to assist them in achieving performance targets.

**Forward foreign exchange** – In order to maintain an appropriate diversification of investments within the Fund and take advantage of overseas investment returns a proportion of the investment portfolio is invested overseas.

The Fund did not have any derivative contracts outstanding at the year end.

**Financial Instruments**

**Classification of financial instruments**

The accounting policies describe how different asset classes of financial instruments are measured, and how income and expenses, including fair value gains and losses are recognised. The following table analyses the carrying amounts of financial assets and liabilities by category and net asset statement heading. No financial assets were reclassified during the accounting period.

**As at 31 March 2018**

	Designated as Fair value through Profit and Loss	Loans and Receivables	Financial liabilities at amortised cost
	£000	£000	£000
<b>Long Term Investments</b>			
Brunel Pension Partnership	840	0	0
<b>Financial assets</b>			
Equities	386,131	2,089	0
Pooled investment vehicles	1,682,651	0	0
Property	281,427	0	0
Cash held on deposit	0	36,324	0
Other Investment balances	473	0	0
Debtors	0	12,057	0
	<u>2,350,682</u>	<u>50,470</u>	<u>0</u>
<b>Financial Liabilities</b>			
Creditors	0	(3,512)	0
	<u>0</u>	<u>(3,512)</u>	<u>0</u>
	<u>2,351,522</u>	<u>46,958</u>	<u>0</u>



As at 31 March 2017

	Designated as Fair value through Profit and Loss	Loans and Receivables	Financial liabilities at amortised cost
	£000	£000	£000
<b>Financial assets</b>			
Equities	367,664	4,557	0
Pooled investment vehicles	1,519,157	0	0
Property	262,758	0	0
Cash held on deposit	0	25,468	0
Other Investment balances	170	0	0
Debtors	0	11,378	0
	<u>2,149,749</u>	<u>41,403</u>	<u>0</u>
<b>Financial Liabilities</b>			
Creditors	0	(3,682)	0
	<u>0</u>	<u>(3,682)</u>	<u>0</u>
	<u>2,149,749</u>	<u>37,721</u>	<u>0</u>

**Net gains/(losses) on financial instruments**

	2018 £000	2017 £000
<b>Financial assets</b>		
Fair value through profit and loss	191,688	327,104
Loans and receivables	(334)	(9,079)
<b>Financial liabilities</b>		
Total	<u>191,354</u>	<u>318,025</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. In order to achieve this objective, the Fund holds financial instruments such as securities (equities, bonds), property, pooled funds (collective investment schemes) and cash and cash equivalents. The Fund's activities expose it to a variety of financial risks including Market Risk, Credit Risk and Liquidity Risk.

All the Fund's investments are managed by appointed Investment Managers. All investments are held by 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.

**a) Market Risk**

Market risk represents the risk that the fair value of a financial instrument will fluctuate because of changes in market prices. This could be as a result of changes in market price, interest rates or currencies. The objective of the Funds Investment strategy is to manage and control market risk exposure within acceptable parameters, while optimising the return.

In general, excessive volatility in market risk is managed through diversification across asset class and investment manager. Each manager is also expected to maintain a diversified portfolio within their allocation.

**1) Market Price Risk**

Market price risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting the market in general.

By diversifying investments across asset classes and managers, the Fund aims to reduce the exposure to price risk. Diversification of asset classes seeks to reduce correlation of price movements, whilst the appointment of specialist managers enables the Fund to gain from their investment expertise.

**Market Price - Sensitivity Analysis**

The sensitivity of the Fund's investments to changes in market prices has been analysed using the volatility of returns experienced by asset classes. The volatility data has been provided by the Fund's Investment Advisor (Mercers) and is broadly consistent with a one-standard deviation movement. The volatility is measured by the (annualised) estimated standard deviation of the returns of the assets relative to the liability returns. Such a measure is appropriate for measuring "typical" variations in the relative values of the assets and liabilities over short time periods. It is not appropriate for assessing longer term strategic issues. The analysis assumes that all other variables, in particular, interest rates and foreign exchange rates, remain constant.

Movements in market prices would have increased or decreased the net assets valued at 31 March 2018 and 2017 by the amounts shown below.

<b>As at 31 March 2018</b>	<b>Value £000</b>	<b>Volatility of return</b>	<b>Increase £000</b>	<b>Decrease £000</b>
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 - 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 - Rafi Equity	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
	<b>2,382,224</b>		<b>322,174</b>	<b>(322,174)</b>

<b>As at 31 March 2017</b>	<b>Value £000</b>	<b>Volatility of return</b>	<b>Increase £000</b>	<b>Decrease £000</b>
Baillie Gifford - Global Equity	356,091	17.30%	61,604	(61,604)
CBRE - Property	291,670	14.50%	42,292	(42,292)
Legal & General - Equity	285,230	17.00%	48,489	(48,489)
Legal & General - Gilts	124,949	8.80%	10,996	(10,996)
Legal & General - Global Equity	96,098	17.00%	16,337	(16,337)
Legal & General - Fundamentals	302,496	17.00%	51,424	(51,424)
Barings - Dynamic Assets Allocation	210,749	11.90%	25,079	(25,079)
Partners Group - Infrastructure	37,111	15.00%	5,567	(5,567)
Investec - Emerging Markets	232,595	20.10%	46,752	(46,752)
Loomis Sayles - Multi Asset Credit	92,798	6.00%	5,568	(5,568)
Loomis Sayles - Absolute Return Bond Fund	138,504	6.00%	8,310	(8,310)
M&G - Financing Fund	5,807	0.00%	0	0
Berenberg Bank - Dynamic Currency Fund	7	0.00%	0	0
	<b>2,174,105</b>		<b>322,418</b>	<b>(322,418)</b>

**2) Interest Rate Risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Fund's exposure to interest rate movements from its investments in cash & cash equivalents, fixed interest and loans at 31 March 2018 and 2017 are provided below.

	<b>31 March 2018</b>
	<b>£000</b>
Cash held on deposit	28,614
Fixed Interest Securities	276,116
Loans	2,089
	<u><b>306,819</b></u>

	<b>31 March 2017</b>
	<b>£000</b>
Cash held on deposit	19,799
Fixed Interest Securities	231,301
Loans	4,557
	<u><b>255,657</b></u>

**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.

<b>As at 31 March 2018</b>	<b>Value</b>	<b>Change in net assets</b>	
		<b>£000</b>	<b>£000</b>
			<b>+100 BP</b>
Cash held on deposit	28,614	286	(286)
Fixed Interest Securities	276,116	(9,149)	9,149
Loans	2,089	0	0
	<u><b>306,819</b></u>	<u><b>(8,863)</b></u>	<u><b>8,863</b></u>

<b>As at 31 March 2017</b>	<b>Value</b>	<b>Change in net assets</b>	
		<b>£000</b>	<b>£000</b>
			<b>+100 BP</b>
Cash held on deposit	19,799	198	(198)
Fixed Interest Securities	231,301	(6,676)	6,676
Loans	4,557	0	0
	<u><b>255,657</b></u>	<u><b>(6,478)</b></u>	<u><b>6,478</b></u>

A 1% increase in interest rates will reduce the fair value of the relevant net assets and vice versa. The loans identified are part of the M&G Financing Fund. Borrowers pay a fixed annual interest rate agreed at the outset.

### 3) Currency Risk

Currency risk represents the risk that the fair value of financial instruments will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency risk on financial instruments that are denominated in a currency other than sterling. When sterling depreciates the sterling value of foreign currency denominated investments will rise and when sterling appreciates the sterling value of foreign currency denominated investments will fall.

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.

<b>2018</b>	US Dollar	Euro	Yen
Benchmark Weights	12.21%	2.79%	0.00%
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Net Currency Exposure</b>	<b>290,850</b>	<b>66,428</b>	<b>0</b>

<b>2017</b>	US Dollar	Euro	Yen
Benchmark Weights	12.85%	3.04%	0.02%
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Net Currency Exposure</b>	<b>279,400</b>	<b>66,015</b>	<b>530</b>

### 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 2018 and 31 March 2017 would have increased or decreased the net assets by the amount shown below.

<b>2018</b>	<b>Assets Held</b>	<b>Change in net assets</b>	
	<b>at Fair Value</b>	<b>+10%</b>	<b>-10%</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
US Dollar	290,850	29,085	(29,085)
Euro	66,428	6,643	(6,643)
Yen	0	0	0
<b>Net Currency Exposure</b>	<b>357,278</b>	<b>35,728</b>	<b>(35,728)</b>

<b>2017</b>	<b>Assets Held</b>	<b>Change in net assets</b>	
	<b>at Fair Value</b>	<b>+10%</b>	<b>-10%</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
US Dollar	279,400	27,940	(27,940)
Euro	66,015	6,602	(6,602)
Yen	530	53	(53)
<b>Net Currency Exposure</b>	<b>345,945</b>	<b>34,595</b>	<b>(34,595)</b>

The Fund does hedge 50% of its overseas equity holdings therefore only a proportion of the gains/losses would be experienced. One important point to note is that currency movements are not independent of each other. If sterling strengthened generally it may rise against all the above currencies producing losses across all the currencies.

#### b) Credit Risk

Credit risk represents the risk that the counterparty to the financial instrument will fail to meet their obligations and the Fund will incur a financial loss.

The Fund is exposed to credit risk through its investment managers, custodian and its daily treasury management activities. Credit risk is minimised through the careful selection and monitoring of counterparties.

A securities lending programme is run by the Fund's custodian, 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 a 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 is invested with the custodian in a diversified money market fund rated AAAM.

The Fund's exposure to credit risk at 31 March 2018 and 2017 is the carrying amount of the financial assets.

#### 2018

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

#### 2017

	<b>£000</b>
Global Fixed interest pooled	231,301
Cash held on deposit	19,799
Other investment balances	170
Current assets	17,047
	<b><u>268,317</u></b>

**c) Liquidity Risk**

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due. The main liabilities of the Fund relate to the benefits payable which fall due over a long period of time. The investment strategy reflects this and set out the strategic asset allocation of the Fund. Liquidity risk is mitigated by investing a proportion of the Fund in actively traded instruments in particular equities and fixed income investments. The Fund maintains a cash balance to meet operational requirements.

The following tables analyse the Fund's financial liabilities as at 31 March 2018 and 2017, grouped into relevant maturity dates.

<b>2018</b>	<b>Carrying Amount £000</b>	<b>Less than 12 months £000</b>	<b>Greater than 12 months £000</b>
Accounts Payable	107	107	0
Benefits Payable	539	539	0
Sundry Creditors	2,866	2,866	0
	<b>3,512</b>	<b>3,512</b>	<b>0</b>

<b>2017</b>	<b>Carrying Amount £000</b>	<b>Less than 12 months £000</b>	<b>Greater than 12 months £000</b>
Accounts Payable	143	143	0
Benefits Payable	493	493	0
Sundry Creditors	3,046	3,046	0
	<b>3,682</b>	<b>3,682</b>	<b>0</b>

**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 2018 and 31 March 2017, 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.

<b>2018</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Brunel Pension Partnership Equities	840	0	0	840
Pooled Funds:	384,770	0	3,450	388,220
- Other	0	1,646,995	35,655	1,682,650
- Property	0	111,402	170,025	281,427
Derivative assets				
	<b>385,610</b>	<b>1,758,397</b>	<b>209,130</b>	<b>2,353,137</b>
Cash Deposits	28,614	0	0	28,614
Other Investment balances	473	0	0	473
	<b>414,697</b>	<b>1,758,397</b>	<b>209,130</b>	<b>2,382,224</b>

<b>2017</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Equities	365,698	0	6,523	372,222
Pooled Funds:				
- Other	0	1,483,417	35,740	1,519,157
- Property	0	106,923	155,835	262,758
Derivative assets				
	<b>365,698</b>	<b>1,590,340</b>	<b>198,098</b>	<b>2,154,136</b>
Cash Deposits	19,799	0	0	19,799
Other Investment balances	170	0	0	170
	<b>385,667</b>	<b>1,590,340</b>	<b>198,098</b>	<b>2,174,105</b>

During 2017/18 there were no transfers between level 1 and 2 of the fair value hierarchy.

The following tables present the movement in level 3 instruments for the year end 31 March 2018 and 31 March 2017.

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

<b>2017</b>	<b>£000</b>
Opening balance	148,223
Total gains/losses	2,618
Purchases	70,693
Sales	(23,436)
Transfer out of Level 3	0
Closing balance	<b>198,098</b>

The following table shows the sensitivity of assets valued

### Sensitivity of assets valued at level 3

	Assessed Valuation range (+/-)	Value at 31 March 2018 £'000	Value on increase £'000	Value on decrease £'000
Pooled Property	14.10%	171,386	195,551	147,221
M&G Financing Fund	0.00%	2,089	2,089	2,089
Infrastructure	14.30%	35,655	40,754	30,556
		<b>209,130</b>	<b>238,394</b>	<b>179,866</b>

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

Security	31 March 2018	
	Market value £m	% of total market value
Legal & General - Rafi Equity	324.5	13.6
Investec - Emerging Markets	252.4	10.6
Barings - Dynamic Asset Allocation Fund	242.2	10.2
Legal & General Equity Index Fund	171.4	7.2
Loomis Sayles Alpha Bond Fund	160.9	6.8
LSAA 2068 Index Linked Gilts	127.9	5.4
LUAB 2062 Index Linked Gilts	127.2	5.3
Legal & General World Equity Index	125.4	5.3
	<b>1531.9</b>	<b>64.4</b>

## 12 Investment management expenses

	2017/2018 £000	2016/2017 £000
Management & Investment Admin Fees	6,074	9,047
Custody & Performance Measurement	99	70
	<b>6,173</b>	<b>9,117</b>



**13 Current assets**

	<b>31 March 2018</b> <b>£000</b>	<b>31 March 2017</b> <b>£000</b>
Contributions due from other authorities and bodies		
- Employees	1,570	1,536
- Employers	5,590	5,199
Debtors (Magistrates)	1,930	2,895
Other	2,967	1,748
Cash balances	7,710	5,669
	<b>19,767</b>	<b>17,047</b>
Less:		
Long term debtors (Magistrates)	1,930	2,895
<b>Net Current Assets</b>	<b>17,837</b>	<b>14,152</b>

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 £2.895m, of this the following year's instalment (£0.965m) is classified as a debt repayable in one year, and the remaining balance £1.930m is a long-term debtor.

**14 Current Liabilities**

	<b>31 March 2018</b> <b>£000</b>	<b>31 March 2017</b> <b>£000</b>
Managers / Custody fees	1,646	1,510
HMRC	722	717
Other	1,144	1,455
	<b>3,512</b>	<b>3,682</b>

**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 £0.773 million (£0.782million in 2016/2017) into their AVC funds during the year. At the year end, the value of funds invested on behalf of Fund members totalled £4.422 million (£4.529 million in 2016/2017), made up as follows:

	£ million
<i>Equitable Life Assurance Society</i>	
- With Profits Fund	0.471
- Unit Linked Managed Fund	0.145
- Building Society Fund	0.000
<i>Clerical Medical Funds</i>	0.000
- With Profits Fund	0.178
- Unit Linked Managed Fund	0.900
<i>NPI Funds</i>	0.000
- Managed Fund	0.012
- With Profits Fund	0.097
- Global Care Unit Linked Fund	0.062
- Cash Deposit Fund	0.024
<i>Prudential</i>	0.000
- With Profits Cash Accumulation Fund	0.893
- Deposit Fund	0.444
- Diversified Growth Fund	0.422
- Equity Passive	0.059
- Long Term Growth Fund	0.340
- Pre-Retirement Fund	0.187
- Property Fund	0.188
	4.422

## 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 £1.472m (2016/2017: £1.430m) in relation to the administration of the Fund and was subsequently reimbursed by the Fund for these expenses. The Council is also the single largest employer of members of the Pension Fund and contributed £30m to the Fund in 2017/2018 (2016/2017: £30m). A balance of £0.9m 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 2018, the fund had an average investment balance of £7.6m (31 March 2017: £5.6m), earning interest of £21k (2016/2017: £21k) in these funds.

Brunel Pension Partnership Limited (BPP Ltd.) was formed on the 14<sup>th</sup> 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 (2016/17 nil).

## 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. Councillor Roy White is also a pensioner member of the Pension Fund.

## 18. Guaranteed Minimum Pension

The Guaranteed Minimum Pension (GMP) Reconciliation project has been split into a number stages for Local Government Pension Schemes (LGPS). The Fund has nearly completed Stage 2,

entitled "Review data inconsistencies, raise with HMRC & agree outcome" with more than 85% of the work completed. With HMRC extending the GMP reconciliation project with them to December 2018 the Fund is on track to complete this work.

GMP elements of member's LGPS pension whose State Pension Age (SPA) is prior to 06/04/2016 are not increased by the Fund for Pre 1988 GMP (in respect of the period 06/04/1978 to 05/04/1988). But for Post 1988 element (in respect of the period 06/04/1988 to 05/04/1997) it is increased by a maximum of 3%. The Government increase the State Pension for the member fully on the Pre 1988 GMP element and for Post 1988 GMP element it is only increased if CPI is above 3%.

The effect of LGPS pensions not showing the correct amount of GMP for its members would mean that their pension would be increased by more than it should be. Stage 3 entitled "Rectification" whereby LGPS pensions will be amended with the reconciled Stage 2 GMP information will take place following completion of Stage 2.

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 2018 totalled Euro 15.2m and USD 42.5m; representing GBP 43.59m.

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.

**Actuarial Statement in respect of IAS26 as at 31.03.2018**

**Introduction**

CIPFA's Code of Practice on Local Authority Accounting 2017/18 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 2018	31 March 2017
Active members	1,469	1,349
Deferred pensioners	848	853
Pensioners	1,116	1,163
<b>Total</b>	<b>3,433</b>	<b>3,365</b>

The promised retirement benefits at 31 March 2018 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 2018 and 31 March 2017. I estimate that the impact of the change in financial assumptions to 31 March 2018 is to decrease the actuarial present value by £67m. 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 2018	31 Mar 2017
Pension Increase Rate	2.4%	2.4%
Salary Increase Rate	2.7%	2.7%
Discount Rate	2.6%	2.5%

**Longevity assumption**

Life expectancy is based on the Fund's VitaCurves with improvements in line with the CMI 2013 model, assuming the current rate of improvements has reached a peak and will converge to a long-term rate of 1.25% p.a. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	<b>Males</b>	<b>Females</b>
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%	284
0.5% p.a. increase in Salary Increase Rate	1%	46
0.5% decrease in Real Discount Rate	10%	349

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 2018 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

27 April 2018

For and on behalf of Hymans Robertson LLP

**Schedule of Employer Bodies****Scheduled/Resolution bodies**

Wiltshire Council  
 Swindon Borough Council  
 Wiltshire & Swindon Fire Authority  
 Wiltshire Police PCC & CC  
 Alderbury Parish Council  
 Amesbury Parish Council  
 Blunsdon 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  
 Devizes Town Council  
 Durrington Town Council  
 Haydon Wick Parish Council  
 Highworth Town Council  
 Ludgershall Town Council  
 Idminster Parish Council  
 Malmesbury Town Council  
 Marlborough Town Council  
 Melksham Town Council  
 Melksham Without Parish Council  
 Mere Parish Council  
 Purton Parish Council  
 Redlynch  
 Royal Wootton Bassett Town Council  
 Salisbury City Council  
 St Andrews Parish Council  
 Steeple Ashton Parish Council  
 Stratton St Margaret Parish Council  
 Trowbridge Town Council  
 Wanborough Town Council  
 Warminster Town Council  
 Westbury Town Council  
 Wilton Town Council  
 Wroughton Parish Council  
 Acorn Academy  
 All Saints (Netheravon) Academy  
 Athelston Trust (Bradon Forest)  
 Athelston Trust (Malmesbury Academy)  
 ATOM  
 Bishop Wordsworth Academy  
 Blue kite Academy  
 Bybrook Valley Academy  
 Christian Malford Academy  
 Churchfield Academy  
 Colebrook Infants Academy  
 Commonweal Academy  
 Corsham Primary Academy  
 Corsham Secondary Academy  
 inc Corsham Regis  
 Dauntseys Academy  
 Devizes Academy  
 Diocese of Bristol Academy Trust  
 Diocese of Salisbury Academy Trust  
 Dorcan Technology Academy  
 Eastrop Infants Academy  
 Education Fellowship  
 Excalibur Academy  
 Goddards Park Academy  
 Gorse Hill Academy  
 Hardenhuish School Ltd  
 Hazelwood Academy

Highworth Warneford Academy  
 Holy Cross Ctholic Primary  
 Holy Family Academy  
 Holy Rood PrimaryAcademy  
 Holy Trinity Calne Academy  
 Holy Trinity Devizes Academy  
 John Bentley Academy  
 John of Gaunt Academy  
 King William Academy  
 Kingsdown Academy  
 Lavington Academy  
 Lethbridge Academy  
 Lydiard Academy  
 Magna Learning Partnership  
 Malmesbury Primary Academy  
 Millbrook Academy  
 Morgan Vale Academy  
 New College  
 Oasis Community Learning  
 Peatmoor Primary Academy  
 Pewsey Primary Academy  
 Pewsey Vale Academy  
 Pickwick Academy Trust  
 Queens Crescent Academy  
 Reach South Academy Trust  
 Rowde Academy  
 Royal Wootton Bassett School  
 Salisbury 6th Form Academy  
 Salisbury Plain MAT  
 Sarum Academy  
 Sevenfields Academy  
 Shaw Ridge Academy  
 Sheldon Academy  
 Somerset Road Academy  
 South Wilts Grammar School  
 South Wilts UTC  
 Southbroom Infants Academy  
 Southfield Junior Academy  
 St Augustine's School  
 St Catherine's Academy  
 St Edmund's Calne Academy  
 St Edmunds Girls Academy Salisbury  
 St Joseph's Academy Devizes  
 St Joseph's Academy Swindon  
 St Laurence Academy  
 St Leonard's Academy  
 St Mary's Swindon Academy  
 Swindon College  
 The Mead Primary Academy  
 inc Castle Mead Academy  
 inc River Mead Academy  
 The Parks Academy Trust  
 United Learning Trust  
 Uplands Education Trust  
 UTC Swindon  
 Wansdyke Academy  
 Wellington Academy  
 West Ashton Academy  
 Westlea Academy  
 White Horse Academies  
 Wiltshire College  
 Woodford Valley Academy

**Admitted bodies**

Agincare  
 Aster Communities  
 Aster Group  
 Aster Living  
 Aster Property Management  
 Atkins Ltd  
 Brunel  
 Capita Business Services Ltd  
 Care Home Select (CHS)  
 Caterlink 1  
 Caterlink 2  
 Caterlink 3  
 Change Grow Live  
 Churchill Services 1  
 Churchill Services 2  
 CIPFA  
 Collaborative Schools  
 Community First  
 Create Studios  
 Deeland  
 Devizes Museum  
 Direct Cleaning  
 Direct Cleaning Wansdyke  
 Edwards and Wards - Nythe School  
 Edwards and Wards - St Peters School  
 Elior UK  
 Eynon  
 FCC Environment  
 First City Nursing  
 GLL  
 Great Western Hospital  
 Greensquare (Westlea Housing Association)  
 Greenwich Leisure Limited  
 Greenwich Leisure Limited pt2  
 Idverde  
 Innovate Services  
 KGB Cleaning  
 Lifeways  
 Mears Care East 2  
 Mears Care Ltd North 1  
 Mears care Ltd West 1  
 Oxford Health NHS Trust  
 Places For People Leisure  
 Public Power Solutions  
 Reach  
 Ringway  
 Salisbury and South Wilts Museum  
 Sarsen Housing  
 Selwood Housing  
 Seren Group  
 Sodexo  
 Sodexo 2  
 Somerset Care Ltd  
 Southern Health NHS Foundation Trust  
 Spurgeons  
 Swindon Dance  
 Swindon Wildcats  
 The Order Of St John Care Trust  
 Twigmarket  
 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.



**Wiltshire Council**

**Audit Committee**

**24 July 2018**

---

## **Draft Annual Governance Statement 2017/18**

---

### **Purpose of Report**

1. To approve an Annual Governance Statement for 2017/18.

### **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 2017/18. This will be signed by the Leader of the Council and the Corporate Directors after final approval by the Audit Committee on 24 July 2018. The AGS will form part of the Annual Statement of Accounts for 2017/18.
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.
4. The AGS for Wiltshire Council should demonstrate how the Council is meeting the principles of good governance adopted in its Code of Corporate Governance. These principles aim to ensure the Council is:
  - Behaving with integrity, demonstrating strong commitment to ethical values, and representing the rule of law.
  - Ensuring openness, transparency and comprehensive stakeholder engagement – delivering accountability
  - Defining outcomes in terms of sustainable economic, social and environmental benefits
  - Determining the interventions necessary to optimise the achievement of intended outcomes
  - Developing capacity, including the capacity of the Council's leadership and the individuals within it
  - Managing risks and performance through robust internal controls and strong public financial management.

5. The AGS is primarily retrospective. It reports on the assurance framework and measures in place for the financial year 2017/18, but must take account of any significant issues of governance up to the date of publication of the Statement of Accounts in July 2018. The AGS should outline the actions taken or proposed to address any significant governance issues identified.
6. The AGS is drafted by senior officers who have lead roles in corporate governance. The evidence for the AGS comes from a variety of sources, including service plans, relevant lead officers within the organisation, internal and external auditors and inspection agencies.

### **Main Consideration for the Council Draft AGS - Content**

7. A draft AGS for 2017/18 is attached at Appendix 1. The draft has been shared with Cabinet and external audit (KPMG) who have had the opportunity to comment.
8. Cabinet noted the draft AGS and that this would be referred to the Audit Committee on 24 July for final approval.
9. KPMG have advised (at page 19 of their External Audit ISA 260 Report July 2018):

*We have reviewed the Authority's 2017-18 Annual Governance Statement and confirmed that it is not misleading and is consistent with other information we are aware of from our audit of the financial statements.*

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

The draft AGS incorporates these amendments.

10. The Council's internal auditors have given an overall audit opinion of reasonable assurance on the effectiveness of the Council's control environment for 2017/18.
11. The final section of the draft AGS requires the Council to identify any significant internal control issues affecting the Council during the relevant period. CIPFA guidance suggests that an internal control issue is to be regarded as significant if:
  - the issue has seriously prejudiced or prevented achievement of a principal objective;
  - the issue has resulted in a need to seek additional funding to allow it to be resolved, or has resulted in significant diversion of resources from another aspect of the business;
  - the issue has led to a material impact on the accounts;
  - the audit committee, or equivalent, has advised that it should be considered significant for this purpose;
  - the Head of Internal Audit has reported on it as significant, for this purpose, in the annual opinion on the internal control environment;

- the issue, or its impact, has attracted significant public interest or has seriously damaged the reputation of the organisation;
  - the issue has resulted in formal action being taken by the Chief Financial Officer and/or the Monitoring Officer.
12. At this stage it is proposed to include the following governance issues as areas for improvement:
- 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 in the summer 2018, changes to the Business Rates system and lessons learnt from the section 114 notice issued at Northamptonshire County Council in February 2018.

- Embedding improvements to data protection to be compliant with the new regulatory framework.
  - Responding to an event in March 2018 that occurred in Salisbury and a further more recent event in Amesbury, 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.
  - Ensuring the new waste contract is mobilised effectively in line with current plans for July 2018.
  - 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.
  - How the Council collects general feedback from individuals and communities to assess improvements in approach and reviewing the arrangements for the governance of partnership working.
  - 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.
13. The governance of the Council will continue to be monitored by Cabinet, other councillor committees and the Council's Corporate Leadership Team. That will include the areas to address identified above.

### **Safeguarding Implications**

14. Safeguarding issues have been covered in in Section 2.1 and 4.7 -4.9 of the draft AGS.

### **Public Health Implications**

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

### **Environmental and Climate Change Considerations**

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

### **Equalities Impact of the Proposal**

17. There is no impact on equality arising from this report.

### **Risk Assessment**

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

### **Financial Implications**

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

### **Legal Implications**

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

### **Proposal**

The Audit Committee is, therefore, asked to approve the draft AGS for publication with the Annual Statement of Accounts 2017-18.

### **Reason for Proposal**

21. To prepare the AGS 2017/18 for publication in accordance with the requirements of the Audit and Accounts Regulations.

### **Ian Gibbons**

Director, Legal and Democratic Services

**Ian Duncan**

Interim Director, Finance and Procurement

**Robin Townsend**

Director, Corporate Services and Digital

---

Report Authors: Ian Gibbons, Robin Townsend and Ian Duncan,  
David Bowater, Senior Corporate Support  
Manager [ian.gibbons@wiltshire.gov.uk](mailto:ian.gibbons@wiltshire.gov.uk),  
[robin.townsend@wiltshire.gov.uk](mailto:robin.townsend@wiltshire.gov.uk) and  
[ian.duncan@wiltshire.gov.uk](mailto:ian.duncan@wiltshire.gov.uk)  
[david.bowater@wiltshire.gov.uk](mailto:david.bowater@wiltshire.gov.uk)

**Background Papers**

The following unpublished documents have been relied on in the preparation of this report: None

**Appendices**

Appendix 1 Wiltshire Council's Draft Annual Governance Statement 2017/18

# Wiltshire Council's Annual Governance Statement 2017/18

## 1 Introduction

1.1 Wiltshire Council is a local authority that is responsible for providing services to nearly half a million residents, tens of thousands of varied businesses and over a million visitors per year. It secures funding from national government, local taxation and charges. So as a public body it needs to have a strong governance framework that ensures that its business is conducted to the highest standards, ensuring:

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

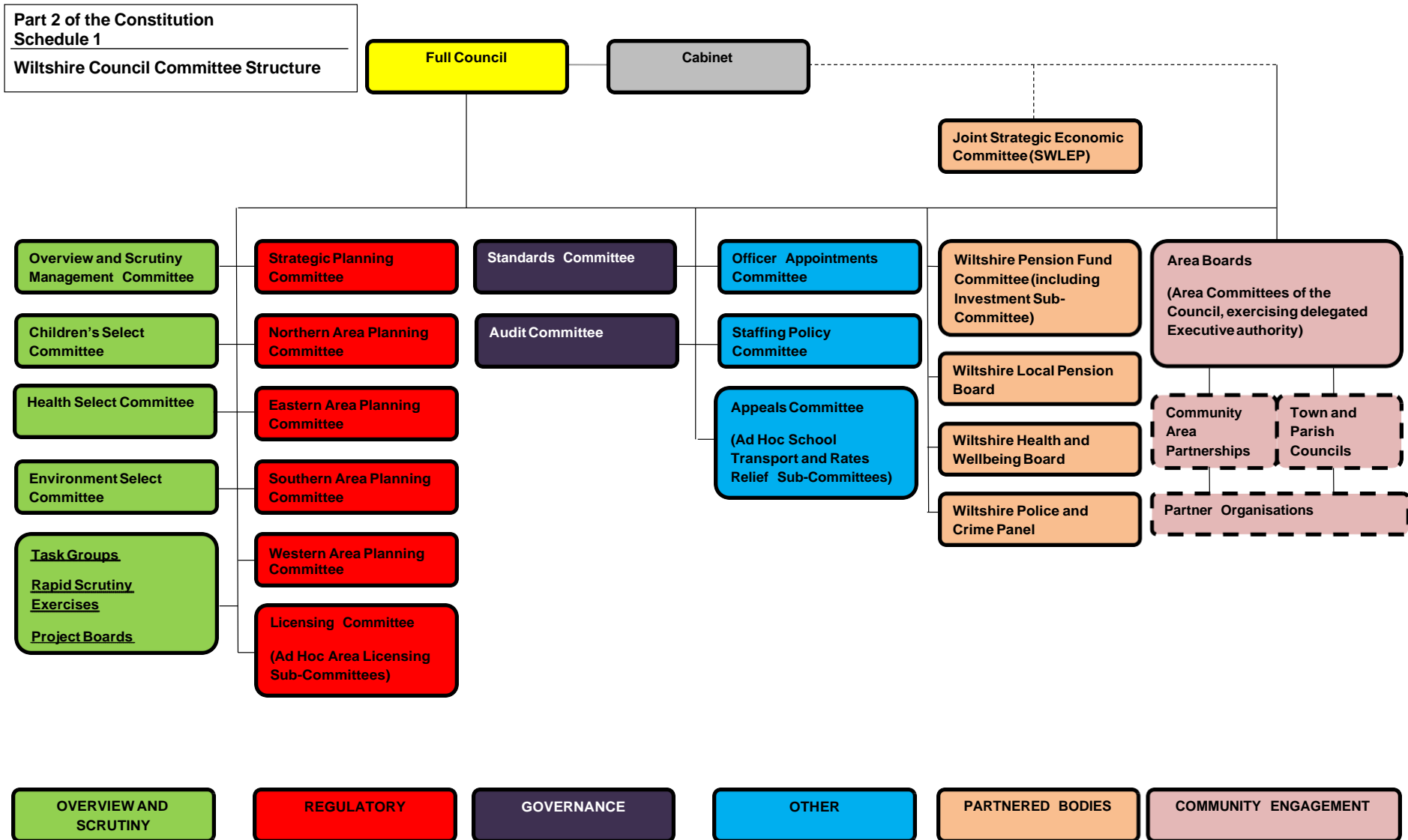
1.2 Ensuring good governance fits with the principles of the Council's current Business Plan 2017-27 which states that the Council will deliver its vision of strong communities by working according to the principles set out under eight key themes:

<b>Community Involvement</b> Robust decision making which is open, inclusive, flexible and responsive	<b>Commercialism</b> An efficient, commercial and long term approach with an increase in trading of our services and £45m savings by 2021.	<b>People</b> An outstanding workforce with a can-do attitude - supported through clear career paths, talent management and learning and development	<b>Change</b> Transforming services through systems thinking, underpinned with a rigorous programme approach.
<b>One Wiltshire Estate</b> Shared estate with public partners and a strategic, commercial approach.	<b>Digital</b> Use of dynamic, digital technology and shared records with partners.	<b>Performance</b> A focus on customers and delivering good outcomes	<b>Delivering together</b> Designing services with communities; considering new delivery models and joint commissioning with partners

- 1.3 Elected members are collectively responsible for the governance of the Council. The full Council's responsibilities include:
- agreeing the Council's constitution, comprising the key governance documents, including the executive arrangements, and making any necessary changes to ensure that the Constitution remains fit for purpose and reflects legislation and best practice.
  - agreeing the budget and policy framework, including key strategies
  - appointing the head of paid service
  - appointing members to committees responsible for overview and scrutiny functions, audit, standards and regulatory matters.
- 1.4 The Council operates a leader and cabinet executive model in accordance with the Localism Act 2011. Under these arrangements the Cabinet carries out all of the Council's functions which are not the responsibility of any other part of the Council. Cabinet meets monthly and its decisions in 2017/18 can be found [here](#).
- 1.5 The cabinet is held to account by overview and scrutiny committees whose function is to review and/ or scrutinise decisions made or actions taken in connection with the discharge of the Council's functions and assist with policy development.



1.6 The political structure of the Council is shown below:



- 1.7 The governance framework comprises the systems and processes, and culture and values, by which the Council is directed and controlled and the activities through which the Council accounts to, engages with and leads the community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.
- 1.8 The assurance framework and the system of internal controls are significant parts of the governance framework . They are designed to manage risk to a reasonable level. They cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The assurance framework and the system of internal controls are based on an ongoing process that is designed to:
- a. identify and prioritise the risks to the achievement of the Council's policies, aims and objectives;
  - b. evaluate the likelihood of those risks being realised;
  - c. assess the impact of the risks if they are realised;
  - d. manage the risks efficiently, effectively and economically.
- 1.9 The assurance framework also provides a mechanism for monitoring and implementing a system of continuous governance improvement. The governance framework has been in place at the Council for the year ended 31 March 2018 and up to the date of approval of the Statement of Accounts for 2017/18.
- 1.10 As part of ensuring the highest standards are set and maintained the Council regularly reviews its governance arrangements. This statement reflects how Wiltshire Council has met those standards in 2017/18 and the ongoing actions it is taking to maintain and improve its governance arrangements. Evidence of how we have assessed ourselves in line with good practice set out by the Chartered Institute of Public Finance and Accountancy (CIPFA) in its publication 'Delivering good governance', has been grouped into six sections:
1. Behaving with integrity, demonstrating strong commitment to ethical values, and representing the rule of law.
  2. Ensuring openness, transparency and comprehensive stakeholder engagement – delivering accountability
  3. Defining outcomes in terms of sustainable economic, social and environmental benefits

4. Determining the interventions necessary to optimise the achievement of intended outcomes
5. Developing capacity, including the capacity of the Council's leadership and the individuals within it
6. Managing risks and performance through robust internal controls and strong public financial management.

1.11 The following sections set out how Wiltshire Council delivers good governance, how it performed in that role in 2017/18 and what it is doing to continually improve its arrangements.

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

2.1 The Council's [Constitution](#) provides the framework within which the Council operates. It sets out how decisions are made and the procedures which must be followed to ensure that these are efficient, effective, transparent and accountable. The Constitution is reviewed on an ongoing basis and Full Council updated Parts 11A and 11B (relating to corporate parenting and safeguarding children) in May 2017 and Part 4 (council procedure rules) on recorded votes in October 2017. In 2017/18 specific reviews on parts 3D (3) (scheme of delegation specific to planning) and various changes to Part 2 (The Constitution), Part 3 (Responsibility for Functions), Part 9 (Finance Regulations and Procedures) and Protocol 11 (Governance Reporting Arrangements) have commenced. These will be assessed by the Standards Committee and considered by [Full Council](#) on 22 May 2018. This practice ensures that the Constitution remains fit for purpose and is updated for national and local changes in circumstances.

2.2 The Constitution includes at Part 13 the Members' Code of Conduct, which makes clear the obligation of elected members in promoting and maintaining high standards of conduct and ensuring the principles of public life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership) are adhered to. Pecuniary and non-pecuniary interests are registered and published on the web site in accordance with the requirements of the Code of Conduct and the underlying legislation. There is a process for dealing with complaints under the code of conduct for unitary, parish, town and city councillors in Wiltshire. This process and its application is set by the Council and reviewed regularly by the Council's Standards Committee. Minutes from the meetings of this Committee can be found [online](#).

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

- 2.4 There is a strong culture operating in the Council of acting to the highest standards. This is rooted in the behaviours expected of councillors and staff, and upheld by the senior leaders. Where any resident feels the Council has not acted properly the Council has a corporate complaints [procedure](#). If residents are not satisfied with the response to their complaint they may complain to the Local Government Ombudsman. The complaints procedure is also subject to regular review.
- 2.5 The Council publishes and promotes both a code of conduct for its staff and a behaviours Framework that details what is expected of all employees. The behaviours framework forms a key part of the appraisal system to promote ethical awareness amongst the Council's staff.
- 2.6 The Council provided a comprehensive induction programme for newly elected councillors in May 2017, including training on the decision making framework, standards of conduct, safeguarding, overview and scrutiny and the discharge regulatory functions. Further training will be provided on an ongoing basis as the Council operates a protocol for Councillor-Officer Relations to ensure the respective roles of councillors and officers are fully understood. Joint communications are used (The Wire and Elected Wire) to ensure that officers and councillors have the same understanding of projects, plans and issues. These measures ensure that elected members have every opportunity to use their expertise.
- 2.7 The Council has established recruitment policies to ensure that appointments to the Council are fair and ethical and meet the requirements of equalities legislation takes account of the need to ensure diversity. Any applicant who has identified themselves as disabled and who meets the essential requirements of the person specification will be automatically shortlisted. This 'double tick' policy is part of the Council's wider Equality and Diversity Policy that ensures all appropriate decisions are taken with issues of equalities in mind.
- 2.8 Ethical considerations are also evident in the Council's [Procurement Strategy](#) where Social Value is a key feature. The Strategy describes a voluntary charter for suppliers asking for a commitment to local employment, skills, training and environmental issues.
- 2.9 The Council has an [Anti-Fraud & Corruption Strategy](#) which operates as part of the governance framework to ensure the Council recognises and responds to the threat of fraud and corruption. The Anti-Fraud and Corruption Strategy was reviewed and updated during 2017/18 and will be published together with awareness initiatives in 2018/19. During 2017/18 SWAP Internal Audit Services took on responsibility for counter fraud across the Council following the disbanding of the in-house

counter fraud team in late 2016/17. A Counter Fraud Plan for 2017/18 was developed and agreed by the Audit Committee, delivery being reported during the year.

- 2.10 The Council is reviewing its policies on Anti-Fraud and Corruption, Whistleblowing, Complaints and other Human Resources Policies to ensure that these are clear to staff and work effectively together.
- 2.11 The Council has independent external auditors (KPMG LLP) and internal auditors (SWAP Internal Audit Services, with the Council being a partner). SWAP's periodic update reports were considered during 2017/18 by the Council's [Audit Committee](#). No significant governance issues were raised.
- 2.12 The Council appoints an Independent Remuneration Panel when required to advise and make recommendations to the Council on the setting of member allowances in accordance with the Local Authorities (Member Allowances) (England) Regulations 2003. The Panel's latest review was considered by Full Council in [October 2017](#).
- 2.13 The Council is responsible for a number of partnerships, including:
- the [Health and Wellbeing Board](#), a committee of the council with a strategic leadership role in promoting integrated working between the council and the NHS;
  - the [Wiltshire Police and Crime Panel](#) which reviews and scrutinises decisions of the Police and Crime Commissioner. The Panel is a joint committee with Swindon Borough Council;
  - The Council is the lead authority for the Swindon and Wiltshire Local Enterprise Partnership ([SWLEP](#)). Following the Mary Ney national [review](#) of LEPs, the Council as the lead authority reviewed the [governance](#) and [assurance](#) frameworks underpinning the SWLEP (such as the Joint Strategic Economic Committee) during 2017/18 with input from internal Audit and DCLG. The governance arrangements were found to be operating effectively and were commended by DCLG. These will be kept under review to reflect further [best practice guidance](#) from central Government during 2018/19.
- 2.14 The Council is the Administering Authority for the Wiltshire Pension Fund, and the [Pension Committee](#) exercises its responsibilities in relation to investment management where it sets investment policy and appoints and monitors external investment managers. This has including participation in the Brunel Pension Partnership (as agreed by full council) and

continued operation of a Local Pension Board whose purpose is to assist the Council as Administrator for the Wiltshire Pension Fund and ensure the efficient and effective governance of the pension scheme. SWAP Internal Audit undertook an audit of key financial controls in relation to the Wiltshire Fund during 2017/18.

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

- 3.1 The Constitution sets out the legal and constitutional framework for good decision making, including the principles of decision making, schemes of delegation, recording of decisions and access to information relating to decisions. All Council, Cabinet and Committee report templates include a section on legal and financial considerations. These can be seen in all decisions made, see for example reports available to the public made by [Cabinet](#) during 2017/18.
- 3.2 The Council publishes a Forward Work Plan once a month giving details of all matters anticipated to be considered by the Cabinet over the following 4 months, including items which constitute a key decision.
- 3.3 The Council has established 18 area committees known as Area Boards. Each area board exercises local decision making under powers delegated by the Leader.
- 3.4 The Council's overview and scrutiny arrangements consist of an Overview and Scrutiny Management Committee supported by 3 select committees:
- Health (including the NHS, public health and adult social care)
  - Environment (including highways, waste and transportation)
  - Children (including education, vulnerable children, youth services and early years)
- 3.5 The management committee co-ordinates the work of the select committees and also covers internal services such as finance, performance, staffing and business planning. Most overview and scrutiny work is done by small groups of elected members who meet to review single issues in detail. Interested parties are often invited to contribute to this work. The group then produces a report presenting their findings and recommendations to the cabinet and others as necessary on how the issue or service could be improved. During 2017/18 49.5% of Cabinet decisions received Overview and Scrutiny input. No cabinet decisions were called in and considered by the Overview and Scrutiny Commission.

- 3.6 Rapid scrutiny exercises provide the opportunity to be able to react more readily to issues as they emerge. Scrutiny member representatives can also be appointed to boards of major projects to provide challenge. Partners and contractors also contribute to the scrutiny process.
- 3.7 These arrangements serve to hold the Cabinet, its Committees, individual Cabinet Members and officers to public account for their executive policies, decisions and actions and serves to make sure that decisions are taken based on sound evidence and are in the best interests of the people of Wiltshire.
- 3.8 In 2017/18 Scrutiny Committees consider a wide range of subjects and produced an [Annual Report](#) to the Overview and Select Management Committee on its work. In addition the Council carried out several public consultations to provide feedback to Cabinet as part of informing their decision making, including:
- [Car parking charges](#)
  - [Waste Management](#)
- 3.9 An electoral review committee was also established during 2017/18 to undertake detailed work on behalf of full council to inform a submission to the Local Government Boundary Commission for England for the electoral review of Wiltshire. Full council's submission emphasised the importance of the council's area boards for local accountability and delivery.
- 3.10 The Council consults appropriately in line with its [Consultation Strategy](#) and legal requirements in order to inform its decision making. Consultation also takes place with the Council's partners in particular partnerships such as the Health and Wellbeing [Board](#) and the Swindon and Wiltshire Local Enterprise [Partnership](#) to enable more effective partnership communication and consultation.
- 3.11 There has been no residents survey undertaken in Wiltshire for a number of years. The Council is aware a number of other local authorities and partners undertake such an exercise, and it will consider the need and format going forward as part of its assessment of its governance arrangements in 2018/19.
- 3.12 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](#). Further information is available on request and through the

council's arrangements for dealing with requests under Freedom of Information legislation. In 2017/18 there were 1,495 requests received, 97% were responded to within the legal compliance time.

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

- 4.1 Wiltshire Council has operated a four year planning cycle in line with its electoral cycle, as such in 2017/18 the Council agreed a revised and updated Council's [Business Plan](#) 2017 – 2027. It continues to build on and extend the vision, goals and achievements from the previous business plans and has been prepared to reflect both the significant external challenges and changes that the council will have over the coming years as well as the changes to the way the council will have to operate to manage these challenges.
- 4.2 Part of the building of communities involves capital developments of buildings, highways and other such infrastructure. The Council sets out a four year [Capital Programme](#) tied into its Business Plan. During 2017/18 a hub was completed in Devizes, building on a health and wellbeing centre in Pewsey began and centres in Calne, Cricklade and Melksham had their revised budgets [approved](#) in Dec 2017 and have now progressed to design phase. This aims to bring communities together in one location to enable them to connect, seek services and take on more responsibility. In addition, the Council is applying the learning from the recently completed devolution of assets to Salisbury City Council to other parts of Wiltshire. The Council's decision-making framework has ensured that all of these decisions are reported through Cabinet. This is seen as a key strand of the future delivery of the Council's business.
- 4.3 The Council's directorates and services plan their activity around these outcomes and review those plans on an annual basis. The performance against the Business Plan is reported every quarter to Cabinet and the final outturn for 2017/18 is on the same agenda as the Annual Governance Statement.
- 4.4 The actions arising from the Business and Service Plans must all comply with key procedures, including following the Council's procedures on project management, procurement, consultation and risk management. Regular reports are taken to senior management and councillors via the Corporate Leadership Team (CLT) and appropriate regular councillor meetings, for example Audit Committee.
- 4.5 Wiltshire communities are engaged with the delivery of the long-term aims of the Council through Local Area Boards. These Boards prioritise the Council's ambitions within local areas and help direct resources. The reach of the Local Area Boards extends beyond the physical meetings through the work of Community Engagement Managers and the virtual network *Our*



*Community Matters*. In 2017/18 there were 124 [Area Board](#) meetings, and all minutes and actions from these meetings are publicly available. Area Boards have been essential in delivering improvements in youth development and health initiatives such as rights of way and walk to school. The Council has also started initiatives such as the Legacy programme and the Big Pledge to improve the connectivity and health of its communities. More decision making and funding is now devolved at local area level. In addition to the funding grants and Highways (CATG) and youth activities, there is also funding for older people's champions and health and wellbeing projects

- 4.6 The Council receives reports on the combined economic, social and environmental impacts of its policies in the form of various reports including the Joint Strategic Needs Assessment ([JSNA](#)), and the Annual Statement of Accounts, as well as regular performance and financial updates to Cabinet e.g. [here](#) and [here](#).
- 4.7 The council continues to have a relentless focus on safeguarding improvement in Children's Services. An Improvement Board chaired by the Corporate Director with statutory role of Director of Children's Services (DCS) has continued to be in place during 2017/18 (Link). In early 2018 the LA and partner agencies were subject to an OFSTED Inspection focussing on Special Educational Needs and Disabilities (SEND) and High Needs. The [outcomes](#) of this review were very positive.
- 4.8 Similarly, the council received the [findings](#) of an LGA peer review on Outcomes Based Commissioning in adult social care in Wiltshire during 2017/18. This found that:
- It was clear to the team that there was strong political leadership for Adult Social Care.
  - There were improving relationships with partners.
  - The Council's Area Boards were widely viewed as a positive way of engaging with local communities and for ensuring that local needs were addressed.
- 4.9 The team also observed that:
- More could be done to increase the amount and profile of coproduction with service users.
  - The Council should encourage providers to work more collaboratively with each other and with the Council itself in addressing skills shortages.
  - There needs to be a clear 'front door' to accessing adult social care services.
- 4.10 These findings have been used to inform the development of an Adult Social Care Transformation [programme](#), building on the successful model established within children's services and using additional and time-limited adult social care funding to

deliver this. A system wide review of the health and wellbeing system was also undertaken by the CQC in March 2018, with the findings due to be released later this year. An action plan will be agreed with partners in the NHS to deliver this.

4.11 The council continues to engage in annual LGA peer reviews and in November 2017 it underwent its second Corporate Peer Review. The detailed [report](#) was presented to March Cabinet. The key findings were:

- The council has strong and accessible political leadership which sets a clear direction for the council and the place.
- Stakeholders are clear what the council stands for, how it goes about its business and what its plans are.
- The council benefits from a committed workforce. All staff that the Peer team met told them that Wiltshire Council is a great place to work; that they feel valued, are developed to undertake their roles and feel supported to progress their careers.
- The Council has a strong record in terms of financial management.
- There has been a very good recovery in Children's services since a disappointing Ofsted inspection in 2012.

4.12 There are a range of suggestions and observations within the main section of the report that will inform some 'quick wins' and practical actions, including:

- Building a shared understanding of the opportunities, investment and skill needed in the areas of commercialism and 'digital'.
- More closely aligning financial and budget planning to organisational priorities and underpin this with a more robust planning and performance management regime.
- Applying the same approach and commitment to the Adults Services Transformation plans as was afforded to the council's previous children services recovery plan.
- Ensuring that both the council and CLT themselves invest sufficient time in focussing on their development as a team.

4.13 An [action plan](#) is being implemented and overseen by CLT and Cabinet with the Overview and Scrutiny Management Committee monitoring progress on a six-monthly basis.

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

- 5.1 In 2017/18 the Council also refreshed its [Medium Term Financial Plan](#) as part of a four-year financial settlement with the Department for Communities and Local Government (DCLG). As part of that and in setting the 2018/19 budget the Council has several key Programmes of activity it is managing to improve the outcomes of its residents, these have included the Campus Programme, with Devizes hub opening in 2017/18. The Campus programme has been the subject of various reports and programme management [updates](#) during 2017/18, and its financial progress [reported](#) to Cabinet.
- 5.2 Oversight of corporate projects is undertaken by the Corporate Leadership Team, supported with advice from Finance, Legal HR and Procurement Teams. The Corporate Directorate includes the Programme Office which manages projects and programmes on behalf of the Council and provides reports to the Council on ongoing work. During 2017/18 the majority of projects were delivered or progressed according to schedule. Monthly reports were provided to CLT with appropriate actions taken.
- 5.3 As part of the financial settlement for 2017/18 additional Adult Social Care grant was awarded. This was used to establish the transformation [programme](#) for adult social care within Wiltshire. Health partners are actively engaged in this Programme at a senior level through the Health and Wellbeing Board as well as operational representation on the programme board.
- 5.4 Regular Performance and financial updates are reported to senior officers and councillors, including scrutiny through the Finance and Performance Task Group which is a task group established by the [Overview and Scrutiny](#) Management Committee.

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

- 6.1 In order to deliver the council's priorities within a strong governance framework the Council requires a workforce that is appropriately skilled and qualified. Because of the shifting requirements of local government and the changing demands put on the Council it is essential that the capacity of the Council's workforce is reviewed and updated. Following the May 2017 elections, the council's Business Plan was refreshed and to aid the delivery of the outcomes a restructuring of Tier 1 and 2 of the council's management structure has taken place to ensure that directorates are aligned with the delivery of outcomes. A comprehensive induction programme was also put on for new councillors.

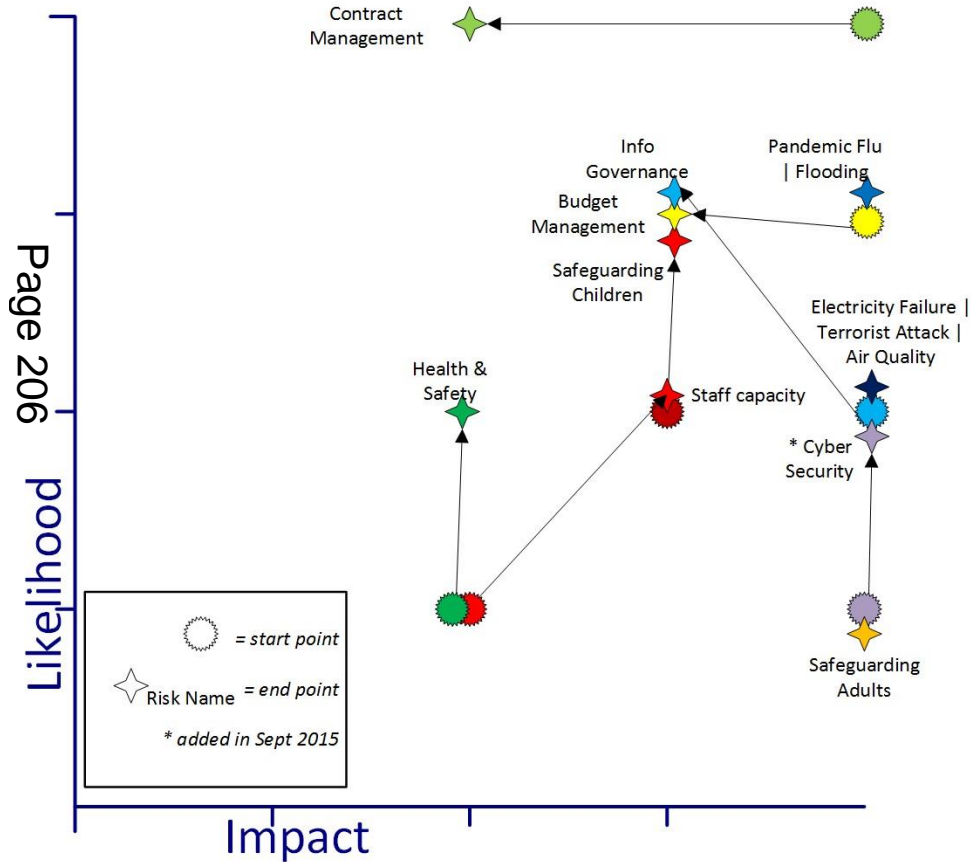
- 6.2 In addition to this, the Council takes an organisation wide approach to staff improvement and has, in the last year, updated its [People Strategy](#). The new strategy focuses on attracting the best people to work for the Council and engaging, developing and retaining existing staff. Full council also agreed a [pay policy statement](#) as part of the budget setting process and complies with reporting requirements on the gender pay gap.
- 6.3 The Council looks for good practice from other areas and other authorities in order to help improve its leadership and delivery. The Council also makes use of external reviews of its practice in order to deliver better outcomes. In 2017/18 several key peer reviews and inspection were completed and the findings of all are public:
- Ofsted [review](#) of SEND
  - LGA Corporate Peer Review [report](#)
  - Outcomes Based Commissioning for Adult Social Care peer review [findings](#)
  - CQC system review (results due for publication in 18/19)
- 6.4 In March 2015 the Information Commissioner's Office (ICO) carried out a voluntary audit of the Council's information governance arrangements. As reported in last two year's AGS this has been a key area for the Council to address, and with General Data Protection Regulations (GDPR) changes having come into force in May 2018 remains so. Actions have been taken and as well as the Senior Information Risk Owner [annual report](#) ongoing [updates](#) have been provided to the Audit Committee, which are content that significant improvement has and continues to be taken and made in this area.
- 6.5 Working in partnerships is increasingly important to the Council and is used as an additional method of improving and growing the skills base for delivering the Council's objectives.
- 7. Managing risks and performance through robust internal controls and strong public financial management**
- 7.1 Performance management is a key component of the Council's approach to achieving its stated outcomes. Part of this process involves identifying and, where appropriate, mitigating risks, ensuring that performance and risk management processes are in place throughout the organisation with additional rigorous processes to ensure sound financial management. Performance management follows the standard planning cycle (plan, do review, revise) and allows the

organisation to know what it wants to achieve, how it's going to achieve, whether it's achieving and what more could be done to achieve. [Performance reports](#) are a regular part of the Council's business. In addition to cabinet performance reports the Council updates a [Citizens' Dashboard](#) with statistics about Wiltshire for easy public consumption. The format of the dashboard will be reviewed during 2018/19 to ensure it reflects the new business plan and delivers maximum openness and transparency.

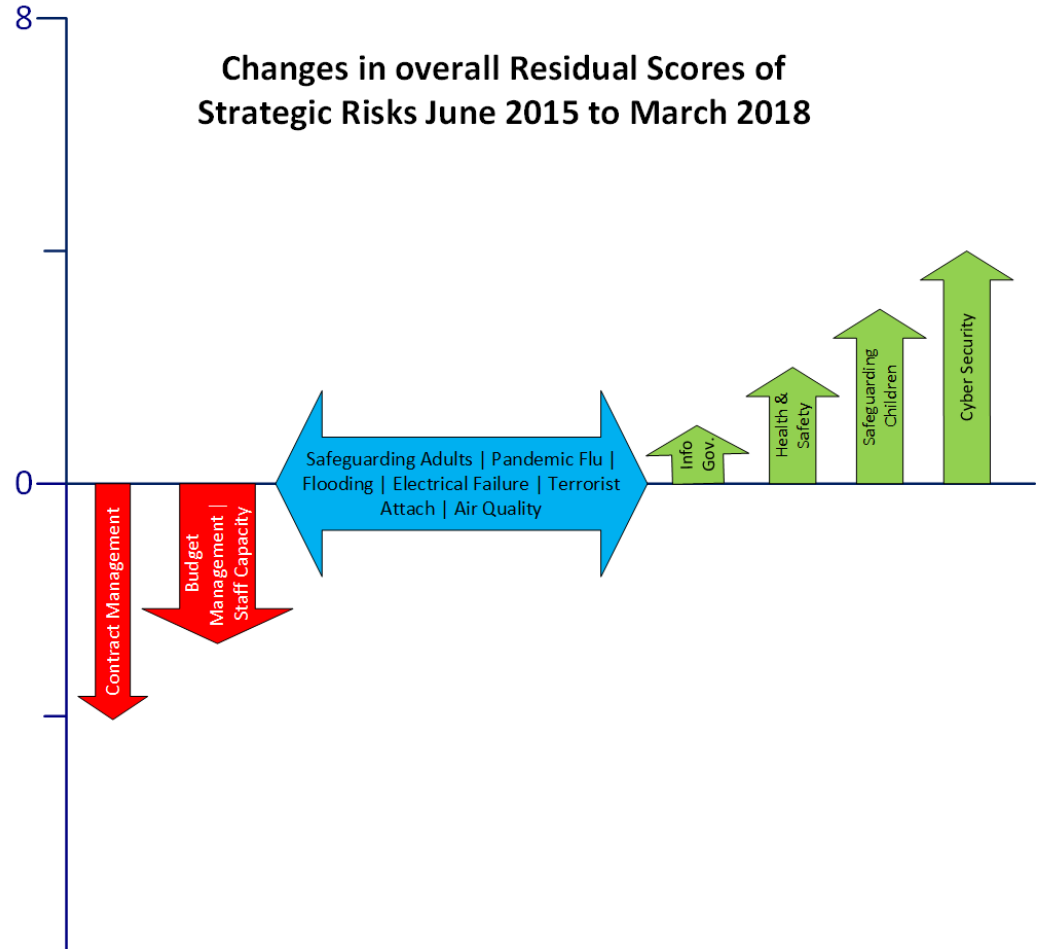
- 7.2 Financial reporting is currently undertaken separately, although reported on the same agenda as performance, this is an area for improvement in 2018/19. During 2017/18 there were four budget monitoring updates to councillors (period 4, 7, 9 and outturn), and 11 to senior officers (monthly, period 2 to outturn). These identified potential overspends, and appropriate action was taken. This raised the risk of the Council's financial position in its Corporate Risk Register however, effective management meant that a small surplus was delivered by year end. The Council also undertook robust scrutiny of the 2018/19 budget and this was set at Full Council in February 2018.
- 7.3 The Council's risks are monitored at various levels in the organisation including by the Cabinet on a quarterly basis. Managing risks is the responsibility of services who define the risks related to their service areas and assign individuals to be responsible for their management. All services risks are scored on the same basis and some service risks are elevated, through a set strategy, onto the corporate risk register which is published and reviewed quarterly. Service risks that are high scoring or appear on, or are referenced on, the strategic risk register require a greater level of mitigating action planning with those actions assigned a time scale and an owner. The Council recognises that in order to make successful changes some risk must be undertaken. Therefore, some risks are accepted. This overarching risk management strategy will be reviewed again during 2018/19 alongside the Corporate Performance Strategy.

7.4 The Council's risk management reports are reviewed by Cabinet within performance and risk reports. In 2017/18 the main changes to risks were:

Changes in Residual Scores of Strategic Risks June 2015 to March 2018



Changes in overall Residual Scores of Strategic Risks June 2015 to March 2018



- 7.5 Wiltshire's section 151 Officer or Chief Finance Officer has a statutory duty to ensure that the Council has a strong financial control environment, including an effective and independent Internal Audit function in accordance with the Accounts and Audit Regulations 2015. As at April 2018, SWAP Internal Audit Services completed 40 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. The Audit Committee raised concerns regarding the timeliness of finalising some audits and the implementation of agreed audit recommendations and improvements were made. Overall SWAP Internal Audit Services assessed the Council's control environment as 'adequate' with no significant issues raised. The Council's external auditors have also not raised any significant matters during 2017/18. We have sought to advise KPMG at all times and sought their views on a number of occasions before taking key decisions. A review was carried out on role of the Audit Committee in 2017/18 and agreed actions will be implemented in 2018/19.
- 7.6 The section 151 Officer's role as set out in both statute and defined by the CIPFA framework has been in place throughout 2017/18. No issues have been raised and there has been full compliance with that framework.

## **8. Areas for Improvement**

- 8.1 The Council has identified a number of areas where further improvements to can be made to strengthen its governance framework. Work will be undertaken over the next twelve months to review the following areas.
- 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.
  - Embedding improvements to data protection to be compliant with the new regulatory framework.
  - 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.
  - Ensuring the new waste contract is mobilised effectively in line with current plans for July 2018.
  - 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.
- How the Council collects general feedback from individuals and communities to assess improvements in approach
- 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.

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

**Leader of the Council**

Baroness Jane Scott of  
Bybrook OBE

---

**Corporate Directors**

Alistair Cunningham  
Dr. Carlton Brand  
Terence Herbert

---

---

---

**Date**

---



# Wiltshire Council

## Report of Internal Audit Activity and Annual Opinion Report 2017/18

Page 209

Agenda Item 12

# Contents

## The contacts at SWAP in connection with this report are:

### Gerry Cox

Chief Executive

Tel: 01935 385906

[gerry.cox@SWAPaudit.co.uk](mailto:gerry.cox@SWAPaudit.co.uk)

### Dave Hill

Executive Director

Tel: 01935 385 906

[david.hill@SWAPaudit.co.uk](mailto:david.hill@SWAPaudit.co.uk)

### Ian Withers

Assistant Director

Tel: 01225 763 495

[ian.withers@SWAPaudit.co.uk](mailto:ian.withers@SWAPaudit.co.uk)



## Summary:

Purpose & Background

Page 1

Annual Opinion

Page 3



## Summary of Audit Work:

Internal Audit Work Programme

Page 4

Audit Opinions/Assurance Levels

Page 5

Analysis of Recommendations

Page 6



## Plan Performance:

Added Value

Page 7

SWAP Performance

Page 8



## Appendices:

Appendix A – Audit Framework Definitions

Page 10

Appendix B – Summary of Work Plan

Page 12



### Purpose

The Accounts and Audit Regulations (England) 2015 requires public authorities to publish an Annual Governance Statement (AGS). The Statement is an annual review of the Systems of Internal Control and gathers assurance from various sources to support it. One such source is Internal Audit. The Head of Internal Audit should provide a written annual report to those charged with governance to support the AGS. This report should include the following:

- An opinion on the overall adequacy and effectiveness of the organisation's risk management systems and internal control environment
- 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.

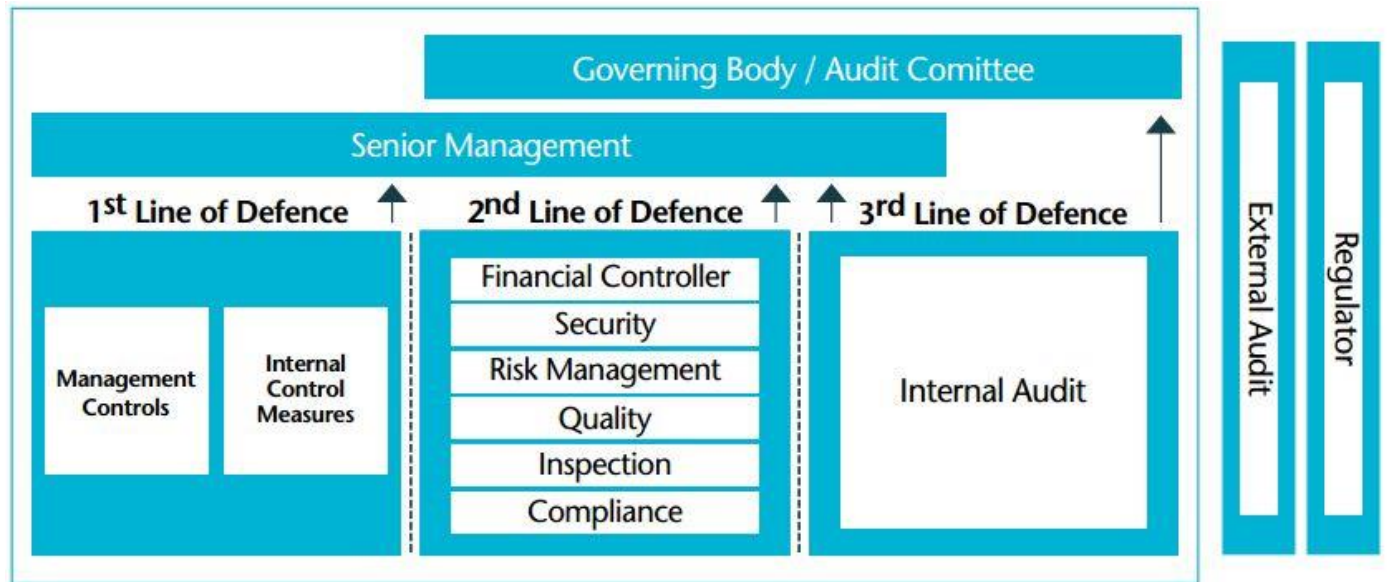
# Summary



## Background

The Internal Audit Service for Wiltshire Council is provided by the SWAP Internal Audit Services. SWAP is a Local Authority controlled company and Wiltshire Council is a major shareholder. 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). The Partnership is also guided by the Internal Audit Charter which is reviewed and agreed annually by this committee. Internal Audit provides an independent and objective opinion on the Authority's control environment by evaluating its effectiveness through the work based on the Annual Plan agreed by Senior Management and this Committee.

The position of Internal Audit within an organisation's governance framework is best summarised in the Three Lines of Defence Model shown below:



The Assistant Director, as Head of Internal Audit for Wiltshire Council, is required to provide an opinion to support the Annual Governance Statement.



### Annual Opinion

The main role of Internal Audit is to provide an independent and objective opinion on the Council's control environment. Internal Audit has the following additional responsibilities:

- providing support to the Chief Finance Officer in meeting his responsibilities under Section 151 of the Local Government Act 1972, to make arrangements for the proper administration of the Council's financial affairs;
- investigating any allegations of fraud, corruption or impropriety;
- advising on the internal control implications of proposed new systems and procedures.

The Annual Internal Audit Plan is based on an assessment of risk areas, using the most up to date sources of risk information, including the Council's Corporate and Service Risk Registers. In order to improve the effectiveness of the assurance process, the approach for 2017/18 has involved a more comprehensive combined assurance review process to identify the most appropriate focus for Internal Audit Work. The Plan was agreed with Corporate Directors and presented to the Audit Committee for approval. The Audit Committee has received regular progress reports at each meeting throughout this year.

As stated in the Annual Governance Statement, the Internal Audit Annual Report and Opinion 2017/18 summarises the results and conclusions of the audit work throughout the year and provides an independent audit opinion on the internal control environment for the Council as a whole. SWAP, as the Council's internal auditors, have given an overall audit opinion of **'Reasonable'** assurance on the adequacy and effective operation of the Council's control environment for 2017/18.

# Summary of Audit Work 2017/18

Our audit activity is split between:

- **Healthy Organisation**
  - Corporate Governance
  - Commissioning & Procurement
  - Financial Management
  - Programme & Project Management
  - Performance Management
  - People and Asset Management
- **Key Financial Systems**
- **Schools**
- **Grant Certification**
- **Follow-up reviews**
- **Counter Fraud**



## Internal Audit Work Programme

### Current Position

In total, 80 audits were planned for 2017/18 and a summary of the current position is shown in the following table.

Area	Final	Draft	Fieldwork	Deferred/Merged/Removed	Total
Healthy Organisation	8	0	11	8	27
Key Financial Systems	9	0	0	1	11
Schools	12	3	0	0	15
Requested by Management	2	0	1	0	3
Grant Certification	4	0	0	0	4
Follow-up Reviews	6	0	0	0	6
Counter Fraud	6	1	5	3	14
	<b>47</b>	<b>4</b>	<b>17</b>	<b>12</b>	<b>80</b>

Appendix B provides a full breakdown of the audits for 2017/18.

Recognising the need to align more closely internal audit effort with risk areas, the 2017/18 Internal Audit Plan included combined assurance assignments (i.e. Healthy Organisation). This approach enabled us to work extensively with officers to identify existing assurance arrangements (three lines of defence) and the outcome of these efforts, in common with the rest of the IA Plan, has been fed back to the Audit Committee as part of the quarterly reports of progress against the IA plan throughout this year.

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.

Our audit work for 2017/18 has not identified any significant corporate risks for the attention of the Audit Committee.

# Summary of Audit Work 2017/18

## SWAP Performance - Summary of Audit Work



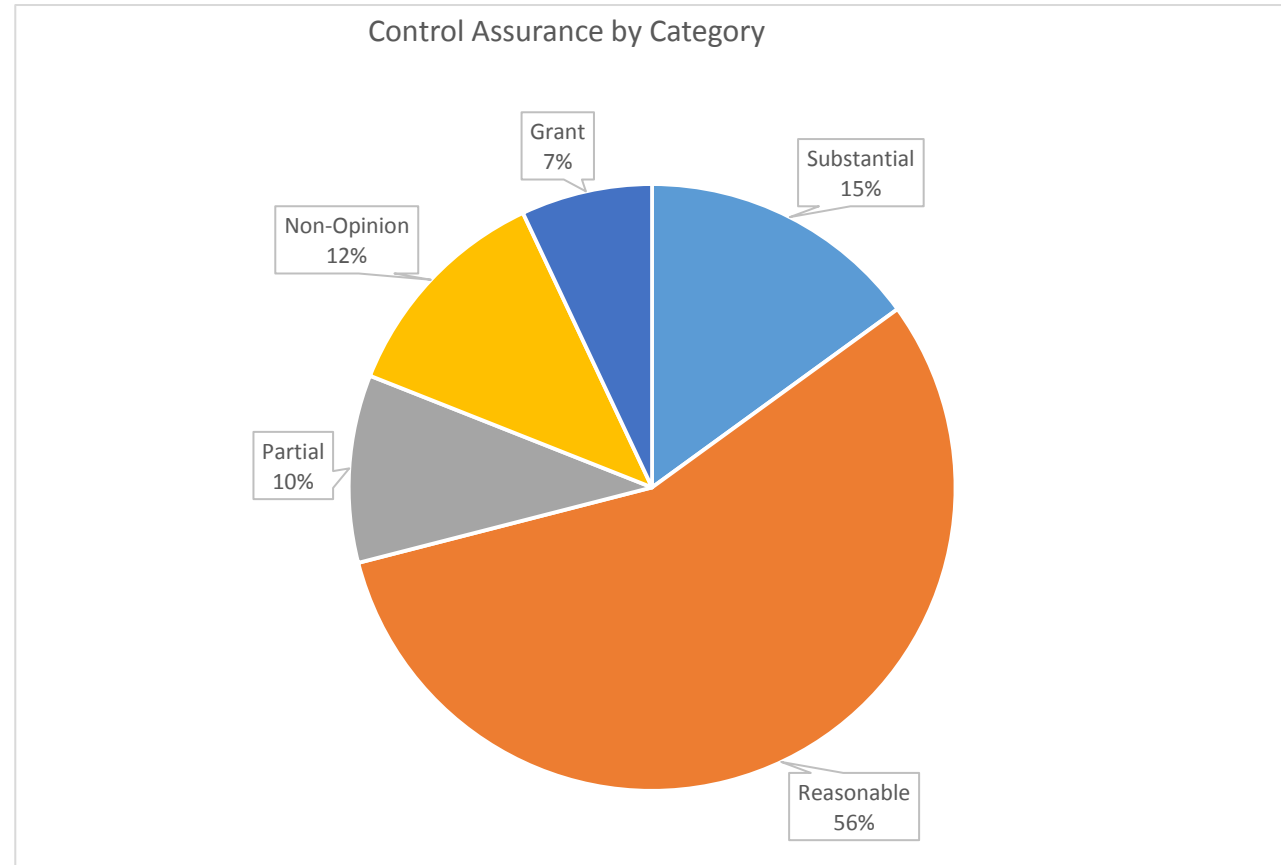
## Summary of Audit Opinion

At the conclusion of audit assignment work each review is awarded a "Control Assurance Definition":

- Substantial
- Reasonable
- Partial
- None

We have also included other audit activity:

- Grant Certification
- Non-Opinion (includes e.g. follow-up reviews)



# Summary of Audit Work 2017/18

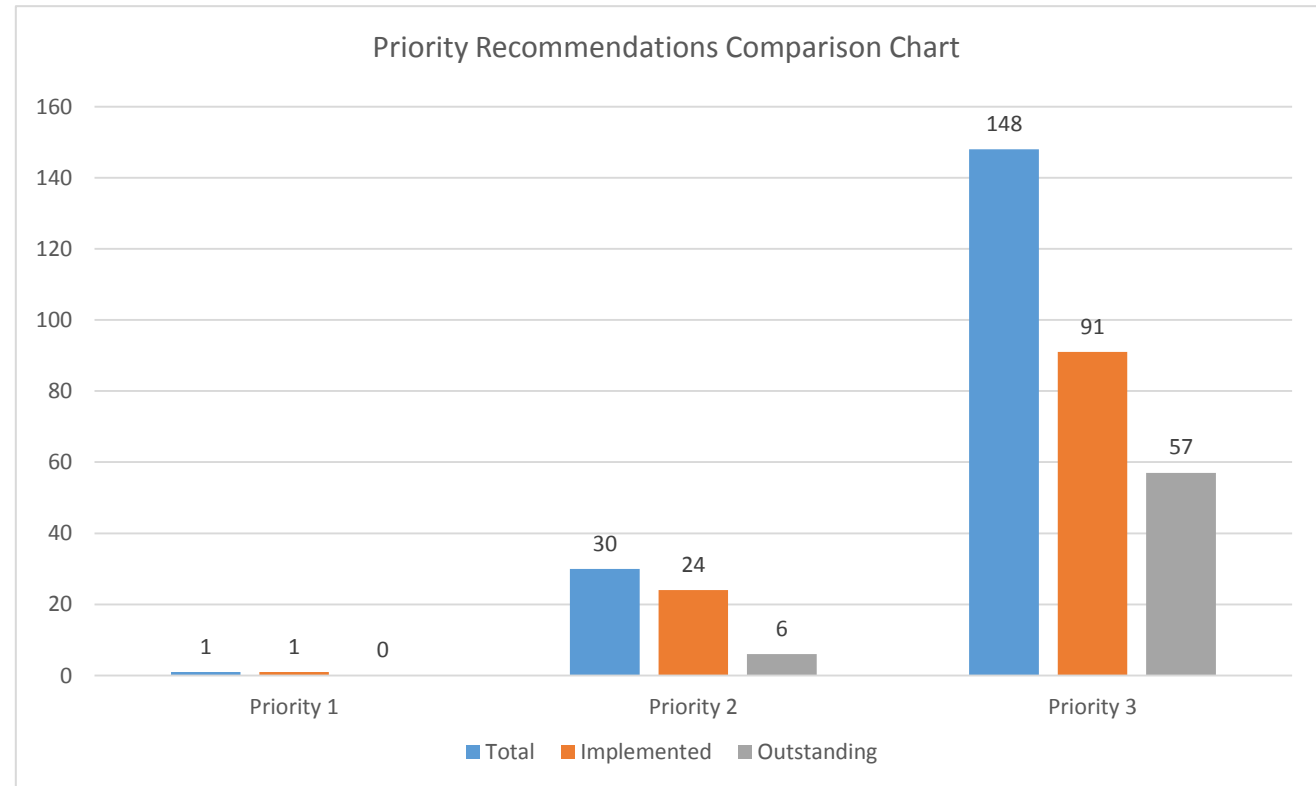
## SWAP Performance - Summary of Audit Recommendations by Priority.



## Analysis of Recommendations Raised in 2017/18 (Final Reports)

We rank recommendations on a scale of 1 to 5, with 1 being major concerns requiring immediate corrective action and 5 being administration concerns where advisory.

Page 216





### 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

**The School Financial Health Check Programme:** The work undertaken this year has informed a themed review on overall compliance that has been communicated to all schools via the Wiltshire Schools Intranet (Right Choice). Further presentations have been made to a recent Schools Head Teachers Conference and to the Wiltshire Schools Forum.

**Increased Use of Data Analytics:** We are still at an early stage in the use of data analytics but during 2017/18 it was used on key system applications, identifying duplicate payments to suppliers and inconsistencies in standing data.

**Cyber Security Awareness:** We have shared updates on cyber security issues with management to raise awareness of the risks and actions required.

**Benchmarking:** There has been a number of audits carried out across SWAP partners where benchmarking has been carried out. Information has been provided by the Council and feedback has been received which has assisted comparison to be carried out by management and opportunities for improvement.

**Counter Fraud:** For 2017/18 the responsibility for counter fraud was transferred to SWAP. We agreed a separate programme of proactive and preventative work for the year.

# Audit Plan Performance 2017/18

The Executive Director 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 14 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 2017/18 year (as at July 2018) are as follows;

Performance Target	Average Performance
<b><u>Audit Plan – Percentage Progress (Audits)</u></b> 16/17 completion (to final) 17/18 Final/Draft 17/18 In Progress 17/18 Yet to Start	100% 51 (75%) 17 (25%) 0 (0%)
<b><u>Draft Reports 2017/18</u></b> Issued within 5 working days of closeout Issued within 10 working days of closeout	71% (Target 95%) 86% (Target 100%)
<b><u>Final Reports 2017/18</u></b> Issued within 10 working days of discussion of draft report.	100% (Target 95%)
<b><u>Quality of Audit Work</u></b> Customer Satisfaction Questionnaire	81% (Target 80%)

**The Assistant Director and Director for SWAP reports performance on a regular basis to the SWAP Management Team and Partnership Board.**



## SWAP Performance

There is a higher than expected level of audits still in progress at July. This is due to a number of management issues being discussed and staff resourcing issues. The majority are however approaching draft report, and should all be completed within quarter 2.

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). SWAP has been independently assessed and found to be in Conformance with the Standards.

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

- Substantial
- Reasonable
- Partial
- None



Audit Framework Definitions

Control Assurance Definitions

<b>Substantial</b>	▲ ★ ★ ★	I am able to offer substantial assurance as 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.
<b>Reasonable</b>	▲ ★ ★ ☆	I am able to offer reasonable assurance as 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.
<b>Partial</b>	▲ ★ ☆ ☆	I am able to offer Partial assurance 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.
<b>None</b>	▲ ☆ ☆ ☆	I am not able to offer any assurance. 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.

**Categorisation of Recommendations**

When making recommendations to Management it is important that they 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. No timeframes have been applied to each Priority as implementation will depend on several factors; however, the definitions imply the importance.

We keep our audit plans under regular review, so as to ensure we are auditing the right things at the right time.



Audit Framework Definitions

- Priority 1: Findings that are fundamental to the integrity of the unit’s business processes and require the immediate attention of management.
- Priority 2: Important findings that need to be resolved by management.
- Priority 3: The accuracy of records is at risk and requires attention.
- Priority 4: Minor control issues have been identified which nevertheless need to be addressed.

Definitions of Risk

Risk	Reporting Implications
Low	Issues of a minor nature or best practice where some improvement can be made.
Medium	Issues which should be addressed by management in their areas of responsibility.
High	Issues that we consider need to be brought to the attention of senior management.
Very High	Issues that we consider need to be brought to the attention of both senior management and the Audit Committee.

Audit Plan Area	Audit Title	Quarter Planned Start	Actual Start (Fieldwork)	Audit Status	Opinion	Draft Report Issued	Final Report Issued	Recommendations/Actions						Comments	
								1 = Major			↔		5 = Minor		
								No. of Recs	1	2	3	4	5		
<b>2017/18 Audits at Final/Complete (Status Green)</b>															
Healthy Organisation – Corporate Governance	Area Boards	2	07/12/2017	Final	Substantial	15/02/2018	11/06/2018	0	0	0	0	0	0	Start of audit delayed due to staff resourcing problems.	
Healthy Organisation – Corporate Governance	Corporate Complaints	2	19/03/2018	Final	Reasonable	07/06/2018	03/07/2018	2	0	0	2	0	0	Final report issued and audit complete.	
Healthy Organisation – Financial Management	Use of Consultants and IR35	1	02/05/2017	Final	Reasonable	11/08/2017	18/10/2017	6	0	0	6	0	0	Final report issued and audit complete.	
Healthy Organisation – Financial Management	Concessionary Fares	2	17/07/2017	Final	Partial	10/11/2017	30/11/2017	6	0	4	2	0	0	Final report issued and audit complete.	
Healthy Organisation – Programme & Project Management	Project Management Framework	2	09/01/2018	Draft	Reasonable	19/02/2018	16/07/2018	5	0	0	5	0	0	Start of audit delayed due to management agreement of scope. Response delayed due to Salisbury Crisis.	
Health Organisation – Commissioning & Procurement	Contract Management Framework	2	18/07/2017	Final	Reasonable	23/11/2017	25/01/2018	5	0	0	5	0	0	Final report issued and audit complete.	
Healthy Organisation – Commissioning & Procurement	Highways Maintenance Contract	3	14/07/2017	Final	Reasonable	18/09/2017	04/10/2017	2	0	0	2	0	0	Final report issued and audit complete.	
Healthy Organisation- Information Management	ICT Asset Management	1	10/07/2017	Final	Partial	14/11/2017	01/01/2018	5	0	0	5	0	0	Audit start delayed due to restructure of ICT Division.	

Page 222

# Audit Plan Performance 2017/18

Audit Plan Area	Audit Title	Quarter Planned Start	Actual Start (Fieldwork)	Audit Status	Opinion	Draft Report Issued	Final Report Issued	Recommendations/Actions						Comments
								1 = Major			5 = Minor			
								No. of Recs	1	2	3	4	5	
Key Financial Systems	Main Accounting	4	07/03/2018	Final	Substantial	12/03/2018	19/03/2018	0	0	0	0	0	0	Agreed with client to commence Mid-February 2018.
Key Financial Systems	Accounts Receivable	3	1/11/2017	Final	Partial	09/03/2018	20/03/2018	5	0	0	5	0	0	Audit merged with Corporate Debt Recovery and included in scope.
Key Financial Systems	Accounts Payable	3	01/11/2017	Draft	Reasonable	11/06/2018	11/05/2018	5	0	0	5	0	0	Audit start delayed due to data and external audit requirements.
Key Financial Systems	Treasury Management	3	16/01/2018	Final	Substantial	07/03/2018	19/03/2018	0	0	0	0	0	0	Agreed with management to defer and to commence in January 2018 due to other work priorities on key officer.
Key Financial Systems	Housing and Council Tax Benefits	2	18/11/2017-	Final	Substantial	19/03/2018	19/03/2018	0	0	0	0	0	0	Start of audit delayed due to staff resourcing problems.
Key Financial Systems	Council Tax	4	16/01/2018	Final	Substantial	13/03/2018	19/03/2018	0	0	0	0	0	0	Planned and commenced in January 2018
Key Financial Systems	Business Rates	4	16/01/2018	Final	Substantial	13/03/2018	19/03/2018	0	0	0	0	0	0	Planned and commenced in January 2018
Key Financial Systems	Housing Rents	4	12/02/2018	Final	Reasonable	21/03/2018	09/04/2018	1	0	0	1	0	0	Final report issued and audit complete.

Page 223

# Audit Plan Performance 2017/18

Audit Plan Area	Audit Title	Quarter Planned Start	Actual Start (Fieldwork)	Audit Status	Opinion	Draft Report Issued	Final Report Issued	Recommendations/Actions						Comments
								1 = Major			5 = Minor			
								No. of Recs	1	2	3	4	5	
Key Financial Systems	HR/Payroll	3	06/12/2017	Final	Reasonable	09/03/2018	06/06/2018	1	0	0	1	0	0	Audit planned and commenced in December 2017.
Key Financial Systems	Wiltshire Pension Fund	4	19/02/2018	Fieldwork	Reasonable	11/04/2018	18/04/2018	1	0	0	1	0	0	Audit planned and commenced in quarter 4. Final report issued and audit complete.
Schools	Fynamore Primary School	1	27/06/2017	Final	Reasonable	13/07/2017	14/07/2017	4	0	0	4	0	0	Commencement of audit delayed due to close down of accounts. Now complete and final report issued.
Schools	Wilton and Barford Primary School	2	03/07/2017	Final	Reasonable	13/07/2017	18/07/2017	3	0	0	3	0	0	Final report issued and audit complete.
Schools	The Stonehenge School	2	18/09/2017	Final	Reasonable	06/11/2017	08/11/2017	4	0	0	4	0	0	Final report issued and audit complete.
Schools	Broad Chalk Primary School	2	19/09/2017	Final	Reasonable	25/09/2017	27/09/2017	5	0	0	4	1	0	Final report issued and audit complete.
Schools	Great Wishford CofE Primary School	3	07/11/2017	Final	Reasonable	14/11/2017	30/11/2017	6	0	0	4	2	0	Final report issued and audit complete.
Schools	Bitham Brook Primary School	2	26/09/2017	Final	Reasonable	16/11/2017	30/11/2017	9	0	0	9	0	0	Start of audit delayed due to awaiting information from school. Now complete

Page 224



# Audit Plan Performance 2017/18

Audit Plan Area	Audit Title	Quarter Planned Start	Actual Start (Fieldwork)	Audit Status	Opinion	Draft Report Issued	Final Report Issued	Recommendations/Actions						Comments
								1 = Major			5 = Minor			
								No. of Recs	1	2	3	4	5	
Schools	Mere Primary School	3	16/11/2017	Final	Reasonable	30/11/2017	01/12/2017	8	0	0	5	3	0	Final report issued and audit complete.
Schools	Hindon CofE Primary School	3	10/10/2017	Final	Reasonable	16/10/2017	18/01/2018	3	0	0	3	0	0	Final report issued and audit complete.
Schools	St. Johns CofE Primary School	3	11/12/2017	Final	Reasonable	15/01/2017	31/01/2018	5	0	0	3	2	0	Issue of draft audit report delayed due to Christmas/New Year period. Now complete
Schools	Sutton Veny Primary School	3	22/01/2018-	Final	Reasonable	31/01/2018	19/03/2018	8	0	0	5	3	0	Audit visit delayed to January, requested and agreed with Head Teacher due to absence of Admin Officer.
Schools	Paxcroft Primary	4	26/03/2018	Final	Substantial	05/04/2018	17/04/2018	3	0	0	1	2	0	Final report issued and audit complete.
Schools	Amesbury Primary Schools	3	19/02/2018	Draft Report	Reasonable	28/03/2018	10/05/2018	8	0	0	7	1	0	Audit deferred to quarter 4 at request of school.
Requested by Management	HCA Quarterly Certificates	4	30/01/2018	Final	Substantial	23/03/2018	05/04/2018	0	0	0	0	0	0	Unplanned audit review requested by Director of Finance & Procurement (S151)

Page 225

# Audit Plan Performance 2017/18

Audit Plan Area	Audit Title	Quarter Planned Start	Actual Start (Fieldwork)	Audit Status	Opinion	Draft Report Issued	Final Report Issued	Recommendations/Actions						Comments
								1 = Major			5 = Minor			
								No. of Recs	1	2	3	4	5	
Requested by Management	Wiltshire & Swindon History Centre	2	19/07/2017	Final	Reasonable	10/10/2017	05/07/2018	8	0	0	8	0	0	Query raised by Centre manager over facilities management. Resolved and final agreed audit report issued.
Follow-Up	Vehicle Workshops	3	24/11/2017	Completed	Non-Opinion	-	-	-	-	-	-	-	-	All audit recommendations implemented.
Follow-Up	Land Charges	3	29/11/2017	Complete	Non-Opinion									Some audit recommendations outstanding due to awaiting move of office to County Hall.
Follow-Up	Bishops Cannings Primary School	2	02/10/2017	Completed	Non-Opinion	-	-	-	-	-	-	-	-	All audit recommendations implemented.
Follow-Up	St Barnabas CofE Primary School	2	26/10/2017	Completed	Non-Opinion	-	-	-	-	-	-	-	-	Follow-up audit delayed at request of school but now complete.
Follow-Up	Staverton CofE Primary School	1	-	Completed	Non-Opinion	-	-	-	-	-	-	-	-	Start delayed due to staff resource constraints and school holiday period.
Follow-Up	Luckington Community School	1	22/11/2017	Completed	Non-Opinion	-	-	-	-	-	-	-	-	Start delayed due to staff resource constraints and school holiday period. Out of 14 P3 and 2 P2, 2 P3 remain outstanding.

Page 226

# Audit Plan Performance 2017/18

Audit Plan Area	Audit Title	Quarter Planned Start	Actual Start (Fieldwork)	Audit Status	Opinion	Draft Report Issued	Final Report Issued	Recommendations/Actions						Comments
								1 = Major			5 = Minor			
								No. of Recs	1	2	3	4	5	
Grants	Growth Hub	2	14/09/2017	Completed	Non-Opinion	-	28/09/2017	-	-	-	-	-	-	Grant claim certified.
Grants	Public Health Grant	2	14/09/2017	Completed	Non-Opinion	-	28/09/2017	-	-	-	-	-	-	Grant claim certified.
Grants	Bus Subsidy Grant	2	14/09/2017	Completed	Non-Opinion	-	28/09/2017	-	-	-	-	-	-	Grant claim certified
Grants	Troubled Families	3-4	12/09/2017	Completed	Non-Opinion	-	27/03/2018	-	-	-	-	-	-	Auditing periodic submissions of grant claims. Final March 2018.
Counter Fraud – Internal Audit Reviews	Registration Service	1	24/04/2017	Final	Reasonable	07/07/2017	12/07/2017	3	0	0	3	3	0	Final report issued and audit complete.
Counter Fraud – Internal Audit Reviews	City Hall Salisbury	1	01/06/2017	Final	Reasonable	13/09/2017	20/09/2017	7	0	0	7	0	0	Audit start delayed due to change of lead auditor. Audit now finalised.
Counter Fraud – Internal Audit Reviews	Licensing (Taxi and Private Hire)	1	15/05/2017	Final	Reasonable	07/09/2017	09/11/2017	7	0	0	7	0	0	Audit start delayed due to awaiting information from management. Now complete.
Counter Fraud – Internal Audit Reviews	Car Parking	1	12/07/2017	Final	Reasonable	30/10/2017	31/10/2017	1	0	0	1	0	0	Final report issued and audit complete.

Page 227

# Audit Plan Performance 2017/18

Audit Plan Area	Audit Title	Quarter Planned Start	Actual Start (Fieldwork)	Audit Status	Opinion	Draft Report Issued	Final Report Issued	Recommendations/Actions						Comments
								1 = Major			5 = Minor			
								No. of Recs	1	2	3	4	5	
Counter Fraud – Internal Audit Reviews	Staff Travel and Expenses	2	01/10/2017	Final	Partial	23/11/2017	29/01/2017	5	0	0	5	0	0	Agreement and issue of final audit report delayed due to late response from client and further discussions over introduction of new controls.
Counter Fraud – Internal Audit Reviews	Market Trading	3	17/10/2017	Final	Partial	25/11/2018	20/03/2018	8	0	0	8	0	0	Delay due to awaiting further information from the client and agreement of draft audit report.
<b>2017/18 Audits at Draft (Amber Status)</b>														
Schools	Thematic - Banking Arrangements	2	25/09/2017	Draft	Reasonable	24/01/2018		8	0	0	8	0	0	Key officer currently on sick leave and awaiting return to agree draft report.
Schools	Thematic - ICT Security	1	20/03/2018	Draft	Reasonable	08/07/2018		17	0	1	16	0	0	Start of audit delayed at request of management.
Schools	Thematic - HR/Payroll	3	20/03/2018-	Draft	Reasonable	08/07/2018		10	0	0	10	0	0	Start of audit delayed at request of management.
Counter Fraud – Internal Audit Reviews	Schools Admissions and Places Planning	3	01/02/2018-	Planning & Initiation	Reasonable	03/07/2018		2	0	2	0	0	0	Due to service pressures agreed with client to defer fieldwork to April 2018.

Page 228

# Audit Plan Performance 2017/18

Audit Plan Area	Audit Title	Quarter Planned Start	Actual Start (Fieldwork)	Audit Status	Opinion	Draft Report Issued	Final Report Issued	Recommendations/Actions						Comments	
								1 = Major			↔		5 = Minor		
								No. of Recs	1	2	3	4	5		
<b>2017/18 Audits in Progress (Amber Status)</b>															
Healthy Organisation – Corporate Governance	Healthy Organisation Update	3	15/01/2018	Fieldwork									Delayed start to January 2018 agreed at request of management due to LGA Peer Review. Currently delayed due to re-scoping and need to engage with CLT.		
Healthy Organisation – Corporate Governance	Officers Declarations of Interests, Gifts and Hospitality	1	05/06/2017	Fieldwork									First draft report produced but awaiting national comparative information in early July to add value to the audit and Council.		
Healthy Organisation – Corporate Governance	Swindon and Wiltshire Local Enterprise Partnership (LEP)	2	05/01/2018	Fieldwork									Start of audit delayed due to staff resourcing problems.		
Healthy Organisation – Commissioning & Procurement	Client Passenger Transport	1	25/08/2017	Fieldwork									Audit delayed due to lead auditor on sick leave but currently in progress.		
Healthy Organisation – Commissioning & Procurement	ICT Traded Services with Wiltshire Police	2	21/08/2017	Fieldwork									Approaching draft but awaiting further information from client.		
Healthy Organisation – Financial Management	Special Educational Needs	2	09/08/2017	Fieldwork									Audit delayed due to lead auditor on sick leave but currently in progress.		

Page 229

# Audit Plan Performance 2017/18

Audit Plan Area	Audit Title	Quarter Planned Start	Actual Start (Fieldwork)	Audit Status	Opinion	Draft Report Issued	Final Report Issued	Recommendations/Actions						Comments	
								1 = Major			↔		5 = Minor		
								No. of Recs	1	2	3	4	5		
Healthy Organisation – Financial Management	Better Care Fund	4	06/01/2018	Planning & Initiation										Planned to commence in January 2018 but still deferred by client. Other audit work being carried out in the area.	
Healthy Organisation – People & Asset Management	Housing Needs	3	11/01/2018	Fieldwork										Audit delayed due to lead auditor on sick leave but currently in progress.	
Healthy Organisation – People & Asset Management	Maintenance of Council Property	4	01/02/2018	Planning & Initiation										Commenced in February 2018 and approaching draft report	
Healthy Organisation – Information Management	Cyber Security	1	21/08/2017	Fieldwork										Audit start delayed due to engaging with cross SWAP themed work on cyber security to increase value added. Currently waiting for further information from IT client before issue of draft report.	
Healthy Organisation – Information Management	Data Sharing Protocols with Partners	4	01/03/2018	Planning & Initiation										Audit commenced in quarter 4 and nearing draft report.	

Page 230

# Audit Plan Performance 2017/18

Audit Plan Area	Audit Title	Quarter Planned Start	Actual Start (Fieldwork)	Audit Status	Opinion	Draft Report Issued	Final Report Issued	Recommendations/Actions						Comments	
								1 = Major			↔		5 = Minor		
								No. of Recs	1	2	3	4	5		
Requested by Management	European Funding	3	27/02/2018	Planning & Initiation										Audit planned to commence December 2017. Delayed to February due to LEP audit being carried out in same area. Audit suspended awaiting completing of LEP audit.	
Counter Fraud – Proactive & Preventative	Counter Fraud Strategy & Framework	2	03/10/2017	Fieldwork										Review carried out of current Strategy including comparison with best practice. Comments provided to S151 Officer and awaiting progress to implement new strategy.	
Counter Fraud – Proactive & Preventative	National Fraud Initiative (NFI)	1-3	01/04/2017	Fieldwork										Ongoing and liaising. Completing summary on outcomes.	
Counter Fraud – Proactive and Preventative	Whistleblowing Arrangements	2	03/10/2017	Fieldwork										Draft audit report but reviewing, making further comparison, including national practice.	
Counter Fraud – Proactive and Preventative	Fraud Intelligence Hub	2-4	01/07/2017-	Planning & Initiation										Liaising with CIPFA Counter Fraud Centre over joining a pilot hub. CIPFA have delayed project.	

Page 231

# Audit Plan Performance 2017/18

Audit Plan Area	Audit Title	Quarter Planned Start	Actual Start (Fieldwork)	Audit Status	Opinion	Draft Report Issued	Final Report Issued	Recommendations/Actions						Comments	
								1 = Major			↔		5 = Minor		
								No. of Recs	1	2	3	4	5		
Counter Fraud – Proactive and Preventative	Fraud Referral Process	2	01/03/2018	Fieldwork									Currently discussing outcomes with management on how to take actions forward.		
<b>Client Support (Status Green)</b>															
Client Support	Corporate Advice	1-4					Ongoing through year						None		
Client Support	Annual Governance Statement	1-4					Ongoing through year						None		
Client Support	Audit Committee/Members Liaison	1-4					Ongoing through year						None		
Client Support	External Audit Liaison	1-4					Ongoing through year						None		
Client Support	Planning/Client Liaison	1-4					Ongoing through year						None		
Client Support	CLT Attendance and Reporting	1-4					Ongoing through year						None		
Client Support	Follow Up Contingency	1-4					Ongoing through year						None		

Page 232



# Wiltshire Council

Report of Internal Audit Activity 2018/19

July 2018 Update

Page 233

Agenda Item 13

# Contents

## The contacts at SWAP in connection with this report are:

### Gerry Cox

Chief Executive

Tel: 01935 385906

[gerry.cox@SWAPaudit.co.uk](mailto:gerry.cox@SWAPaudit.co.uk)

### David Hill

Executive Director

Tel: 01935 385906

[david.hill@SWAPaudit.co.uk](mailto:david.hill@SWAPaudit.co.uk)

### Ian Withers

Assistant Director

Tel: 01225 763495

[ian.withers@SWAPaudit.co.uk](mailto:ian.withers@SWAPaudit.co.uk)



Summary:

Audit Opinion

Page 1



Internal Audit Work Programme 2018/19

Role of Internal Audit Work & Audit Work Quarter Summary

Page 2

Internal Audit Work Programme 2018/19

Page 3

Efficiencies and Added Value

Page 4

SWAP Performance

Page 9

Page 10

SWAP Quality Assessment

Page 11

Amendments to Annual Audit Plans 2018/19

Audit Framework Definitions

Page 13

Appendix 1: Internal Audit Plan Update 2018/19

Page 15

## Summary

The Chief Executive of SWAP is required to provide an opinion to support the Annual Governance Statement.

**“Risks are generally well managed and the systems of internal control are working effectively.”**



### Audit Opinion

Overall, based on the work completed to date this financial year, we can report that risks are generally well managed, and the systems of internal control are working effectively. Management generally respond positively to Internal Audit recommendations for improvements and corrective action is often taken quickly, wherever this is possible or practical.

SWAP Internal Audit Services now has 24 partners, including 18 local authorities and are proud to be a growing partnership.



## Role of Internal Audit and Audit Work Summary

The Internal Audit service for Wiltshire Council is provided by South West Audit Partnership (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). The Partnership is also guided by the Internal Audit Charter approved by this Committee.

Our internal audit activity is broadly split between:

- **Healthy Organisation**
  - Corporate Governance
  - Commissioning & Procurement
  - Financial Management
  - Programme & Project Management
  - Performance Management
  - People and Asset Management
  - Information Management
- **Key Financial Systems**
- **Schools**
- **Follow-up**
- **Grants**
- **Client Support**

Internal Audit provides an independent and objective opinion on the Authority's governance, risk and control environment by evaluating its effectiveness. Internal Audit work is largely driven by an Annual Audit Plan. This is approved by the Associate Director, Finance (Section 151 Officer), following consultation with the Corporate Leadership Team, the Audit Committee and External Auditors. Audit assignments are undertaken in accordance with this Plan to assess current levels of governance, risk and control. This audit assignment activity is broken down into various categories of work as outlined in the bullet points shown in the column on the left of this page.

For the 2018/19 Audit Plan we have so far initiated 18 audits and reviews (24% of planned), of which 3 are completed to final report and 1 at draft report stages. For 2017/18, 17 audits still remain in progress and included in the Internal Audit Activity and Annual Opinion 2017/18 report. These have been delayed due to a number of issues including management availability, awaiting information and staff resources.

## Internal Audit Work Plan 2018/19

### Outturn to Date:

We rank our recommendations on a scale of 1 to 5: with priority 1 being areas of major concern that require immediate remedial action by senior management through to 5 very minor administrative concerns.

17 planned audits have been initiated for 2018/19, 4 at final or draft report stage. A total of 12 priority 2 and 19 priority 3 recommendations have been made so far for 2018/19 audits.

1 audit report has so far been issued giving partial assurance for 2018/19. The other 2 giving reasonable and 1 substantial assurance.



### Internal Audit Work Programme

The table at Appendix 1, shows all audits as per the agreed Internal Audit 2018/19. 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 Annual Audit Plan. Explanations for any delays or action taken to agree and finalise audit reports is given in the comments column.

Each completed audit to final or draft report, includes its respective “assurance opinion” rating together with the number and relative ranking of recommendations that have been raised and agreed with management. In such cases, the Committee can take assurance that improvement actions have been agreed with management. The assurance opinion ratings have been determined in accordance with the Internal Audit “Audit Framework Definitions” as detailed from page 13 of this report.

In circumstances where findings have been identified which are considered to represent significant corporate risks to the Council, these would be included in this activity report. We are pleased to report that there are no significant risks for this quarter.

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 would be included in this activity report. To date there are zero audits for 2018/19 that have resulted in a “No” but 1 audit so far given a “Partial Assurance Opinion” and at draft report stage with actions being discussed for improvement.

Outturn to date:

## Efficiencies and 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.**

**“Audits have added value through recommending improvements that will deliver more efficient processes.”**



## Efficiencies and Added Value

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.

**Use of Data Analytics and IDEA Software Tool** We are continuing to increase the use of IDEA and other data analytics tools, as part of our normal audits. Recent examples in use include accounts payable and staff expenses in examining 100% of the system data and identified cars not effectively issued for business use, putting the Council at risk of any claim.

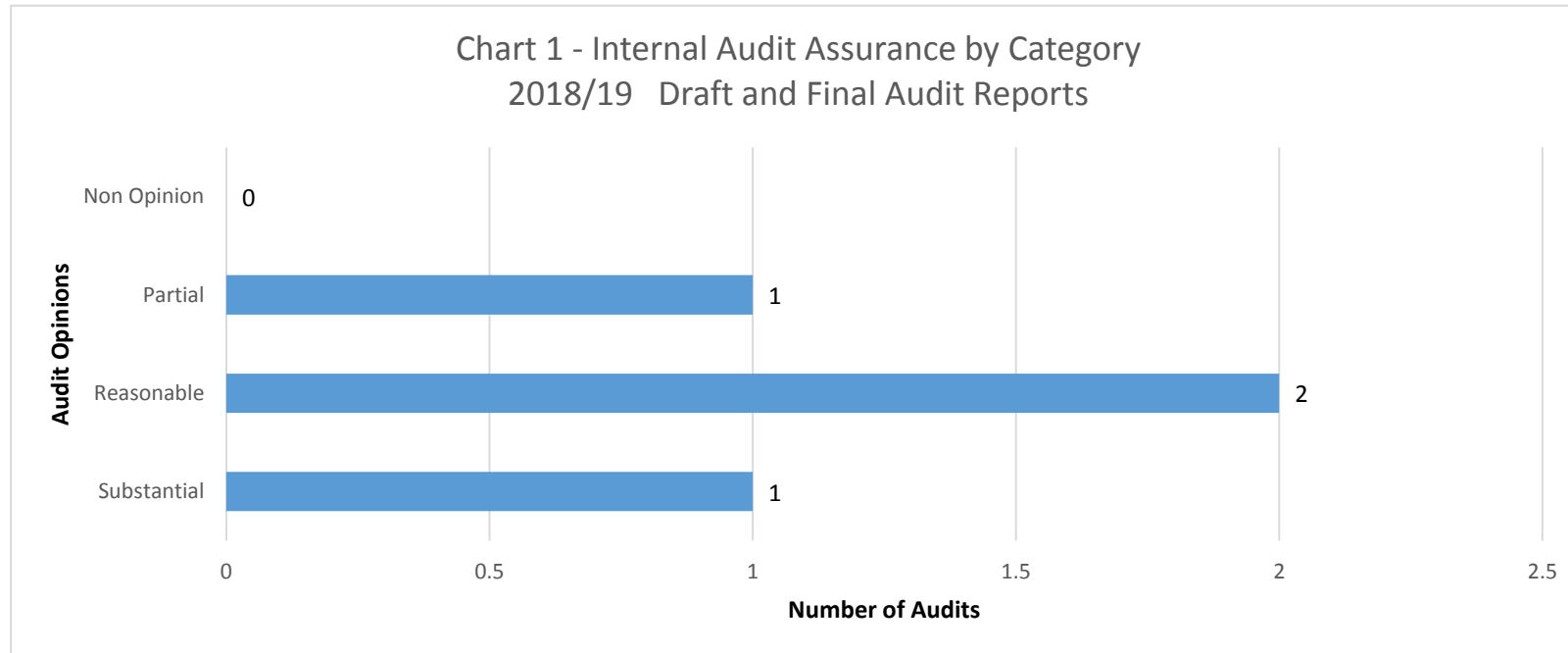
### Healthy Organisation:

We are continuing to integrate the Healthy Organisation into our audit approach, in particular our planning and identifying areas of risk to audit and maximise value.



## Assurance by Category

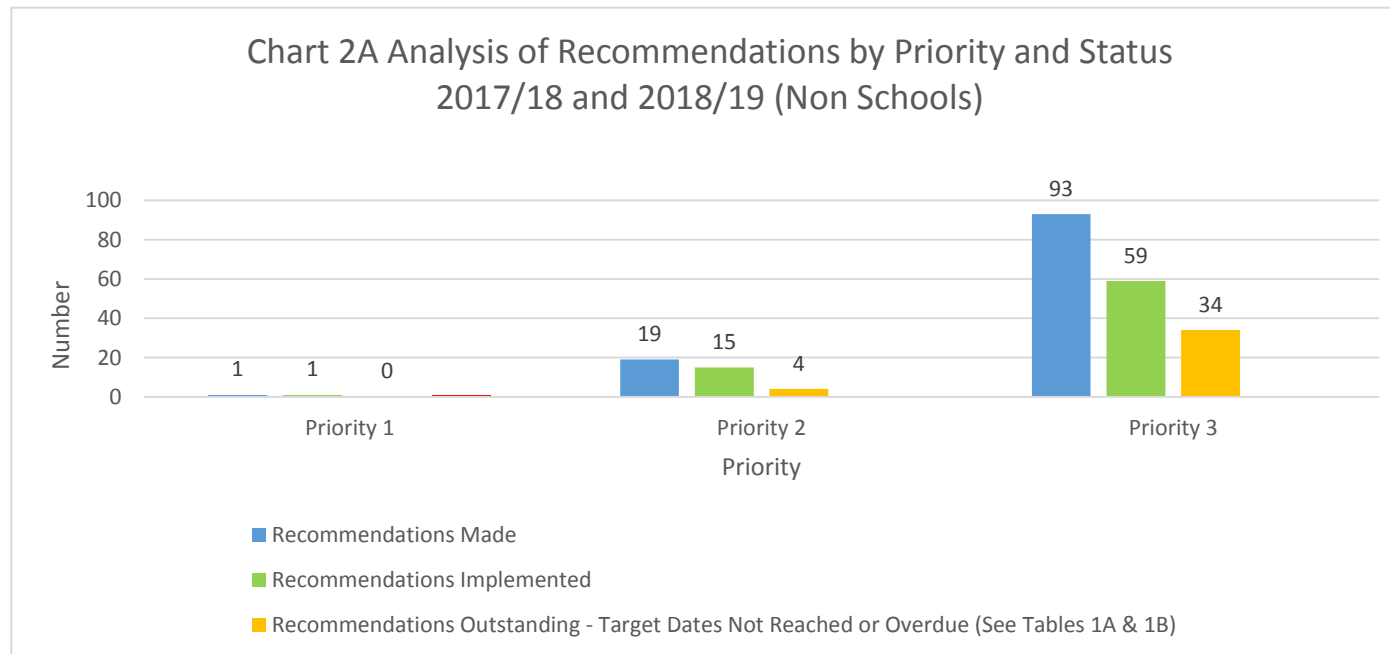
Chart 1 below provides an analysis of the audit assurance levels given in the 4 audits at final and draft report stage.



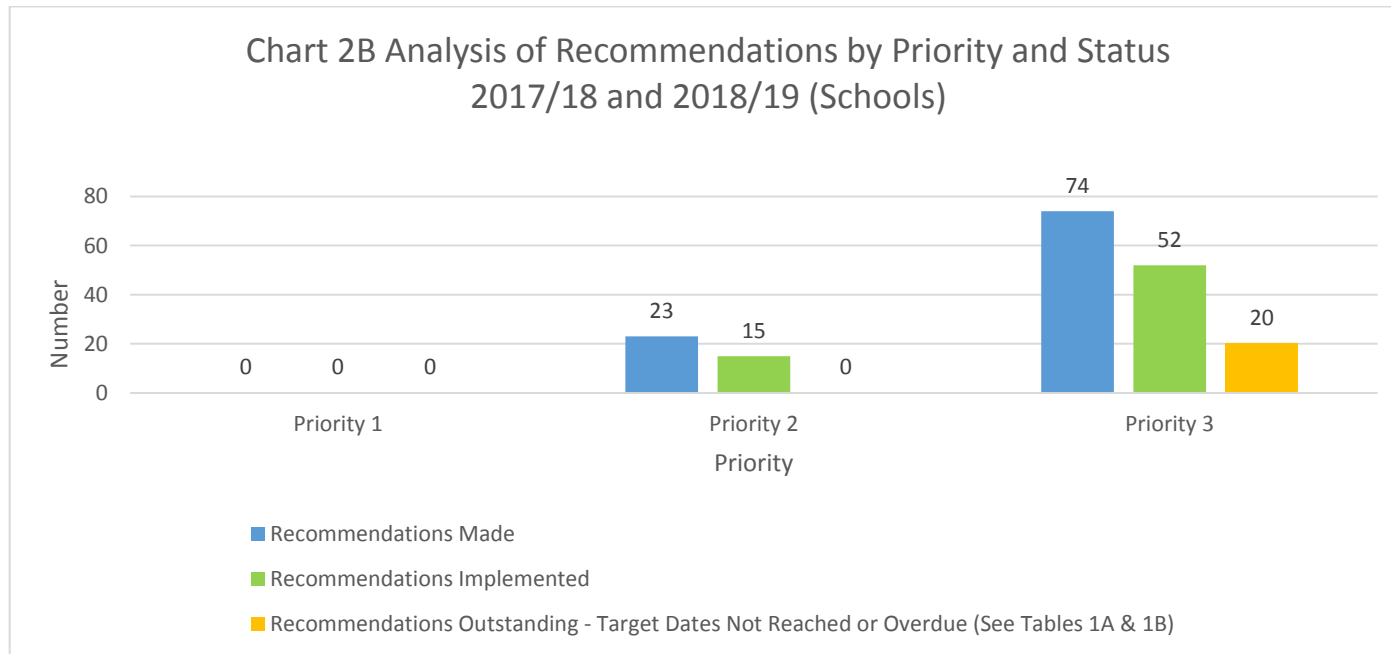
## Audit Recommendations Made 2017/18 and 2018/19 (to date)

Charts 2A and 2B provide an analysis of total audit recommendations made during 2016/17 and 2018/19 in final and draft audit reports. These include audit recommendations where the agreed target implementation dates have not been reached and therefore the total outstanding will be different from overdue. We are following up those outstanding audit recommendations exceeding target implementation dates (overdue).

Page 240







It is important that the Council understands the position of agreed internal audit recommendations to ensure that they are implemented in a timely manner. The current position shows recommendations outstanding as 54 for both non-schools and schools.

Tables 1A and 1B below shows an aged analysis of outstanding recommendations for schools and non-schools audits i.e. not implemented but exceeding agreed target dates, carried out in 2017/18 and 2018/19

The overdue recommendations are currently being followed up either with the responsible Director and/or Service Manager including planned follow up audits being carried out and shows a further improvement in the level of overdue recommendations from the last Activity Report (April 2018).

**Table 1A – Aged Analysis of Overdue Audit Recommendations - Exceeding Target Implementation Dates (Non-Schools) 2017/18 and 2018/19**

Priority	<30 days	< 60 days	< 90 days	< 120 days	120+ days	Totals
2	0	0	0	0	3	3
3	0	0	0	12	11	23
<b>Totals</b>	0	0	0	12	14	26

**Table 1B - Aged Analysis of Overdue Audit Recommendations - Exceeding Target Implementation Dates (Schools) 2017/18 and 2018/19**

Priority	<30 days	< 60 days	< 90 days	< 120 days	120+ days	Totals
2	0	0	0	0	0	0
3	4	2	1	0	11	18
<b>Totals</b>	4	2	1	0	11	18

A verbal update will be provided at the Audit Committee meeting on any further significant progress and position regarding the implementation of outstanding audit recommendations.

# Internal Audit Work Plan 2018/19

The Assistant Director and Director for SWAP reports performance on a regular basis to the SWAP Management Team and Partnership Board.

## SWAP Performance

SWAP performance is subject to regular monitoring review by both the Board and the Members Meeting. The respective performance results for Wiltshire Council for the 2018/19 year so far are as follows:

Performance Target	Average Performance
<b><u>Audit Plan – Percentage Progress (Audits)</u></b>	
17/18 B/F in Progress	22 (25% of 2017/18)
18/19 Final/Draft	4 (5%)
18/19 In Progress	14 (19%)
18/19 Not Commenced	57 (76%)
<b><u>Draft Reports 2018/19</u></b>	
Issued within 5 working days of closeout	100% (Target 95%)
Issued within 10 working days of closeout	100% (Target 100%)
<b><u>Final Reports 2018/19</u></b>	
Issued within 10 working days of discussion of draft report.	100% (Target 95%)
<b><u>Quality of Audit Work</u></b>	
Customer Satisfaction Questionnaire	No Customer Satisfaction Questionnaires returned so far for 2018/19

**SWAP reports performance on a regular basis to the SWAP Management and Boards.**



## SWAP Quality Assessment

The number of audits at draft/final is low at 4% but is to be expected for this time of the year and in line with previous years and a large number of audits are in progress (19%) expected to reach report stage soon. The team has experienced higher than expected staff sickness and vacancies levels in quarters 1. One Senior Auditor commenced with the team in June and we are currently recruiting to the position of Principal Auditor. The shortfall in resources is being further managed by using staff resources from other SWAP partner sites.

At the end of each audit review, a Customer Satisfaction Questionnaire is sent out to the service manager or nominated officer. The aim of the questionnaire is to gauge satisfaction against timeliness; quality; and professionalism. As part of the Balanced Scorecard presented to the SWAP Management Board, a target of 80% is set where 75% would represent a 'good' score. Due to the final audit reports only recently being issued, no questionnaires have so far been completed/returned.

# Internal Audit Work Plan 2018/19

We keep our audit plans under regular review, to ensure we are auditing the right things at the right time.

Amendments are required to be agreed by the Director of Finance & Procurement (S151 Officer) and the Audit Committee.



## Amendments to Annual Audit Plan 2018/19

Our approach is aimed to be flexible and respond to changes in risks and needs of the Council. Our work remains under constant review to ensure that, if necessary, internal audit resources can also be targeted at emerging issues in a timely manner. Any changes required are agreed with the Director of Finance & Procurement (Section 151) and the Audit Committee.

No amendments have so far been proposed for 2018/19 requiring agreement.

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

- Substantial
- Reasonable
- Partial
- None



## Audit Framework Definitions

### Control Assurance Definitions

<b>Substantial</b>		I am able to offer substantial assurance as 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.
<b>Reasonable</b>		I am able to offer reasonable assurance as 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.
<b>Partial</b>		I am able to offer Partial assurance 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.
<b>None</b>		I am not able to offer any assurance. 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.

### Categorisation of Recommendations

When making recommendations to Management it is important that they 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. No timeframes have been applied to each Priority as implementation will depend on several factors; however, the definitions imply the importance.

We keep our audit plans under regular review, so as to ensure we are auditing the right things at the right time.



## Audit Framework Definitions

- Priority 1: Findings that are fundamental to the integrity of the unit’s business processes and require the immediate attention of management.
- Priority 2: Important findings that need to be resolved by management.
- Priority 3: The accuracy of records is at risk and requires attention.
- Priority 4: Minor control issues have been identified which nevertheless need to be addressed.
- Priority 5: Administrative errors identified that should be corrected. Simple, no-cost measures would serve to enhance an existing control.

## Definitions of Risk

Risk	Reporting Implications
Low	Issues of a minor nature or best practice where some improvement can be made.
Medium	Issues which should be addressed by management in their areas of responsibility.
High	Issues that we consider need to be brought to the attention of senior management.
Very High	Issues that we consider need to be brought to the attention of both senior management and the Audit Committee.

Audit Plan Area	Audit Title	Quarter Planned Start	Actual Start (Fieldwork)	Audit Status	Opinion	Draft Report Issued	Final Report Issued	Recommendations/Actions						Comments
								1 = Major		↔		5 = Minor		
								No. of Recs	1	2	3	4	5	
<b>2018/19 Audits at Final/Complete (Status Green)</b>														
Schools	Clarendon Infants	1	19/04/2018	Final	Reasonable	23/05/2018	06/06/2018	10	0	2	8	0	0	Audit completed.
Schools	Clarendon Juniors	1	19/04/2018	Final	Partial	18/05/2018	01/06/2018	13	0	8	5	0	0	Audit completed.
Schools	North Bradley Infants	1	19/04/2018	Final	Reasonable	15/06/2018	29/06/2018	7	0	2	5	0	0	Audit completed.
<b>2018/19 Audits at Draft (Amber Status)</b>														
Healthy Organisation – People & asset Management	Disabled Facilities Grants	1	30/04/2018	Draft	Substantial	16/07/2018		0	0	0	1	0	0	Awaiting response to draft audit report.
<b>2018/19 Audits in Progress (Amber Status)</b>														
Healthy Organisation – Corporate Governance	Risk Management	1	01/07/2018	Planning/Initiation										Audit in progress.
Healthy Organisation – Commissioning & Procurement	Supply Chain Management	1	08/06/2018	Fieldwork										Audit in progress.
Healthy Organisation – Commissioning & Procurement	Highways Contract – Use of Subcontractors	1	21/05/2018	Fieldwork										Audit in progress.

Page 248



Audit Plan Area	Audit Title	Quarter Planned Start	Actual Start (Fieldwork)	Audit Status	Opinion	Draft Report Issued	Final Report Issued	Recommendations/Actions						Comments
								1 = Major		↔		5 = Minor		
								No. of Recs	1	2	3	4	5	
Healthy Organisation – Financial Management	Budget Management	2	01/07/2018	Planning and Initiation										Audit scope currently being discussed with management to focus on the key issues.
Healthy Organisation – Financial Management	Deferred Payments	1	09/05/2018	Fieldwork										Audit in progress.
Healthy Organisation – Financial Management	Community Infrastructure Levy	2	01/06/2018	Fieldwork										Audit in progress. Scope will also include S106 agreements.
Healthy Organisation – People & asset Management	Homelessness Reduction Act	2	02/07/2018	Fieldwork										Audit in progress.
Healthy Organisation – People & asset Management	Staff Survey Action Plans	1	11/06/2018	Fieldwork										Audit in progress.
Schools	Schools Financial Value Standard	1	23/04/2018	Fieldwork										Audit suspended as new guidance expected from DfE on SFVS in July.
Schools	St Marys Catholic Primary	1	19/04/2018	Fieldwork										Issues being discussed with Head and Chair of Governing Body.
Schools	Westbury Leigh Primary	1	25/04/2018	Fieldwork										Audit delayed due to sickness of School Business Manager.
Grants	Public Health Grant	1	16/05/2018	Fieldwork										Awaiting response to grant queries raised.

Audit Plan Area	Audit Title	Quarter Planned Start	Actual Start (Fieldwork)	Audit Status	Opinion	Draft Report Issued	Final Report Issued	Recommendations/Actions						Comments	
								1 = Major			↔		5 = Minor		
								No. of Recs	1	2	3	4	5		
Counter Fraud	National Fraud Initiative (NFI) Data Matching Exercise	1-4	01/04/2018	Ongoing									Ongoing review of progress made on data sets.		
Counter Fraud	Off Street Parking	1	25/04/2018	Fieldwork									Issues from audit currently being discussed prior to draft report.		
<b>2018/19 Audits Planned but not Commenced (Status Green)</b>															
Healthy Organisation – Commissioning & Procurement	Waste Management Contract	3		Not Commenced									Audit Planned for Quarter 3.		
Healthy Organisation – Commissioning & Procurement	Housing Repairs Contract	2		Not Commenced									Currently looking at resourcing.		
Healthy Organisation – Commissioning & Procurement	Highways Consultancy Contract	3		Not Commenced									Audit Planned for Quarter 3.		
Healthy Organisation – Commissioning & Procurement	Street Lighting Contract	4		Not Commenced									Audit Planned for Quarter 4.		
Healthy Organisation – Commissioning & Procurement	Grounds Maintenance Contract	4		Not Commenced									Audit Planned for Quarter 4.		
Healthy Organisation – Commissioning & Procurement	Adult Social Care Contracts	4		Not Commenced									Audit Planned for Quarter 4.		
Healthy Organisation – Financial Management	Financial Regulations and Contract Standing Orders	3		Not Commenced									Audit Planned for Quarter 4.		

Page 250

Audit Plan Area	Audit Title	Quarter Planned Start	Actual Start (Fieldwork)	Audit Status	Opinion	Draft Report Issued	Final Report Issued	Recommendations/Actions						Comments
								1 = Major		↔		5 = Minor		
								No. of Recs	1	2	3	4	5	
Healthy Organisation – Financial Management	Pension Fund Transfer	3		Not Commenced										Audit Planned for Quarter 3.
Healthy Organisation – Financial Management	Apprenticeship Levy	3		Not Commenced										Audit Planned for Quarter 3.
Healthy Organisation – Financial Management	Traded Services with Schools	1		Not Commenced										Audit start delayed due to staff resource availability. Commencing early July.
Healthy Organisation – Programme & Project Management	Digital Transformation Stream	3		Not Commenced										Audit Planned for Quarter 3.
Healthy Organisation – Programme & Project Management	Families and Children (FACT) Transformation Stream	2		Not Commenced										Audit delayed due to 2017/18 audit of programme management.
Healthy Organisation – Programme & Project Management	Commercialisation Transformation Stream	3		Not Commenced										Audit Planned for Quarter 3.
Healthy Organisation – Programme & Project Management	Community Engagement Transformation Stream	4		Not Commenced										Audit Planned for Quarter 4.
Healthy Organisation – Performance Management	Performance Management Framework	2		Not Commenced										Audit Planned for Quarter 2.
Healthy Organisation – People & asset Management	Workforce Planning	2		Not Commenced										Audit Planned for Quarter 2.

Page 251

Audit Plan Area	Audit Title	Quarter Planned Start	Actual Start (Fieldwork)	Audit Status	Opinion	Draft Report Issued	Final Report Issued	Recommendations/Actions						Comments
								1 = Major		↔		5 = Minor		
								No. of Recs	1	2	3	4	5	
Healthy Organisation – People & asset Management	Premises Health & Safety	3		Not Commenced										Audit Planned for Quarter 3.
Healthy Organisation – People & asset Management	Property Management – Third Party Income	1		Not Commenced										Audit delayed due to resourcing issues. Planned to start early July.
Healthy Organisation – People & asset Management	Employment and Skills (Children’s Services)	2		Not Commenced										Audit Planned for Quarter 2.
Healthy Organisation – People & asset Management	People with Learning Difficulties	2		Not Commenced										Audit Planned for Quarter 2.
Healthy Organisation – People & asset Management	Adoption	4		Not Commenced										Audit Planned for Quarter 4.
Healthy Organisation – People & asset Management	Direct Payments	3		Not Commenced										Audit Planned for Quarter 3.
Healthy Organisation – People & asset Management	Financial Assessments	3		Not Commenced										Audit Planned for Quarter 3.
Healthy Organisation – People & asset Management	Early Years Funding	2		Not Commenced										Audit Planned for Quarter 2..
Healthy Organisation – Information Management	General Data Protection Regulations (GDPR) Compliance	1		Not Commenced										Audit delayed at request of the client manager.
Healthy Organisation – People & asset Management	Data Breaches	2		Not Commenced										Audit Planned for Quarter 2.

Page 252

Audit Plan Area	Audit Title	Quarter Planned Start	Actual Start (Fieldwork)	Audit Status	Opinion	Draft Report Issued	Final Report Issued	Recommendations/Actions						Comments
								1 = Major		↔		5 = Minor		
								No. of Recs	1	2	3	4	5	
Healthy Organisation – People & asset Management	Cloud Computing	2		Not Commenced									Audit Planned for Quarter 2.	
Healthy Organisation – People & asset Management	Cyber Security	4		Not Commenced									Audit Planned for Quarter 4.	
Healthy Organisation – People & asset Management	ICT Business Continuity	4		Not Commenced									Audit Planned for Quarter 4.	
Healthy Organisation – People & asset Management	Replacement Customer Services Application	4		Not Commenced									Audit Planned for Quarter 4.	
Healthy Organisation – People & asset Management	Liquidlogic Case Management Application	2		Not Commenced									Audit Planned for Quarter 2.	
Healthy Organisation – People & asset Management	Mobile Computing/Device Management	2		Not Commenced									Audit Planned for Quarter 2.	
Health Organisation – Key Financial Systems	Accounts Payable	3		Not Commenced									Audit Planned for Quarter 3.	
Health Organisation – Key Financial Systems	Accounts Receivable	3-4		Not Commenced									Audit Planned for Quarter 3.	
Health Organisation – Key Financial Systems	Council Tax	3-4		Not Commenced									Audit Planned for Quarter 3.	
Health Organisation – Key Financial Systems	Business Rates	3-4		Not Commenced									Audit Planned for Quarter 3.	

Page 253

Audit Plan Area	Audit Title	Quarter Planned Start	Actual Start (Fieldwork)	Audit Status	Opinion	Draft Report Issued	Final Report Issued	Recommendations/Actions						Comments
								1 = Major		↔		5 = Minor		
								No. of Recs	1	2	3	4	5	
Health Organisation – Key Financial Systems	Housing Rents	4		Not Commenced										Audit Planned for Quarter 3.
Health Organisation – Key Financial Systems	Main Accounting	4		Not Commenced										Audit Planned for Quarter 3.
Health Organisation – Key Financial Systems	Treasury Management	3-4		Not Commenced										Audit Planned for Quarter 3.
Health Organisation – Key Financial Systems	HR/Payroll	3-4		Not Commenced										Audit Planned for Quarter 3.
Health Organisation – Key Financial Systems	Pensions	4		Not Commenced										Audit Planned for Quarter 4.
Health Organisation – Key Financial Systems	Housing and Council Tax Benefits	3-4		Not Commenced										Audit Planned for Quarter 3.
Schools	Thematic – Health & Safety of School Premises	2		Not Commenced										Audit Planned for Quarter 2.
Schools	Thematic – Schools Financial Management	2		Not Commenced										Audit Planned for Quarter 2.
Schools	Specific Schools - 12 planned, balance of 7 remaining and to be decided quarterly.	2-4		Not Commenced										Audit Planned for Quarter 2-4.
Follow-up	Land Charges	4		Not Commenced										Audit Planned for Quarter 4.

Page 254

Audit Plan Area	Audit Title	Quarter Planned Start	Actual Start (Fieldwork)	Audit Status	Opinion	Draft Report Issued	Final Report Issued	Recommendations/Actions						Comments
								1 = Major		↔		5 = Minor		
								No. of Recs	1	2	3	4	5	
Follow-up	ICT Asset Management	3		Not Commenced										Audit Planned for Quarter 3.
Follow-up	Accounts Receivable	3		Not Commenced										Audit Planned for Quarter 3.
Follow-up	Accounts Receivable	3		Not Commenced										Audit Planned for Quarter 3.
Grants	Growth Hub	4		Not Commenced										Audit Planned for Quarter 4.
Grants	Troubled Families	4		Not Commenced										Audit Planned for Quarter 4.
Grants	Local Authority Bus Subsidy	2		Not Commenced										Audit Planned for Quarter 2.
Counter Fraud	Counter Fraud Strategy and Framework	2		Not Commenced										Audit Planned for Quarter 2.
Counter Fraud	Fraud Intelligence Hub	1-4		Not Commenced										Awaiting development from CIPFA on Intelligence Hub which has been delayed..
Counter Fraud	Data Analytics Exercises	1-4		Not Commenced										No exercises carried out so far due to focus on NFI.

Page 255

Audit Plan Area	Audit Title	Quarter Planned Start	Actual Start (Fieldwork)	Audit Status	Opinion	Draft Report Issued	Final Report Issued	Recommendations/Actions						Comments
								1 = Major		↔		5 = Minor		
								No. of Recs	1	2	3	4	5	
Counter Fraud	Organisational Fraud Awareness	1-4		Not Commenced									Awaiting extended CLT and then to discuss the focus and approach.	
Counter Fraud	Management of Blue Badges	2		Not Commenced									Audit Planned for Quarter 2.	
Counter Fraud	Investigations	1-4		Not Commenced									No received any referrals so far for 2018/19.	
<b>Client Support (Status Green)</b>														
Contingency	Audit Contingency	1-4	Included for unplanned audits resulting from emerging risks, management concerns including outcomes from Council's Transformation Streams.									None		
Client Support	Corporate Advice	1-4	Ongoing through year									None		
Client Support	Annual Governance Statement	1-4	Ongoing through year									None		
Client Support	Audit Committee/Members Liaison	1-4	Ongoing through year									None		
Client Support	External Audit Liaison	1-4	Ongoing through year									None		
Client Support	Planning/Client Liaison	1-4	Ongoing through year									None		

Page 256



Audit Plan Area	Audit Title	Quarter Planned Start	Actual Start (Fieldwork)	Audit Status	Opinion	Draft Report Issued	Final Report Issued	Recommendations/Actions						Comments	
								1 = Major			↔		5 = Minor		
								No. of Recs	1	2	3	4	5		
Client Support	CLT Attendance and Reporting	1-4					Ongoing through year							None	
Client Support	Follow Up Contingency	1-4					Ongoing through year							None	

This page is intentionally left blank

## AUDIT FORWARD PLAN

### PROPOSED WORK PROGRAMME FOR THE AUDIT COMMITTEE - 2018/19

Meeting Date and Time	Name of Report	Report Author	Deadline for KPMG and SWAP	Deadline for submission of internal reports	Legal publication date
Wednesday 11 April 2018 10 am	Q3 IA report	SWAP			
	<del>External Audit Plan</del>	<del>Deloitte</del> ????			
	Audit Task Group	WC			

Tuesday 24 July 2018 2pm	Accounting Policies	Ian Duncan			
	Report to those charged with Governance (ISA 260) 2017/2018	KPMG			
	Statement of Accounts	Ian Duncan			
	IA annual report 2017/2018	SWAP			
	Q1 IA Report	SWAP			

**PROPOSED WORK PROGRAMME FOR THE AUDIT COMMITTEE - 2017/18**

	Annual Governance Statement	Ian Gibbons			
	The council's Risk and Performance Management processes	Ian Gibbons			
	Arrangement for the Transition to new External Auditor	Deloitte			
	Recruitment of Finance Director				
	Appointment of a member to the Constitution Focus Group	NA			

Wednesday 14 November 2018 10am	Q2 IA report	SWAP			
	Annual Audit Letter	Deloiittes			

Wednesday 6 February 2019 10am	Q3 IA	SWAP			
	Grant Certification Report 2016/17	KPMG ????			

**AUDIT CONTACTS**

**Finance:** Michael Hudson – Assoc. Director - Finance, Matthew Tiller – Chief Accountant

**Legal:** Ian Gibbons – Associate Director, Legal & Governance

**Corporate Office:** Robin Townsend – Associate Director, Corporate Function, Procurement and Programme Office

**SWAP:**

# Wiltshire Council

Where everybody matters

## **Ian Withers**

Assistant Director

SWAP Internal Audit Services

01225 763495 (Trowbridge Office)

[ian.withers@southwestaudit.co.uk](mailto:ian.withers@southwestaudit.co.uk)

## **Nicky Mudd**

PA to Chief Executive

South West Audit Partnership Ltd

01935 385906

[nicky.mudd@southwestaudit.co.uk](mailto:nicky.mudd@southwestaudit.co.uk)

## **David Hill CMIIA QIAL CIA**

Director of Planning, South West Audit Partnership Ltd

01935 385906 (Head Office)

[07595 711087](tel:07595711087);

[david.hill@southwestaudit.co.uk](mailto:david.hill@southwestaudit.co.uk)

## **KPMG:**

Adam Bunting, LLB (Hons) LLM ACA

Manager, Public Sector Audit

KPMG LLP

100 Temple Street

Bristol, BS1 6AG

T: +44 (0)117 905 4470

M: +44 (0)787 613 7589

[adam.bunting@kpmg.co.uk](mailto:adam.bunting@kpmg.co.uk)

Darren Gilbert – Director, KPMG

[Darren.Gilbert@KPMG.co.uk](mailto:Darren.Gilbert@KPMG.co.uk)

Rob Andrews [Rob.Andrews@KPMG.co.uk](mailto:Rob.Andrews@KPMG.co.uk)

## **Deloitte:**

### **Ian Howse**

Partner | Risk Advisory | Deloitte LLP

5 Callaghan Square, Cardiff, CF10 5BT

**PROPOSED WORK PROGRAMME FOR THE AUDIT COMMITTEE - 2017/18**

D: +44 2920 26 4319 | M: +44 7867 902175  
[ihowse@deloitte.co.uk](mailto:ihowse@deloitte.co.uk) | [www.deloitte.co.uk](http://www.deloitte.co.uk)