Public Document Pack

AYLESBURY VALE DISTRICT COUNCIL

Democratic Services

Please ask for:	Craig Saunders; csaunders@aylesburyvaledc.gov.uk; (01296) 585043
Switchboard:	01296 585858
Text Relay	Prefix your telephone number with 18001
Date Not Specified	

AYLESBURY VALE DISTRICT COUNCIL

AUDIT COMMITTEE

A meeting of the **Audit Committee** will be held at **6.30 pm** on **Monday 27 July 2015** in **The Olympic Room, Aylesbury Vale District Council, The Gateway, Gatehouse Road, Aylesbury, HP19 8FF**, when your attendance is requested.

Contact Officer for meeting arrangements: Craig Saunders; csaunders@aylesburyvaledc.gov.uk; (01296) 585043

Membership: Councillors: T Mills (Chairman), K Hewson (Vice-Chairman), B Chapple OBE, M Collins, A Hetherington, S Renshell, M Smith, R Stuchbury, D Town and H Mordue (ex-Officio)

AGENDA

1. APOLOGIES

2. TEMPORARY CHANGES TO MEMBERSHIP

Any changes will be reported at the meeting.

3. MINUTES (Pages 1 - 12)

To approve as correct records the Minutes of the meeting held on 18 March 2015 and 27 May 2015 attached as Appendices A and B respectively..

4. DECLARATION OF INTEREST

Members to declare any interests.

5. EXTERNAL AUDIT - UPDATE/PROGRESS REPORT (Pages 13 - 20)

To consider the report attached as Appendix C coloured green.

Contact Officer: Evelyn Kaluza (01296) 585549

6. BUSINESS ASSURANCE PROGRESS REPORT (Pages 21 - 50)

To consider the report attached as Appendix D coloured blue.

Contact Officer: Evelyn Kaluza (01296) 585549

POSITIVE ABOUT DISABLED PEOPLE

7. BUSINESS ASSURANCE SERVICES MANAGER'S ANNUAL REPORT 2014/2015 (Pages 51 - 66)

To consider the report attached as Appendix E coloured pink.

Contact Officer: Evelyn Kaluza (01296) 585549

8. ANNUAL GOVERNANCE STATEMENT (Pages 67 - 84)

To consider the report attached as Appendix F coloured grey.

Contact Officer: Evelyn Kaluza (01296) 585549

9. DRAFT STATEMENT OF ACCOUNTS (Pages 85 - 160)

To consider the report attached as Appendix G coloured white

Contact Officer: Tony Skeggs (01296) 585273

10. AUDIT COMMITTEE WORK PROGRAMME (Pages 161 - 162)

To consider the report attached as Appendix H coloured green.

Contact officer: Evelyn Kaluza (01296) 585549

11. DATES OF FUTURE MEETINGS

Future meetings are planned as follows

- 6.30 pm on 28 September 2015
- 6.30 pm 0n 9 November 2015

AUDIT COMMITTEE

27 May, 2015

PRESENT: Councillors Mrs Bloom, B Chapple, Hetherington, Hewson, Mills, Mrs Renshell, Smith, Stuchbury and Town.

APOLOGY: Councillor Collins.

1. ELECTION OF CHAIRMAN

RESOLVED –

That Councillor Mills be elected Chairman of the Committee for the ensuing year.

2. APPOINTMENT OF VICE-CHAIRMAN

RESOLVED –

That Councillor Hewson be appointed Vice-Chairman of the Committee for the ensuing year.

This page is intentionally left blank

AUDIT COMMITTEE

18 March, 2015

PRESENT:- Councillor Isham (Vice Chairman) (in the chair); Councillors Chilver, Christensen (in place of M Smith), Hunter-Watts and Mrs Renshell.

Also present: Maria Grindley and David Guest from Ernst and Young LLP.

APOLOGIES: Councillors N Blake (Ex-Officio), Mrs Davies, Lambert, Mills and M Smith.

1. MINUTES

RESOLVED –

That the Minutes of the meeting held on 26 January 2015 be approved as a correct record.

2. EXTERNAL AUDIT – EXTERNAL AUDIT PLAN 2014/15 AND FEE LETTER

The Committee received a report and Audit Plan which summarised the proposed approach and scope of work to be undertaken by the external auditors for 2015 in accordance with statutory requirements and to ensure it was aligned with the Committee's expectations.

The Audit Plan had been prepared having regard to several key inputs including:-

- Strategic, operational and financial risks relevant to the financial statements.
- Developments in financial reporting and auditing standards.
- The quality of systems and processes.
- Changes in the business and regulatory environment.
- Management's views on all the above mentioned issues.

The auditors had assessed the key risks which would drive the development of an effective audit and the planned audit strategy in response to those risks and had identified two significant risks to the opinion of the financial statements. These were the risk of management override and the risk of revenue and expenditure recognition. It would be important to consider these due to the nature of local authority finances and the ever-increasing pressures on management to achieve financial targets.

The audit work would also focus on whether there were proper arrangements in place for securing financial resilience at the Council, and to secure economy, efficiency and effectiveness in the use of resources by the Council.

An update on the results of the audit work in these areas would be reported back to the Committee in September 2015.

The indicative fee scale for the audit work was £75,713, although it was possible that this fee could increase in due course if additional testing or work was required in addition to that already identified within the Audit Plan. In addition, the estimated fee for the certification of the housing benefits subsidy claim and return was £16,600.

For the purposes of determining whether the financial statements were free from material error (i.e. the magnitude of an omission or mis-statement that, individually or in aggregate, could reasonably be expected to influence the users of the financial statements), the external auditors had determined that overall materiality for the financial statements was £2.053 million based on 2% of gross expenditure. As such, any uncorrected audit mis-statements greater than £102,000 would be reported to the Audit Committee.

Members sought clarification around several issues, and in particular the following:-

- Whether there was significant justification that suggested the need for assessing the risk of management override and the risks associated with revenue and expenditure recognition in AVDC in particular. It was confirmed that these were generic risks common to all local authorities given the increasingly challenging economic situation insofar as it affected the public sector.

- The intention to test the ability of the Interim Monitoring Officer to influence and challenge directly internal governance arrangements. It was indicated that, given that this was an interim appointment, it was the intention meet with the post holder to seek assurances that he was indeed appropriately qualified and was at the right level to challenge robustly governance and ethical standards decisions.

- The need to ensure that the Council's share of the transactions involving Aylesbury Vale Estates (AVE) were accounted for properly. This stemmed from the differences between the Council's and AVE's accounting practices. Testing would take place to ensure that arrangements were in place to enable appropriate judgements to be made in line with the Council's accounting procedures.

RESOLVED –

That the contents of the external auditors' Audit Plan for 2015 be noted.

3. REVIEW OF GENERAL FUND BALANCES 2015-16

The Committee received a report which explained the risk assessment methodology applied by the Council in determining the minimum safe level of General Fund Working Balance used in budget planning.

There was a statutory requirement on all Councils to set a balanced budget each year. A balanced budget could legitimately include the use of general uncommitted balances where the Council agreed that it was appropriate to do so. It was, therefore, prudent practice for Councils to maintain a General Fund uncommitted working balance against unexpected cost pressures or loss of income in order to ensure that the Council's finances remained balanced at all times.

The level of balance maintained by AVDC was reassessed annually and the minimum recommended safe level was applied in budget setting and planning. This currently stood at £2.5 million.

Members sought clarification around a number of issues and in particular, the following:-

- Whether there was perhaps a need to review the risk classification given in relation to the recycling service in the light of recent discussions concerning the payments made to the Council for recyclable material.

- Members sought assurances around the need to continue to keep utility costs to a minimum.

- Whether there might be a need to revisit the risk classification given to Council Tax Collection rates. However Members received assurances from officers that current indications suggested that collection rates showed no demonstrable sign of declining.

- Members sought some background to the continuing inclusion of provision to meet claims arising from the Council's association with Municipal Mutual Insurance (MMI), which had gone into liquidation some years ago. It was indicated that although this had been classified as being low risk, there was still a possibility for MMI claims to arise.

- Members asked for details of the actual amount held in General Fund balances and it was indicated that this would be circulated separately to Committee Members.

- An explanation of the management arrangements for Aylesbury Vale Estates (AVE) was sought and the Committee was advised of the extent of elected Member involvement in the Company. An explanation was also given about the use of dividends payable to this Authority which it had previously been decided should be re-invested in the company.

- An explanation was also given about the current arrangements for IT recovery following a major systems failure.

RESOLVED –

That the report on the review of the General Fund Working Balances and the related risk assessment methodology used by the Council be noted.

4. ANNUAL GOVERNANCE STATEMENT 2014/15

The Committee received a report updating Members on the progress made in developing the Annual Governance Statement (AGS) for 2014/15. A copy of the current draft AGS was included at Appendix A to the Committee report.

The preparation and publication of the AGS was a statutory requirement of the Accounts and Audit Regulations 2011, with the Council required to review at least annually the effectiveness of its system of internal control and to prepare a statement on internal control in accordance with proper practices.

Part of the assurance gathering process used in putting together the draft AGS included a key assurance gathering process with Service Managers and Heads of Service, which had been introduced at the end of 2013/14 to replace the previous "Internal Control Assessment". This process had proved to be very helpful in assessing the level of assurance obtained from management. The results of all the service assessments would not be finalised until the end of March 2015. However, any early indication of issues would be highlighted and reported verbally to the Committee.

An updated and more complete version of the AGS would then be reported to the Audit Committee's next meeting in July 2015.

Members considered the draft AGS and sought clarification around a number of issues, including:-

- Officers were asked to provide more information in connection with the number of apprentices employed.

- Members felt that some more detailed information concerning data breaches would be helpful in gaining a better understanding of the mitigation actions.

- In relation to the review of financial procedures, it was reported that the implementation of the new finance system had unfortunately been delayed. The integrations between the new system and other core applications was vital to successful implementation and replicating these interfaces, which had been built up over the last twelve years or more, had proved to be more challenging than initially anticipated. The project was therefore being re-planned and it was anticipated that implementation would be a month or so latter than originally planned.

- Members expressed the hope that the new policy compliance software implementation would start in the early part of the financial year.

RESOLVED –

That the current position regarding the preparation of the Annual Governance Statement 2014/15 be noted.

5. AUDIT COMMITTEE REVIEW OF EFFECTIVENESS AND TERMS OF REFERENCE

Regulation 6 of the Accounts and Audit Regulations 2011 required the Council to conduct an annual review of the effectiveness of its system of internal audit. This included the effectiveness of the Audit Committee, to the extent that its work related to internal audit, as well as the performance of the internal audit provider.

The Committee's current performance had been assessed against the recommended best practice guidance on the operation of Audit Committees. The first self assessment against these standards had been reported to the Committee in July 2014 and this had been updated, as detailed at Appendix A to the Committee report, to reflect the improvements that had been implemented since then and where there were still areas for improvement.

One of the main areas for action from the July review had been to review the terms of reference for the Committee. CIPFA had produced a sample model and this was the basis of a suggested revised model for this Committee. There were no fundamental differences in the role of the Committee but the wording now reflected the greater emphasis on governance and risk. Appendix B to the Committee report included the proposed revised terms of reference based on the CIPFA model for inclusion in the constitution post the May elections.

Members sought clarification around the data transparency requirements and the proposed actions to try to match Members' professional skills to the specialisms associated with the work of this Committee.

Otherwise Members noted that the overall self assessment scores of 4 out of 5 in many of the assessment areas indicated that, overall, the Audit Committee was operating in a reasonably effective manner.

RESOLVED –

(1) That the updated self assessment (Appendix A to the Committee report) be noted.

(2) That the Council be recommended to agree the proposed revised terms of reference for the Audit Committee, as detailed at Appendix B to the Committee report, when the Council's Constitution was next reviewed after the May 2015 elections.

6. ANNUAL REPORT FROM THE CHAIRMAN OF THE AUDIT COMMITTEE

The Committee received the seventh annual report from the Chairman of the Audit Committee which summarised the work carried out during the 2014/15 financial year. The preparation of an annual report represented best practice in promoting good governance and cascading information, and promoted transparency in respect of the work of the Committee.

Members sought clarification around the reference in the Draft report to IESE and contracts management given the recent awards to the Council for its work through the New Business Model. Also it was felt that there should be some consistency around the use of descriptions e.g. either the use of "Business Assurance Services" "internal Audit". Otherwise the Committee was happy with the content of the Annual Report and it was,

RESOLVED –

(1) That the Audit Committee Chairman's Annual Report be endorsed.

(2) That the annual report of the Audit Committee Chairman be circulated to all Members via the Members' Information Sheet.

7. BUSINESS ASSURANCE STRATEGY AND WORK PLAN FOR 2015-16

The Committee received a report detailing the overall strategy and approach for providing future assurance to the Audit Committee, along with the Business Assurance Work Plan for 2015-16.

The Work Plan had been developed based on discussions with Directors and Heads of Service, with a strong focus on the key areas of strategic risk to the Council. This was reflected in most areas having a corporate rather than service specific focus.

The core financial systems areas and housing benefits and council tax remained on the list each year but the scope of reviews would be tailored to look at different areas of risk each year as well as the core key controls. As with previous years, the basic financial systems testing would be completed in order to provide assurance to the external auditors, and this would also help to keep the external audit fees lower.

The key areas for review during 2015-16 along with an outline of the scope of intended work and identified (risk) priority were set out in Appendix A to the Plan. The Business Assurance Plan would be reviewed and reported quarterly to the Audit Committee, which would allow the flexibility to pick up on new areas of risk or on organisational change.

The Business Assurance Service had been established by the Council as a key component of its governance framework and an Internal Audit Charter ensured that audit work was carried out and governed by the Public Sector Internal Audit Standards.

Members were assured that the priority classifications had been carefully considered and reflected the level of risk. Members were informed that the Assurance Plan was based on estimated numbers of days for each review to match against resources available, but were adjusted when individual reviews were scoped in detail. They also asked for and received a verbal update on the Council's rationale for the replacement of the existing web site, which was largely being driven by the need for Council services to be more easily accessible and more transactional orientated.

Members were informed that one of the two qualified internal auditors would be leaving the Council shortly to work for a Government organisation. It was the intention to replace the post holder and until then "buy in" assistance as and when necessary. Sufficient flexibility had been built into the Work Plan to enable re-prioritisation if and when appropriate and it was noted that regular reports on the progress of work included within the Work Plan would be brought to the Committee at regular intervals.

RESOLVED –

That the Business Assurance Strategy and Assurance Plan for 2015-16 be approved.

8. BUSINESS ASSURANCE PROGRESS REPORT – JANUARY TO FEBRUARY 2015

The Committee received a progress report on activity undertaken against the 2014/15 Assurance Plan since January 2015 and the following matters were highlighted:-

(i) Assurance reviews completed since the last progress report:

Revenues and Benefits – The review had followed up work undertaken by PWC/repeat key controls testing on the 2013/14 Collection Fund and Housing Benefit/Collection Fund. The scope of this work had expanded to cover areas like the work of the compliance team, Council Tax/NNDR inspections and write-off approval prices.

One high priority recommendation had been raised on write-off approval processes for Council Tax and Business Rates. No write-off approval process had been in place since 2010, partly due to the current version of financial procedures/regulations not defining approval limits.

The interim Revenues and Benefits Manager had agreed to restart the write-off approvals process, with approvals under £1,000 being actioned by the Director with responsibility for Finance and approvals over £1,000 being delegated to the Cabinet Member for Resources. Further discussions would be held with Officers to ensure they understood what should be reported for approval and what level of evidence was required to substantiate the write-offs.

(ii) Assurance Reviews Follow-up:

- Contract Management – had been previously raised as an area for general improvement. The Council's new finance software had in-built functionality that would allow for the better management of key contracts. This would ensure that the Council had a better understanding of what was being spent and could identify overspends at an earlier stage. The software would also allow the tracking of KPIs, which had been an identified weakness in the past.

  Business Assurance Services had been working with the Council's Procurement Officer to ensure that all relevant information on key contracts was captured when the new finance software was set up.

- Transfer of Fraud Investigation Staff to DWP – two Members of staff had transferred to the DWP on 2 March 2015. All ongoing case files had been successfully transferred in accordance with DWP procedures.

  A fraud update would be reported to the Committee in September 2015, which would include the impact of no longer having internal qualified fraud investigation staff.

(iii) Assurance Plan Work in Progress – the following work from the 2014/2015 plan had started:-

- New Finance Software (Technology One) – Implementation Stage – the project was currently at the User Acceptance Stage (UAT), which was a critical stage as any areas that did not pass testing could result in further work to amend the system / processes before it could go live. As referred to elsewhere in these Minutes the implementation date had been delayed.

  Ideally, Business Assurance would like to see all controls tested prior to going live but in practice some of the controls testing might have to wait until after the solution had become live and further improvements that were needed had been identified.

  The most fundamental change related to the 'procure to pay' module, where it was hoped that the new finance system would offer significant improvements in the areas of control weaknesses that had been raised in previous audit reports, e. g. supplier input, authorising limits.

- Policy Compliance – The policy compliance software route would be pursued as part of the 2015/16 work programme. A business case would be submitted to Corporate Board in April 2015.
- Payroll Assurance Review (Assurance) – Field work had commenced on the Payroll review for AVDC and Wycombe District Council. The report would be completed by the end of March 2015.
- Parking Income – Work had commenced, with a report to be issued by 31 March 2015.
- Corporate Scorecard Data Quality Review – A draft report would be issued imminently.
- Income / Debtor Management – The review was intended to highlight any inconsistencies in how the Council treated income and subsequent debtors, with a view to recommending how improvements could be made.
- Treasury Management – A draft report had been issued following a review of the Council's cash flow, and investment and borrowing activity for 2014/15.

(iv) **Overdue Audit Recommendations and Tracker** – All assurance reviews were followed up at an appropriate point in time to ensure that agreed management actions had been completed. Further follow-ups were undertaken on outstanding actions and where these were six months overdue (or more) they were reported to the Committee.

The Business Assurance Manager did not close cases until she was satisfied that the management control was fully completed or in operation. A further date was then set to review the item again.

Outstanding actions for financial controls would not be closed until the new Finance System was in place and evidence had been obtained that the new system had improved the financial control weaknesses.

A summary of the reviews completed in 2013/14 and 2014/15 was detailed at Appendix 2 to the Committee report, with information on recommendations over 6 months old which had not already been mentioned on Follow Up work detailed at Appendix 3.

(v) **Changes to 2014-2015 Plan and Outstanding Reviews** – Due to the increased involvement of Business Assurance in reviewing the T1 finance system development and to avoid impacting on the finance staff at this critical time the Chiltern Rail Travel account, which had a low overall priority, had been transferred to 2015/16.

(vi) the following reviews were due to be completed by 31 March 2015:-

- Rail Travel Accounts – Chiltern Rail and Oyster Cards.
- Land Line calls and costs.
- Payroll (including review for Wycombe District Council).
- Treasury Management.
- Car parking income.
- Use of Web applications

(vii) **Response to Ernest and Young (EY) Briefing for Audit Committee** – Each quarter EY produced a briefing note aimed at Local Government Audit Committees. At the back of the latest briefing note (attached as Appendix 4 to the Committee report) was a set of questions which the Audit Committee should ask of their Officers.

Responses to these questions were provided as part of the progress report.

Members were interested to note the checks put in place to detect fraudulent invoice payment requests and an example of one such occurrence was given. Members asked for and received a verbal explanation of the position around aged debt reporting. Members also noted the position concerning remote access arrangements in relation to the iTrent payroll system.

RESOLVED –

That the progress report be noted, including the progress made by Business Assurance Services against work identified in the Assurance Plan for 2014/15.

9. AUDIT COMMITTEE WORK PROGRAMME

The Committee considered the future Work Programme for 2014-15 which took account of comments and requests made at Audit previous Committee meetings and the requirements of the internal and external audit processes.

RESOLVED –

That the future Work Programme as discussed at the meeting be approved.

10. FUTURE MEETINGS

The next meeting of the Audit Committee would be held at 6.30 pm on 27 July 2015, in the Olympic Room at The Gateway, Gatehouse Road, Aylesbury.

This page is intentionally left blank

Audit Committee
27 July 2015

APPENDIX C
Agenda Item No. 5

EXTERNAL AUDIT PLAN PROGRESS REPORT

1 Purpose

1.1 To receive a progress report from the external auditors Ernst and Young on the current stage of their work relating to 2014/15 (Appendix A).

2 Recommendations/for decision

The Committee is asked to:

2.1 Consider the Progress Report from the external auditors and confirm that the work is aligned with the committee's expectations.

3 Supporting information

3.1 The progress summarises the work undertaken already and the work planned for 2014/15 in accordance with statutory requirements and to ensure it is aligned with the committee's expectation.

4 Reasons for Recommendation

4.1 This report forms part of the independent external audit review process. The Audit Committee's role requires it to receive regular reports from the external auditors on the progress of their work at AVDC.

5 Resource implications

5.1 None

Contact Officer	Evelyn Kaluza Business Assurance Services Manager Tel: 01296 585549
Background Documents	None

Aylesbury Vale District Council

Year ending 31 March 2015

Audit Progress Report

13 July 2015

Ernst & Young

Ernst & Young LLP
Apex Plaza
Forbury Road
Reading
RG1 1YE

Tel: + 44 118 928 1599
Fax: + 44 118 928 1101
ey.com

Councillor Timothy Mills
Chairman of the Audit Committee
Aylesbury Vale District Council
The Gateway
Aylesbury
Bucks HP19 8FF

13 July 2014

Dear Councillor Mills

Audit Progress Report – 2014/15

We are pleased to attach our Audit Progress Report.

The purpose of this report is to provide the Audit Committee with an overview of the stage we have reached in your 2014/15 audit and to ensure our audit is aligned with the Committee's expectations.

Our audit is undertaken in accordance with the requirements of the Audit Commission Act 1998, the Code of Audit Practice, the Audit Commission Standing Guidance, auditing standards and other professional requirements.

We welcome the opportunity to discuss this report with you as well as understand whether there are other matters which you consider may influence our audit.

Yours sincerely

Maria Grindley
Director
For and behalf of Ernst & Young LLP
Enc

Contents

1. Planned work

Meetings

We will continue regular meetings with key officers as part of our ongoing audit process including:

- fortnightly meetings with key finance staff during the opinion audit visit to discuss significant risks around the accounts and updates on our work; and
- monthly updates with Senior Finance Officers to discuss the significant risks and other issues faced by the Council and our approach and progress with the audit.

Walk throughs and tests of control

We have completed all of our walk throughs and controls testing including our review of the work of Internal Audit where completed and appropriate.

To date our work has not identified any issues that we need to bring to your attention as those charged with governance.

Value for money assessment

As part of our planning procedures, we will consider the significant risks of giving a wrong conclusion. We need to carry out as much work as is appropriate to enable us to give a safe conclusion on arrangements to secure value for money. We may also identify other risks where we plan to focus some additional attention during the audit.

Due to the financial pressures on local government continuing we have reassessed this as a significant risk. This reassessment does not reflect particular concerns that we have at this stage on the Council's processes of approach but they do reflect the environment in which the Council is operating.

Significant risk Impacts arrangements for securing financxial resiliance	Our audit approach
Medium term financial planning	
The Council continues to face financial challenges; with a savings requirement of £0.6m in 2016/17. The current medium term financial plan has a cumulative budget gap of £2.5 million in 2017/18. With a savings gap of at least £1.8m per year beyond 2017/18. The medium term financial plan sets out the Council's strategic approach for closing the budget gap and key deliverables that are critical to the future financial sustainability of the Council.	Our approach will focus on: Reviewing the achievement of the planned savings in 2014/15; Reviewing the Council's ongoing identification of savings or alternative income streams to reduce the budget gap in 2016/17; and Reviewing the Council's medium term financial planning and assumptions to 2017/18.

Financial statements

We reported the risks identified during our planning in our audit plan which came to the March 2015 Audit Committee and there are no further issues or risks to raise at this stage as a result of the interim work completed.

Claims and returns certification 2014-15

We have started work on the certification of your 2014/15 claims and returns. In particular, we have started work on your housing benefit subsidy claim and this should allow us to complete our work before the November deadline.

2. Timetable

Audit Committee Timeline

We have set out below a timetable showing the key stages of the audit, including the value for money work and the work on Whole of Government Accounts, and the deliverables we have agreed to provide to you through the 2014/15 Audit Committee cycle.

We will provide formal reports to the Audit Committee throughout our audit process as outlined below. Where required, we will issue an Interim Report, summarising the findings from our audit at that stage. From time to time matters may arise that require immediate communication with the Committee and we will discuss them with the Committee Chair as appropriate.

Following the conclusion of our audit we will prepare an Annual Audit Letter in order to communicate to the Council and external stakeholders, including members of the public, the key issues arising from our work.

Audit phase	Timetable	Deliverables
High level planning:	**April 2014**	Fee Letter provided to the Chief Executive and Chair of the Audit Committee in April 2014
Risk assessment and setting of scopes	**March 2015**	Audit Plan - Reported to Those Charged With Governance March 2015
Update on progress and interim feedback	**July 2015**	Progress report - Reported to Those Charged With Governance July 2015
Value for money conclusion	**January-September 2015**	Ongoing
Year-end audit	**July – September 2015**	Report to those charged with governance Audit report (including our opinion on the financial statements and a conclusion as to whether the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources). Audit completion certificate Whole of Government Accounts Certification
Reporting	**November 2015**	Annual Audit Letter
Grant claims	**January 2016**	Report on the audit of grant claims

In addition to the above formal reporting and deliverables we will seek to provide practical business insights and updates on regulatory matters through our Sector Briefings.

Planning discussions

We will update our planning throughout the course of our audit.

Appendix 1: Audit Progress

Progress against key deliverables

Key deliverable	Timetable in plan	Status	Comments
2013/14 grant claim report	January 2015	Completed	Reported to Those Charged With Governance January 2015
Fee Planning	April 2014	Completed	Reported to Chief Executive and Chairman of Audit Committee April 2014
Audit Plan	March 2015	Completed	Reported to Those Charged With Governance March 2015
Report to Those Charged with Governance	September 2015	Completed	Reported to Chief Executive and Chairman of Audit Committee July 2015
Audit Report (including opinion and VFM conclusion)	September 2015	not due	
Audit Certificate	September 2015	not due	
WGA Certificate	October 2015	not due	
Annual Audit Letter	October 2015	not due	
Report on the Audit of Grant Claims	January 2016	not due	

Ernst & Young LLP

Assurance | Tax | Transaction | Advisory

www.ey.com/uk

Ernst & Young LLP, 1 More London Place, London, SE1 2AF.

BUSINESS ASSURANCE PROGRESS REPORT – MARCH TO JUNE 2015

1 Purpose

1.1 To receive the Business Assurance Services Progress Report of activity undertaken since March 2015.

2 Recommendations

2.1 The committee is recommended to note the progress report at Appendix A

3 Supporting Information

3.1 This report provides an update on the progress made against the 2015/16 Assurance Plan. Appendix A includes information on:

- Summary of assurance reviews completed or in progress
- Overdue Audit Recommendations
- Other significant pieces of work completed
- Service Assurance Results for 14/15
- EY briefing note to audit committees

4. Reasons for Recommendations

4.1 Ensuring a proper and effective flow of information to Audit Committee Members enables them to perform their role effectively and is an essential element of the corporate governance arrangements at the council.

5. Resource Implications

5.1 There are no resource implications to report.

Contact Officer: Evelyn Kaluza, Business Assurance Manager
01296 585549

Background papers: none

Business Assurance Services

Assurance Progress Report

July 2015

Contents

1. Assurance reviews completed since the last progress report

Assurance Reviews

No Assurance	Limited Assurance	Reasonable Assurance	Substantial Assurance
	Data Transparency Code		14/15 Oyster Travel Cards
			14/15 Payroll
			14/15 Car Parking income
			14/15 Treasury Management
			15/16 Depot Fuel Management

Where the assessment is "limited" a summary of the findings can be found in Appendix 2.

Project Delivery Reviews

Red	Amber/Red	Amber	Amber/Green	Green
			Right Here Right Now	

The list of the assurance and project delivery ratings definitions are shown in Appendix 1

2. Follow up Work

New Finance Software

The new finance system TechOne went live on 1 June 2015 (2 months after the planned go live). The main internal control changes implemented that can be demonstrated as working are the procure to pay process and to a limited extent the contract payment process. (These will be subject to detailed testing in October 2015)

There are still a number of outstanding control issues which the Finance Team have not yet been able to demonstrate are working in the system to the satisfaction of Business Assurance.

The list has been reviewed by the programme board on 14 July 2015 and now has some dates by which the improvements will be completed by. **See Appendix 4.**

Without these basic controls in place and operating it could result in a significant amount of extra testing by both Business Assurance and External Audit to provide assurances that determine the audit opinion over the statement of accounts for 15/16.

3. Assurance Plan Work in progress

The following areas are in progress from the Assurance Plan

Assurance Plan Area	Type of Assurance	Progress
14/15 Policy Compliance Software	Advisory	Contract for software agreed and project implementation started. Expected to go live in September 2015.
15/16 Section 106 agreements	Assurance	The field work is complete and the draft report is being written. Our target for the finalised report is the end of July 15.
15/16 Taxi Licensing	Assurance	Terms of Reference have been issued and the fieldwork has started. The target date for completion of this review is mid-August.
15/16 Conference Centre Income	Assurance	Terms of Reference have been issued and the fieldwork has started. The target date for completion of this review is mid-August.

4. Service Risk Assurance 14/15

A summary of the results of the service risk assurance process for 14/15 are attached at Appendix 3. These results are used to identify areas of weakness to be report in the Annual Governance Statement.
Business continuity and information security have been identified as showing a number of “amber” ratings from the self assessment which need to be followed up.

4. Overdue Recommendations and Tracker

Appendix 4 shows the recommendations which have been outstanding over six months.

5. Business Assurance Customer Feedback

The following table shows the results of the customer feedback surveys for the 14/15 reviews. These are reported as part of the annual review of effectiveness of internal audit in the Annual Business Assurance Manager's Report.

	(Average Score 1-5) 4 = Good
BA Staff Performance	
1.1 Professionalism	4.625
1.2 Positive Attitude	4.625
1.3 Unbiased and objective	4.625
1.4 Ability to establish positive rapport	4.375
1.5 Knowledge of the areas being reviewed	4
Conduct of Reviews	**% Yes**
2.1 Timing of the review was appropriate	87.5%
2.2 Review objectives and terms of reference were discussed prior to the start of the review	100.0%
2.3 Opportunity was given to change/comment of the review ToR	100.0%
2.4 Review focused on key areas of risk	100.0%
2.5 Any management concerns or perspectives were adequately considered during the review	100.0%
2.6 BAS staff take care to minimise disruption to operations	100.0%
2.7 BAS staff discuss issues with managers as they arise	100.0%
Reporting	
1.1 The report was well written and easily understood	100.0%
1.2 The report was factually correct	100.0%
1.3 Conclusions were appropriate and supported by adequate evidence	100.0%
1.4 Recommendations were constructive, practical and cost effective	100.0%

1.5 Responses by management to issues raised are appropriately reflected in the report

100.0%

6. Response to EY Breifing for Audit Committees

Each quarter Ernst and Young produce a briefing note aimed at Local Government audit committees (See Appendix 5). At the back of the briefing are a set of questions which the Audit Committee should ask of officers. (Page 9 of Briefing note and summarised below)

What questions should the Audit Committee be asking itself?

Q: Have we fully considered opportunities for integration with other local services and whether this could offer improvements to service delivery as well as cost savings?

A: The Chief executive is monitoring the developments in Manchester and other areas where there are combined authority proposals. AVDC is pursuing a unitary model.

Q: Have we reviewed the NAO briefing 'Lessons for major service transformation' and is there anything that could be taken from it to increase the likelihood of successful implementation of projects?

A Report to be circulated to Audit Committee and Corporate Board for discussion at major projects group and other transformational programmes

Q: Are we as an organisation fully aware of the implication of future accounting requirements for TIA and do we have a plan in place to meet these?

A: TIA is not relevant to AVDC. It predominantly impacts on highways authorities.

Q: Have we considered the EY report 'Board effectiveness – continuing the journey' and whether it can support the improvement and effectiveness of our Committee?

A: Report to be circulated to the Audit Committee for information

Q: Are we aware of the 2015–16 scale fee/work programme and confident that arrangements ensure that accounts provided for audit are materially correct and fully supported, and that it has sufficient resources to support the audit process?

A: Information provided by external audit.

Q: What steps are we taking to plan for the earlier financial statement closedown arrangements for 2017/18?

A: This question was raised in the last briefing and a response was given in the progress report in March 2015.

Q: Are we aware of the disclosure requirements contained in the transparency code and are we actively monitoring compliance?

Yes, Business Assurance have conducted a review against compliance with the code. This has been reported to the committee.

Q: Have we engaged with our local communities to identify the areas where there is an appetite for more data to be shared?

A: Yes partly through engagement with residents regarding the new website

Q: Do we publicise the access that is available to public data?

Will be part of launch of new website

Q: Is the data that we make publicly available easily accessible both in terms of its location and its format?

A: Where data has been published it is accessible but further work needed to ensure it is in the right format in every case

Assurance Definitions

Substantial	Our critical review or assessment on the activity gives us a high level of confidence on service delivery arrangements, management of risks, and the operation of controls and / or performance. The risk of the activity not achieving its objectives or outcomes is low. As a guide there are a few low risk / priority actions arising from the review.
Reasonable	Our critical review or assessment on the activity gives us a reasonable level of confidence on service delivery arrangements, management of risks, and operation of controls and / or performance. There are some improvements needed in the application of controls to manage risks. However, the controls are in place and operating sufficiently so that the risk to the activity not achieving its objectives is medium to low. As a guide there are mostly low risks and a few medium risk/priority actions arising from the review.
Limited	Our critical review or assessment on the activity identified some concerns on service delivery arrangements, management of risks, and operation of controls and / or performance. The controls to manage the risks are not always being operated or are inadequate. Therefore, the risk of the activity not achieving its objectives is medium to high. As a guide there are mostly medium and a few high risk / priority actions arising from the review.
None	Our critical review or assessment on the activity identified significant concerns on service delivery arrangements, management of risks, and operation of controls and / or performance. The controls to manage the risks are not being operated or are not present. Therefore the risk of the activity not achieving its objectives is high. As a guide there are a large number of medium and high risks / priority actions arising from the review.

PROJECT DELIVERY CONFIDENCE RATING

Each project health check will result in an assessment of delivery confidence.

Delivery Confidence is the confidence in a project's ability to deliver its aims and objectives:

- Within the timescales
- Within the budget
- To the quality requirements including delivery of benefits, both financial and non-financial.

The assessment of Delivery Confidence reflects:

- Specific issues that threaten delivery to time, cost and quality, and jeopardise the delivery of benefits
- The Business Assurance Officer's professional judgement of the likelihood of the project succeeding even though there may be no definitively clear evidence either way
- The resilience of the project to overcome identified shortcomings or threats.

RAG rating	Criteria description
Green	**Successful delivery of the project to time, cost and quality appears highly likely** and there are no major outstanding issues that at this stage appear to threaten delivery significantly.
Amber/Green	**Successful delivery appears probable**; however, constant attention will be needed to ensure risks do not materialise into major issues threatening delivery.
Amber	**Successful delivery appears feasible** but significant issues already exist, requiring management attention. These appear resolvable at this stage and if addressed promptly, should not present a cost/schedule overrun.
Amber/Red	**Successful delivery of the project is in doubt**, with major risks or issues apparent in a number of key areas. Urgent action is needed to ensure these are addressed, and whether resolution is feasible.
Red	**Successful delivery of the project appears to be unachievable.** There are major issues on project definition, schedule, budget, quality and/or benefits delivery, which at this stage do not appear to be manageable or resolvable. The project may need re-scoping and/or its overall viability reassessed.

Assurance Review Summary

Data Transparency Code – LIMITED ASSURANCE

Risk 1 - Non- compliance with legislation could result in the Council being fined and also the subsequent bad press.

FINDING inc. the associated Risk / Issue	RECOMMENDATION	PRIORITY	MANAGEMENT RESPONSE	ACTION DATE
50% of the datasets are either not published or they are published but with out of date or insufficient information.	The areas of non compliance need to be addressed immediately and data uploaded onto the AVDC website.	High	Andrew Small (Director) – acknowledged the gaps and has instructed the relevant departments to get the data uploaded. The data on 'Assets' inparticular is more problematic due to the scale of it, but it is being worked on.	**By 30 June 2015**

The Transparency Code 2015 is not being complied with in 5 of the 10 areas. *See table below.* In our opinion the main reason for this non-compliance is a lack of a dedicated resource being made responsible for ensuring that the information is published and updated as required. Whilst most of the datasets appear to be straightforward to publish others require additional work. For example; 'Local Authority Assets' – this requires GIS data mapping and also data relating to building assets – so a cross departmental approach.

The Business Assurance Officer has based the opinion as to whether the code has been complied with by reviewing the Council's website and searching for the information, in the same way that the public or an organisation would search for it. Shaded = the dataset is not currently applicable to AVDC.

Dataset	Met	Not Met	Partially Met
Expenditure over £500	✓		
Procurement Cards			
Procurement Information	✓		
Local Authority Land & Property		✓	
Social Housing assets			
Grants to Community & Voluntary Sector	✓		
Organisation Chart / Snr. Salaries		✓	
Trade Union Facility Time		✓	
Pay Policy / Pay Multiples		✓	
Parking Trading Account		✓	
Parking Spaces (number of)	✓		
Fraud	✓		

Service Risk Assurance 2014/15

Background

In March 2014 the internal control self assessment was replaced by a new service risk assurance check. The new process was developed to address identified gaps in assurance for specialist areas such as Health and Safety, IT security, financial control and Safeguarding.

The service risk register process was no longer being consistently used as a tool for management as the requirement to monitor against the corporate plan or service targets dropped over the past few years.

The revised process was devised to take into account the key compliance risks as well as the service specific risks. The new process reflects the level of risk for each service against key areas. This in turn helps determine where further information is required on how specific risks are being managed.

An outline of the process is set out below.

Stage 1 – High Level Risk Assessment

Service assesses whether their risk potential is High, Medium or Low against key area.

Stage 2 – Detailed Risk Assurance Profile

For each area identified as High or Medium the risks for that specific area are discussed and controls that are in place are mapped. If there are any gaps these are identified and action is recorded.

Stage 3 – Specialist Review

The relevant specialist lead (eg Health & Safety) reviews the assurance documented and gives an opinion on whether in their view all the relevant risks have been identified.

Stage 4 – Overview for AGS

Business Assurance Services reviews overall assessment and reports any key weaknesses in Annual Governance Statement.

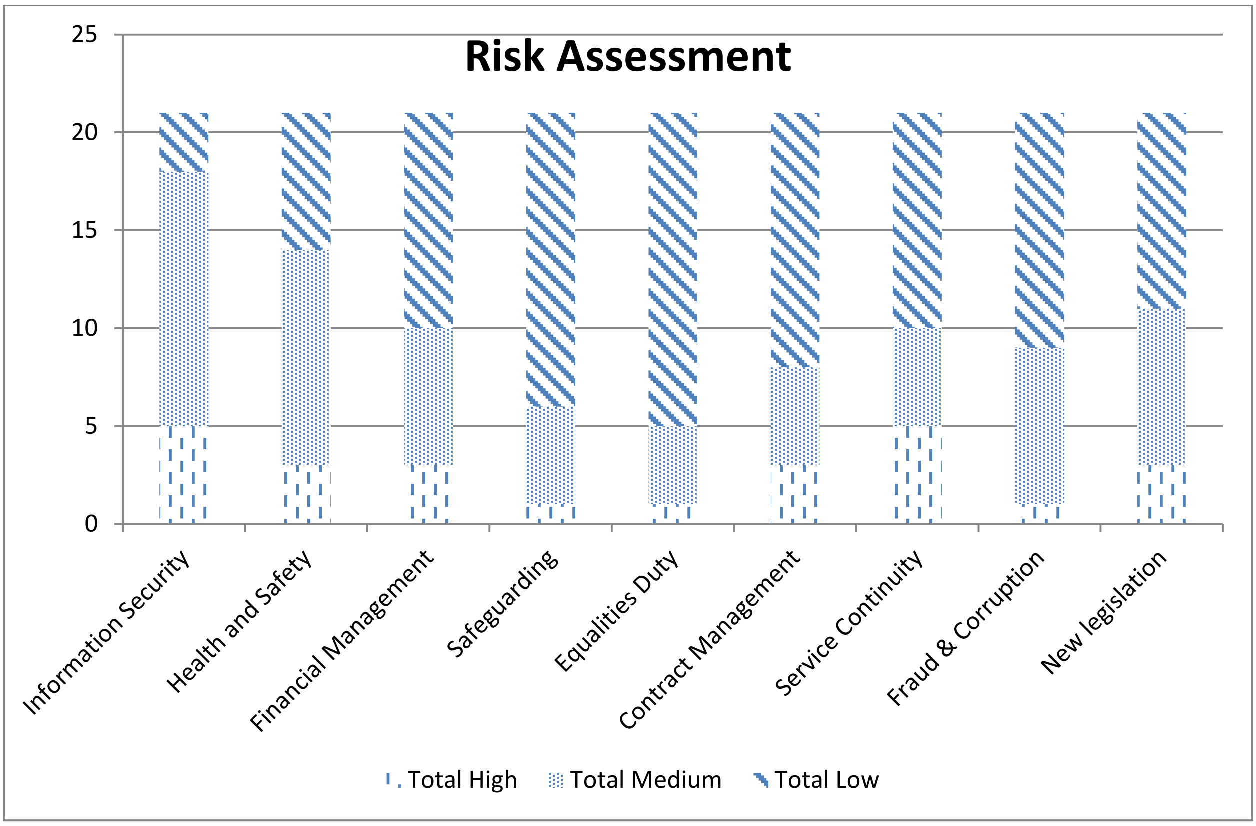
2014/15 Overview

The Service Risk Assurance process was undertaken with 21 services/teams. Due to a number of reorganisations it is not possible to make a direct comparison with last year.

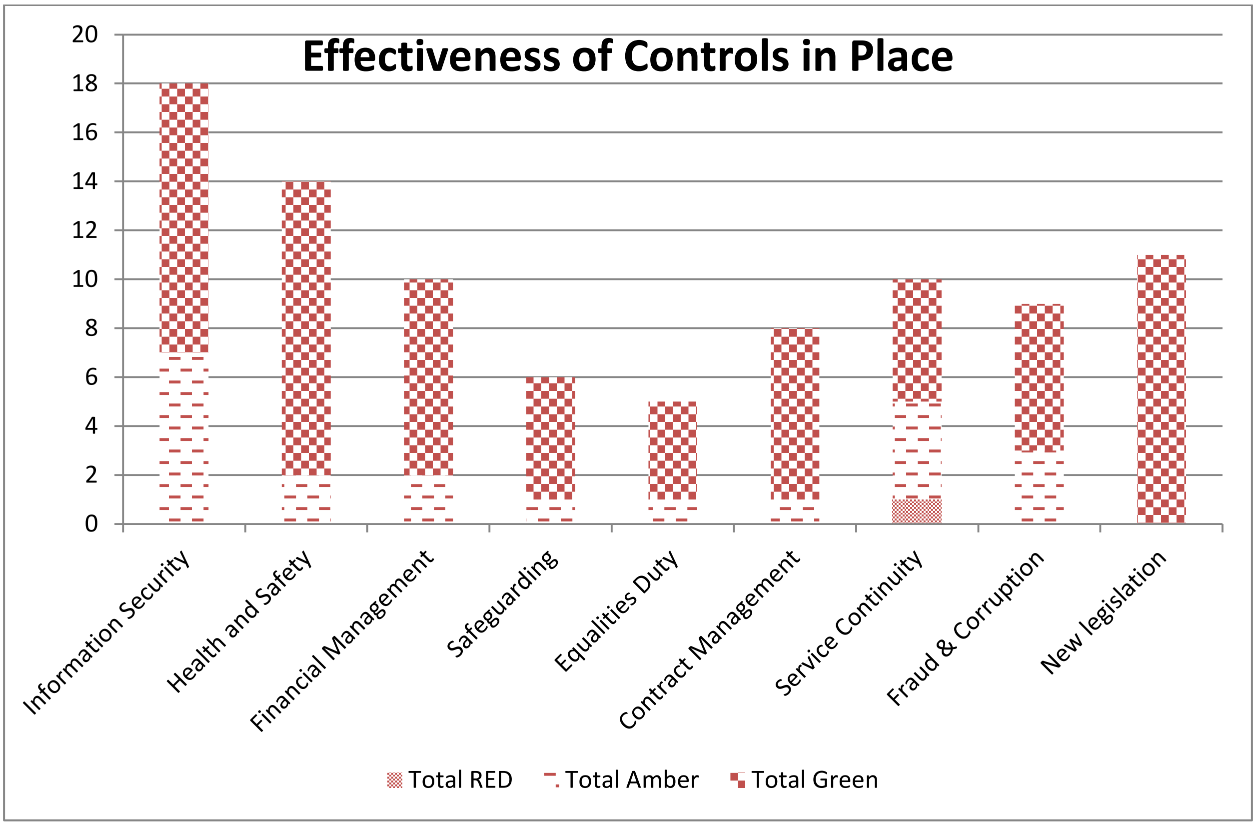
The process this year has been undertaken through a mixture of self completion and individual discussions with Managers. The discussions have been led by Business Assurance Services.

A full list of ratings can be found in appendix 1

The graph below shows a summary of the Risk Rating for all services/teams.



The graph below shows the assurance rating for all services.



The areas that are giving some cause for concern where there is high/medium risk and red/amber assurance are information security and service continuity.

Top Concerns for teams/services.

Teams/services were also asked to highlight up to five top concerns for their area for the first time this year. They were asked to rate these concerns using the same rating system used for corporate risks.

These concerns will be turned into action plans and form the basis of the risk profile to be reviewed in six months time.

Appendix 4 – Overdue Recommendations Tracker

Recommendation	Risk and Impact	Management Action agreed	Priority	Target date	P (Partial) N(not started)	Update management response as at March 2015
Network Drives Audit						
A more managed environment should be created and properly communicated by IT to facilitate joint-working and file-sharing across services.	Risk: Unmanaged data storage environment leads to noncompliance with AVDC Information Security Policies and Data Protection Act. Because of the volume of data that has built up over 10+ years on the AVDC-High Street drive information is difficult to search and much of it is likely to be obsolete. Impact: Financial cost of supporting the drive plus low-probability/high impact risks related to Data Protection Act compliance. (E.g. obsolete Shared Housing Register was secure in the sense that it was held on the network but it was not kept in compliance with the Data Protection Act principles because the data was no longer needed.)	A Sharepoint environment to replace the current 'shared area' will enable more and better sharing of information. This will need to be carefully managed as per project plan to be developed as a response to Rec 1 page 8.	High	1/5/2012	P	**Update from Alan Evans Head of IT 14/7/15** The One Drive module of the Office 365 system has been trialled for 4 months. The trial has revealed some operational issues and, of more concern, some security weaknesses that may be addressed in a future release. Central Government have recently approved the use of a product called "Box" and a report is being prepared comparing One Drive, "Box" and the Microsoft Sharepoint product. The expectation is that a decision will be taken later in the summer to implement one of these options and a project will commence in the Autumn.

Financial Controls Weaknesses

As at 14 July 2015 the following areas are still outstanding and the Finance Team have been unable to demonstrate through evidence that the new system has addressed the weaknesses identified in the old system.

Control Area of weakness in old system	Finance Manager Response 17th April 15 Position	Finance Manager Response July 15
Aged debtors reports that show where debts have instalment plans in place.	Still being addressed.	Still being addressed. But there is a screen that shows an aged debt position for a customer, so an enquiry on that customer will show you the aged debt position. **Action: Reports to be developed by 30 September 2015**
Management information monitored i.e. speed to pay suppliers.	This will be looked at once the system is up and running and we have time to develop the reports.	Same position as the 17 April. Still getting to grips with the basics. Too early to start looking at management information aspects. **Action: Reports to be developed by 30 Sept 2015**
Journal processing workflows – lack of clear authorisation processes and finance role in this.	Workflow will be part of TechOne.	Currently only Finance Section officers can process and authorise journals due to the workflow set up. Any journal request has to be approved by another officer. Journal requests now allow for evidence to be easily attached. **Action: Process to be reviewed by 30 Sept 2015**
Virements (moving / creating budgets) – Controls and authorisations over what financial regs regards as virements and who authorises what and the evidence behind these.	Still being addressed.	No virements have yet been done in the system and not going to be possible until end of Septemer. **Action: Process and rules to be in place by 30 September 2015.**

The following areas have been implemented but not subject to any detailed testing by Business Assurance – This is planned for September.

Control Area of weakness in old system	Finance Manager Response 14 July 15 Position
Applying VAT at potentially incorrect rates on debtor invoices.	VAT rules built in to most common products leaving some adhoc areas which are reviewed by Finance before approving.
Authorisation controls over BACS file release.	Authorisation process in place.
Lack of purchase order process – no evidence to support the purchase prior to invoices being received and therefore expenditure committed.	In order to order goods officers have to request a requisition that has to be approved by their manager or in cases of less than a £1,000 another user who has been assigned to Pool A. Once approved the PO can be sent out. Invoices will not be paid unless there is a PO number on the invoice. Still early days as pre 1 June invoices still coming through.
Lack of authorisation / control over setting up new suppliers.	Any new supplier has to be approved by Procurement. If a supplier does not exist then a new supplier request form has to be completed and attached to the requisition before it can be approved. At the moment all requests are being granted as they have been used previously within Aptos.
Control over the ability to alter supplier details i.e. bank account details.	We haven’t had any requests at the moment but the procedure will be documented. New supplier details are attached to the workflow request.
Authorisation over debtors invoices and credit notes.	All debtor and credit note requests have to be approved by a manager before coming to Finance for review and posting.
Evidence of the authorisation for writing off debts.	Workflow will be part of TechOne. Items under £1,000 will go to Andrew. Items over £1,000 will go to cabinet and once approved a copy of the report will be attached to the debt and then either Andrew or myself will approve them in TechOne.
Budget Managers should be accountable for variances on their budgets and have to explain them. These should be automatically reported to senior management.	The first set of reports are being rolled out to managers. They are being shown what can be done. Hopefully, more bespoke reports will be written over time.
Monitoring and control over suspense accounts.	Bank suspense accounts are currently being monitored by the Finance Manager and procedure notes are being developed. The task will be handed over in the next couple of months.

Review over rolling forward balances.	This will done next April 2016

Local government audit committee briefing

Contents at a glance

This sector briefing is one of the ways that we hope to continue to support you and your organisation in an environment that is constantly changing and evolving. It covers issues which may have an impact on your organisation, the Local government sector and the audits that we undertake. The public sector audit specialists who transferred from the Audit Commission form part of EY's national Government and Public Sector (GPS) team. Their extensive public sector knowledge is now supported by the rich resource of wider expertise across EY's UK and international business. This briefing reflects this, bringing together not only technical issues relevant to the local government sector but wider matters of potential interest to you and your organisation.

Links to where you can find out more on any of the articles featured can be found at the end of the briefing, as well as some examples of areas where EY can provide support to Local Authority bodies. We hope that you find the briefing informative and should this raise any issues that you would like to discuss further please do contact your local audit team.

Building a better working world

Government and economic news

EY Item Club Spring 2015 Forecast

In its latest quarterly forecast the EY Item Club forecasts strong economic performance with GDP growth of 2.8% this year, rising to 3% in 2016. The Consumer Prices Index (CPI) Inflation is expected to average 0.1% for 2015, but expected to rise above 1% this winter, paving the way for possible base rate rises in spring 2016. Consumption is forecast to grow by 2.8% this year (mainly due to a real income increase of 3.7%) and strong growth over the medium term supported by buoyant incomes rather than borrowing. An additional driver for growth is the fall in the Euro against the pound. Business surveys indicate that the effect of this exchange rate move on export competitiveness has been countered by the strength of the European market.

The report highlights that its forecasts are far more positive than the Office of Budget Responsibility (OBR) which it accepts needs to be cautious, seeing room for expansion in the consumer and housing markets without significant adverse effect on household debt or house prices. Additionally long term output growth prospects are better than indicated by OBR projections. The forecast suggests that the outlook for the government post-election will be more positive than official statistics.

Manchester devolution

On the 27 February 2015, a memorandum of understanding was signed between Greater Manchester's 10 local authorities, 12 NHS clinical commissioning groups and 15 NHS providers, as well as NHS England chief executive Simon Stevens and Chancellor George Osborne. This memorandum builds on the devolution settlement for Manchester which was signed in November 2014, and proposed the devolution of powers to Greater Manchester in various areas including transport, planning and housing.

NHS England worked with the Manchester bodies to develop a plan for further joined up and integrated health and social care. The next stage will be the development of a roadmap, followed by production of a business plan. Due for publication in October, the outline business plan will outline the scope for possible savings through integration; as well as setting out the capital investment that will be needed to deliver the proposed shift from acute care to the primary and community sectors.

Under the plan, a new joint decision-making process for all £6bn of health and social care spending will be developed. A Greater Manchester Strategic Health and Social Care Partnership Board will be set up, and will oversee the development of the health and care system. A joint commissioning board will be responsible for financial plans and budget proposals for the sizeable budget, which represents approximately a quarter of all public spending in the region.

George Osborne has said that this reform was "exactly what we want to see more of in our health care."

Greater Manchester Combined Authority chair Lord Peter Smith confirmed his commitment to working with NHS colleagues in the city: "By ensuring that decisions about health for Greater Manchester are taken in Greater Manchester, we can ensure we have a system specifically tailored to the needs of people in our area."

Government and economic news

This radical change follows on from the Community Budget programme, of which Manchester was one of the four pilots. This programme was intended to pool funds to improve the effectiveness of public spending across the city's 10 councils. An analysis from EY commissioned by the Local Government Association concluded that more than £4bn could be saved every year if all areas adopted a Community Budget approach and were able to cut the unnecessary waste, duplication and red tape. Of these, it was estimated 80% would come from the budgets of central government departments and agencies.

DWP Welfare Reforms

The NAO has produced a report which considers the changes made by the Department for Work & Pensions (DWP) over the past five years and its mixed record of implementation. The report is intended to provide the DWP and other readers with an opportunity to learn from experience. They have also produced a briefing with more general relevance – '*Lessons for major service transformation*' which draws out broader principles from their DWP review.

Eleven lessons are identified which may be helpful for authorities seeking to transform services and processes in the face of budget constraints:

- Transformation programmes raise the greatest risks of failure
- Set realistic goals and be honest about what really matters
- Policy development must take account of implementation
- Don't be tempted to score benefits early
- Do identify tangible short-term gains
- Recognise the (senior) organisational cost of transformation
- Don't underestimate what you can learn from engagement
- Recognise the value of learning and market development
- Do anticipate the need to make changes in live running
- Recognise the opportunities and limits of technology
- Set out clear decision-making and challenge

Accounting, auditing and governance

Transport Infrastructure Assets

What are transport infrastructure assets (TIA) and why are they relevant to highway and non-highway authorities?

The *Code of Practice on Transport Infrastructure Assets (TIA Code)* was first published in 2010 and updated in 2013. The key aim of this document was to improve the asset management of TIA. The TIA Code classified TIA as:

- Carriageways
- Footways and Cycleways
- Structures
- Street Lighting
- Traffic Management Systems
- Street Furniture

The TIA Code also sought to provide the basis for improved financial information by setting out a move to valuation of such assets on a Depreciated Replacement Cost (DRC) basis, which in simple terms is the difference between the current costs of replacing an asset less an allowance (depreciation) for the age of the current asset.

Local Government continued to use depreciated historic cost (DHC) as the valuation approach for infrastructure assets when the *Code of Practice on Local Authority Accounts in the United Kingdom (Accounting Code)* moved to an IFRS basis effective from 1 April 2010. Thus one of the key elements for full implementation of the TIA Code, valuing assets using DRC, was not in place within Local Government.

Following consultations over a number of years, CIPFA initially announced through the 2014/15 Accounting Code, and confirmed in the 2015/16 Accounting Code, that TIA within local government will be valued at DRC with effect from 1 April 2016. It has been estimated centrally that this will add some £200bn to the net worth of local government balance sheets. Our work to date with clients suggests that this is a significant underestimate. At an individual client level the inclusion of TIA, at this different valuation basis, will transform the balance sheet.

Although the above will apply to all highway authorities there will also be a number of non-highway authorities who hold material TIA under the new valuation basis. In particular, cycleways, structures and roads on industrial estates may lead to material levels of TIA at non-highway authorities. It is important to note that for those non-highway authorities the full requirements of the TIA Code will have to be met.

What are the implications?

This is a fundamental change in approach which will require new accounting and estimation approaches as well as amendments to existing systems, or implementation of new systems design and operation. Early engagement and project planning were highlighted as core requirements in *LAAP BULLETIN 100: Project Plan for Implementation of the Measurement Requirements for Transport Infrastructure Assets by 2016/17*, to the effective delivery of this change within the tight timetable.

The change is to be applied retrospectively and thus will require valuations as at 1 April 2015 and comparative values for 2015/16. CIPFA issued specific Guidance Notes on TIA in May 2015 and have identified a number of proposed changes to the Accounting Code for 2016/17 that will be consulted upon over the summer.

Close working through the implementation period with external auditors is highlighted as being pivotal to successful implementation. We have identified a number of areas that are crucial to the delivery of this project and will be discussing these with officers over the coming months.

Accounting, auditing and governance

The additional audit work involved in this area was recognised by the Audit Commission in their 2015/16 fee consultation. It did not however, identify a fee; leaving that to local negotiation due to the scale of work required. Following local fee discussions we will be looking to have carried out initial detailed work for all audit clients by the end of the calendar year. This work could range from confirming with non-highway authorities that they do not have material TIAs and therefore do not have to implement the changes, to major systems reviews at highway authorities.

At all authorities with material TIA, further work will be required to address the results of the changes proposed in CIPFA's consultation on the 2016/17 Accounting Code. Our intention is to have reviewed the remaining areas of implementation before the end of the 2015/16 financial year at all audit clients.

Working together

In addition to the work undertaken locally, following requests from clients, we will be running specific transport infrastructure assets workshops for officers of highway authorities across the country in July and August at the following venues:

- 28 July 2015 – London Becket House
- 29 July 2015 – EY Birmingham Office
- 5 August 2015 – London Becket House
- 6 August 2015 – EY Newcastle Office
- 13 August 2015 – EY Manchester Office
- 14 August 2015 – London MLP

Formal invitations will be issued in early June. If you have any questions regarding these events please contact Neil Gibson on ngibson@uk.ey.com.

For non-highway authorities with material TIA we will, in addition to our local work, facilitate contact between clients and, if there is demand, arrange similar workshops for them.

As with all major changes, early engagement with your local audit team will assist in a smooth implementation of the changes.

Thought leadership – board effectiveness

EY has worked with The Investment Association to produce a thought leadership report 'Board effectiveness – continuing the journey'. The report is based on debates on board effectiveness held as a series of individual meetings and roundtables with leading chairmen, board directors and senior investors. Whilst the report recognises that all boards are different, it aims to identify leading practice and point to new ideas for boards to improve and demonstrate their effectiveness. It addresses board effectiveness across seven themes:

- Role of the chairman
- The role of non-executive directors (NEDs)
- Progress on diversity
- Board succession and the work of the nomination committee
- The purpose and impact of board evaluations
- Information flows to the board
- The role of investors

To encourage discussion between management, NEDs and stakeholders, the report includes a checklist of questions under each of the seven themes.

Accounting, auditing and governance

2015–16 work programme and scales of fees

Public Sector Audit Appointments Ltd (PSAA) has now confirmed the work programme and scale fees for the audit of the accounts for 2015–16 for local government, fire, police and health bodies.

For most local government, fire, and police bodies scale fees show a reduction of 25% to the fees applicable for 2014–15. This does not, however, apply to pension fund audits (where fee pressures have been rising due to the increasing complexity of the funds audited) or to local government audited bodies with 2014/15 scale audit fees below £20,000.

The current expectation is that these fee reductions will apply until the end of the audit contracts (subject to annual review).

The current contracts with audit suppliers run until 2017, with a possible extension for up to three years. Under its responsibility to manage the audit contracts, PSAA is required to consult on and set fees for 2016–17.

In addition to the core accounts audit work, auditors have a responsibility to satisfy themselves about an audited body's arrangements to secure economy, efficiency and effectiveness in its use of resources, and in some cases certification of claims. Fees to cover the costs of any special investigations, (e.g., arising from disclosures under the Public Interest Disclosure Act 1998) are charged as a variation to the scale fee.

The scale audit fees for individual bodies and the work programme are published on the PSAA website, with the aim of supporting transparency and helping audited bodies compare their fees with those of similar bodies. They are based on the expectation that audited bodies are able to provide the auditor with complete and materially accurate financial statements, with supporting working papers, within agreed timeframes.

It is a matter for the auditor to decide the work necessary to complete the audit. Where an auditor considers more or less work is required than is represented in the scale fee, they are required under the audit contracts to seek approval from PSAA for a variation to the scale fee, and to agree the amount of this variation with the audited body. PSAA also consider the reasonableness of the explanations provided before agreeing to any variation to the scale fee.

Whole of Government Accounts: 2013–2014

The Comptroller and Auditor General, Amyas Morse, released his audit report on the 2013/14 Whole of Government Accounts at the end of March. This is the fifth year that the Treasury has produced the Whole of Government Accounts, which is intended to show in a single document the overall financial position of the UK public sector by consolidating the financial activities of more than 5,400 organisations across the public sector into a single set of audited accounts. The bodies that are consolidated include central and local government bodies, as well as other public corporations including the Bank of England.

The audit opinion has again been qualified this year on six counts:

- The application of the WGA accounting boundary
- Inconsistencies in the underlying accounting treatments within the WGA
- Disagreement on the accounting treatment of 3G/4G mobile licences
- Lack of evidence in support of the completeness and valuation of school assets
- Underlying material qualifications of the Department for Education and Ministry of Defence accounts
- Inaccuracies in the elimination of intragroup transactions and balances

Accounting, auditing and governance

Overall, Amyas Morse has commended the progress made by HM Treasury, whilst noting areas for improvement:

"We are strongly supportive of the way HM Treasury is moving forward with the Whole of Government Accounts project. The Department is improving the content of the WGA and the document has been produced faster than ever. This is welcome and represents a significant step forward for the WGA. The Department is also taking steps to make sure that more information is being given to taxpayers on how government spends their money and longer terms risks on the balance sheet are being highlighted. However, there are opportunities to exploit the WGA's potential more fully and to improve the WGA to enable me to remove my qualifications. The Treasury also needs to work with the bodies that provide data to improve the timeliness and accuracy of the information that it receives. Furthermore, better analysis by the Department of trends in government's assets and liabilities will help to demonstrate the full financial impact of changes in the delivery of public service in the next Parliament."

Financial reporting simplification agenda

The need to simplify and streamline local government financial statements has been a topic of discussion since the introduction of International Financial Reporting Standards (IFRS) in 2010/11. In December 2013 CIPFA issued Financial Statements: A Good Practice Guide for Local Authorities which includes a chapter around materiality and clutter. The report highlighted the negative impact of two types of clutter identified by the Financial Reporting Council in their report Cutting Clutter, namely:

- Immaterial disclosures that inhibit the reader's ability to identify and interpret relevant information
- Explanatory information that remains unchanged from year to year

Since the publication of the good practice guide, CIPFA carried out a specific consultation on the potential for simplifying and streamlining local authority accounts during the summer of 2014. As a result greater emphasis was placed in the *Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 and 2015/16* on removing immaterial disclosures. CIPFA also issued a second edition of its report *How to Tell the Story: Local Authority Financial Statements, including this within the Code of Practice on Local Authority Accounting in the United Kingdom: Guidance Notes for Practitioners 2014/15*.

CIPFA/LASAAC and CIPFA remain committed to enable the financial reporting of local government bodies to relate a more streamlined story that is understandable to the varied users of their financial statements. It has been stated that the consultations on the *Code of Practice on Local Authority Accounting in the United Kingdom 2016/17* will include more fundamental changes.

Key proposals are expected to include a:

- New funding statement that more clearly reconciles the accounting and funding regimes
- Refocussing of the Comprehensive Income and Expenditure Statement
- Revision of the existing Movement in Reserves Statement

The progress on these changes will impact on the detailed approach that local government bodies make to achieve the earlier closedown requirements from 2018. Thus that work should be fully integrated with the streamlining agenda.

EY has also produced a think piece on earlier closedown; if you have not already received a copy, please contact your audit team for more information.

Regulation news

The Transparency Code

The Local Government Transparency Code 2014, intended to increase democratic accountability by giving people the tools and information they need to enable them to contribute to the local decision making process, was published by DCLG on 3 October 2014.

It is governed by three main principles:

- Demand led – new technology should support transparency and accountability. Public bodies should release data in a way that allows the public and other interested parties to use it
- Open – availability of public data should be promoted and publicised. Presentation should be helpful and accessible
- Timely – data should be made public as soon as possible following production

The Code is a statutory requirement for local government bodies; however, it does not apply to Police and Crime Commissioners. It sets out the minimum data and information that all local authorities must publish; the frequency at which it should be published and how it should be published.

One of the mandatory disclosures contained in the Code is the requirement to publish information on senior managers' salaries. The Accounts and Audit (England) Regulations (2011) and section 3.4 of the Accounting Code set out the disclosure requirements in relation to senior management remuneration required for the financial statements.

Key questions for the audit committee

What questions should the Audit Committee be asking itself?

- Have we fully considered opportunities for integration with other local services and whether this could offer improvements to service delivery as well as cost savings?
- Have we reviewed the NAO briefing 'Lessons for major service transformation' and is there anything that could be taken from it to increase the likelihood of successful implementation of projects?
- Are we as an organisation fully aware of the implication of future accounting requirements for TIA and do we have a plan in place to meet these?
- Have we considered the EY report 'Board effectiveness – continuing the journey' and whether it can support the improvement and effectiveness of our Committee?
- Are we aware of the 2015-16 scale fee/work programme and confident that arrangements ensure that accounts provided for audit are materially correct and fully supported, and that it has sufficient resources to support the audit process?
- What steps are we taking to plan for the earlier financial statement closedown arrangements for 2017/18?
  - Have we critically reviewed the accounts and identified areas where they can be streamlined?
  - Have we identified any disclosures or other areas which could be prepared early?
  - Is resourcing within finance areas sufficient? Are there any areas which will need additional support?
  - Do we have plans in place to start producing interim financial statements at month nine if this is something that we do not already do?
  - Do we engage in early discussions with our auditors over working paper requirements and any proposed amendments to the accounts compared to the prior year?
  - Do we engage in early discussions with our auditors over key areas of judgement and technical accounting areas well before closedown?
- Are we aware of the disclosure requirements contained in the transparency code and are we actively monitoring compliance?
- Have we engaged with our local communities to identify the areas where there is an appetite for more data to be shared?
- Do we publicise the access that is available to public data?
- Is the data that we make publicly available easily accessible both in terms of its location and its format?

Find out more

EY Item Club spring 2015 forecast

For details of the EY Item Club's latest forecast, see http://www.ey.com/UK/en/Issues/Business-environment/Financial-markets-and-economy/ITEM---Forecast-headlines-and-projections

Manchester devolution

For a copy of the Memorandum of Understanding for Greater Manchester Health and Social Care devolution, see http://www.agma.gov.uk/cms_media/files/mou.pdf

DWP Welfare Reforms

For copies of the NAO's reports, see http://www.nao.org.uk/wp-content/uploads/2015/05/Welfare-reform-executive-summary.pdf and http://www.nao.org.uk/wp-content/uploads/2015/05/Briefing_Lessons_for_major_service_transformation.pdf

Transport Infrastructure Assets

For more information about Transport Infrastructure Assets, please contact Neil Gibson for details of how to attend one of the EY courses.

Thought leadership – board effectiveness

The report can be found at http://www.ey.com/Publication/vwLUAssets/EY-UK-board-effectiveness-report/$FILE/EY-UK-board-effectiveness-report.pdf

2015–16 work programme and scales of fees

Details of the 2015–16 work programme and scales of fees are at http://www.psaa.co.uk/wp-content/uploads/2015/03/Work-programme-and-scales-of-fees-2015-16-Local-Gov-FINAL-250215.pdf

Whole of Government Accounts: 2013-14

For the Certificate and Report of the Comptroller and Auditor General on the 2013–14 Whole of Government Accounts, see http://www.nao.org.uk/wp-content/uploads/2015/03/Whole-government-account-2013-14.pdf

Financial reporting simplification

For more information about the Financial reporting simplification agenda, please contact your local audit team.

The Transparency Code

For a copy of the new transparency code, see https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/360711/Local_Government_Transparency_Code_2014.pdf

Note

About EY
EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. For more information about our organization, please visit ey.com.

Ernst & Young LLP

The UK firm Ernst & Young LLP is a limited liability partnership registered in England and Wales with registered number OC300001 and is a member firm of Ernst & Young Global Limited.

Ernst & Young LLP, 1 More London Place, London, SE1 2AF.

ED None

1597390.indd (UK) 06/15. Artwork by Creative Services Group Design.

In line with EY's commitment to minimise its impact on the environment, this document has been printed on paper with a high recycled content.

ey.com/uk

Audit Committee **APPENDIX E**
27 July 2015 **Agenda Item No. 7**

BUSINESS ASSURANCE SERVICES MANAGER ANNUAL REPORT 2014-15

1 Purpose

1.1 The Business Assurance Services Manager is required to provide a written annual report to those charged with governance, timed to support the Annual Governance Statement. This report should be presented to Members and considered separately from the Annual Governance Statement and formal accounts.

1.2 The report summaries the work of Business Assurance for the period 1 April 2014 to 31 March 2015, identifying the areas upon which the audit opinion is based.

2 Recommendations/for decision

2.1 The Committee is requested to note the contents of the Business Assurance Manager's Annual Report for the financial year 2014-15.

3 Supporting information

3.1 The Audit Committee's terms of reference include dealing with internal and external audit issues. This report allows formal recognition of the Business Assurance Services Manager's report by a committee of the council.

3.2 The council is required to issue a statement of accounts each year. Included in the accounts is a statutory Annual Governance Statement to be signed by the Leader and Chief Executive. This statement gives assurance that matters relating to the council's operations are being properly managed and controlled.

3.3 The Annual Governance Statement draws upon the management and internal control framework of the council, especially the work of internal audit and the council's risk management framework. In particular the independent report of the council's Business Assurance Services Manager is a significant factor in determining the position to be reported.

3.4 The attached report includes the Business Assurance Services Manager's opinion on the adequacy and effectiveness of the council's risk management systems and internal control environment.

3.5 In forming this opinion the Business Assurance Manager can confirm that internal audit activity throughout 2014-15 has been independent from the rest of the organisation and has not been subject to interference in the level or scope of the audit work completed.

4 Options considered

4.1 None - The Business Assurance Services Manager's report is a statutory requirement.

5 Resource implications

5.1 None

Contact Officer	Evelyn Kaluza 01296 585549
Background Documents	None

AYLESBURY VALE
DISTRICT COUNCIL

Business Assurance Manager

Annual Report

APRIL 2014 – MARCH 2015

Aylesbury Vale District Council

Business Assurance Manager's Annual Report

April 2014 to March 2015

CONTENTS

1. Introduction

Internal Audit is a statutory requirement for local authorities under the revised Accounts & Audit Regulations 2011, which states that a local authority shall maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control, in accordance with proper practices. The Council has recognised this statutory requirement in its financial regulations.

In accordance with the Public Sector Internal Audit Standards which came into force on 1 April 2013, the Head of Internal Audit (Business Assurance Services Manager) is required to provide an annual opinion, based on and limited to the work performed, on the effectiveness of the Council’s internal control environment and identify any issues relevant to the preparation of the Annual Governance Statement.

This is achieved through a risk-based plan of work, agreed with management and approved by the Audit Committee, which should provide a reasonable level of assurance.

In addition the Annual Governance Statement sets out:

• How the individual responsibilities of the Section 151 Officer are discharged with regard to maintaining a sound system of internal control that supports the achievement of policies, aims and objectives;

• The purpose of the system of internal control as evidenced by a description of the risk management and review processes, including the assurance framework process; and

• The conduct and results of the review of the effectiveness of the system of internal control including any disclosures of significant control failures together with assurances that actions are or will be taken where appropriate to address issues arising.

2. Opinion

No system of control can provide absolute assurance against material misstatement or loss, nor can internal audit give that assurance. The work of Business Assurance is intended only to provide reasonable assurance on controls. In assessing the level of assurance to be given, I have taken into account:

- Those assurance reviews undertaken during 2014/15;
- The results of follow-up action taken in respect of assurance reviews, including those from previous years;
- Whether or not any fundamental or significant recommendations have not been accepted by management, and the consequent risks;
- The effects of any material changes in the Council's objectives, activities or systems;
- Matters arising from previous reports to the Audit Committee;
- Whether or not any limitations have been placed on the scope of internal audit;
- Whether or not there have been any resource constraints that may impinge on internal audit's ability to meet the full audit needs of the Council; and
- What proportion of the Council's assurance needs have been covered to date.
- Compliance with internal audit's Quality and Improvement Programme. (QAIP)

Annual Audit Opinion

Based on the results of the work undertaken during the year my opinion overall is that **satisfactory** assurance can be provided on the adequacy and effectiveness of the control environment.

There are no specific governance, risk management and internal control issues of which I have been made aware of during the year which cause any qualification of the above opinion.

Evelyn Kaluza
Business Assurance Services Manager
July 2015

3. Context

This report outlines the work undertaken by Business Assurance Services between 1 April 2014 and 31 March 2015.

Management is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements i.e. the control environment. Business Assurance plays a vital part in advising the organisation that these arrangements are in place and operating properly. On behalf of the Council, Business Assurance review, appraise and report on the efficiency, effectiveness and economy of these arrangements.

Business Assurance is required by professional standards to deliver an annual internal audit opinion and report to those charged with governance timed to support the Annual Governance Statement. The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control. The annual report must incorporate:

- the opinion;
- a summary of the work that supports the opinion; and
- a statement on conformance with the Public Sector Internal Audit Standards.

The primary role of Business Assurance Services is to provide assurance to the organisation (Directors, senior management and the audit committee) and ultimately the taxpayers that the authority maintains an effective control environment that enables it to manage its significant business risks. The service helps the Council achieve its objectives and provide assurance that effective and efficient operations are maintained. The assurance work culminates in an annual opinion on the adequacy of the Authority's control environment which feeds into the Annual Governance Statement.

4. Overview of Assurance Activity 2014-2015

The Assurance Strategy and Plan for 2014-15 was presented to the Audit committee in March 2014.

The focus of our assurance work is primarily on the corporate objectives, high risk areas and change programmes. The plan was reviewed by Corporate Board prior to approval by the Audit Committee.

During the year any new areas of risk or changes to the plan were reported to the Audit Committee as part of the progress report.

At the end of each assurance review the assurance officer issues a formal "assurance opinion" on the areas which was examined. There are four standard levels:

- Substantial assurance (highest)
- Reasonable
- Limited
- No Assurance (lowest)

A full definition of the four levels is attached at Appendix A.

A total of nine assurance reviews were completed in 14-15 of which four were given "substantial" assurance, three were given "reasonable" assurance and one was given "limited". In addition there was one project review with an "amber/green" delivery confidence rating.

There are still a number of outstanding recommendations from 13/14 which relate to the financial systems controls which could not be addressed by the existing finance system APTOS. However it is expected that the replacement finance system will address all of these weaknesses when it is implemented for 15/16.

All agreed actions arising from audit reports are kept under review by Business Assurance Services and regular reports on overdue actions are provided to the Audit Committee.

A summary of the assurance reviews undertaken and the opinion given is shown below.

Review Areas	Assurance Rating	Recommendations		
		High	Medium	Low
Data Quality – Waste Data Flow	Reasonable	0	3	0
Corporate Credit Card	Limited	2	7	0
Payroll	Substantial	0	2	4
Housing Benefit and Council Tax Reduction	Reasonable	0	4	2
Council Tax and Business Rates	Reasonable	2	0	4
Car Parking Income	Substantial	0	0	1
Treasury Management	Substantial	0	2	1
Swan Pool Project	Amber/Green	2	5	0
Oyster Cards	Substantial	0	1	0

Advisory and Ongoing Assurance Work

The following areas of advisory work were completed from the plan

Data Transparency	To assess the councils ability to meet the requirements of the new Data Transparency. Report to IGG.
Finance Replacement System Project	Business Assurance Officer attended project board and meetings and input into design of controls.
Project Management Maturity	A review against a best practice model for assessing project management maturity resulted in a report to Corporate Board highlighting that the Council was currently at level 2 out of 5.
Information Governance Group Risk Register	Business Assurance facilitated a risk identification exercise for the Information Governance Group. A risk register is now in place for the group which will help prioritise areas for action in future. A summary of the risks was reported to the Audit Committee in January 2015

Major Projects Assurance

Business Assurance officers are attending the three levels of governance of major projects to provide advice on risk and control. The three levels are:

1) Project Board meetings. A Business Assurance Officer has attended regular project boards for the Swan leisure Centre & Pool improvements and for the University Campus Aylesbury Vale (UCAV).

2) Major Projects Project Managers Group. This group of project managers acts as a “first pass” review stage for project highlight reports that are subsequently reported to the Project Sponsors Group. It is also a forum for Project Managers to share experience and give advice for forthcoming project decisions. The Business Assurance Manager attends this group.

3) Major Projects Sponsors Group. Acts as the officer body that reviews project highlight reports and gives approval at gateway decision points in the lifecycle of the project. The Business Assurance Manager attends this group.

The following advisory areas of work were not on the plan but arose as areas of risk to review.

Banking Contract	The council’s bank, Co-Op were withdrawing from supporting councils with effect from March 2015 and therefore the council was forced to seek an alternative bank. The Business Assurance Section attended procurement meetings with a view to ensuring that the new

	banking supplier is the most economically advantageous.
Confidential Shredding review	A review of the confidential shredding process which is carried out at the Pembroke Road depot was undertaken at the request of the Information Governance Group. Agreed action by IGG was that that the two responsible services should write a procedure for the process and relevant staff to be CRB checked as per best practice.

Follow up Work

The following audits from 12-13 were followed up:

Finance System and Budgetary Control	There are a number of recommendations which were outstanding which could be addressed but would have costs and resource requirements from the current finance software supplier and finance team. As the new finance system was being procured and will be implemented for 15/16 it was agreed with the Director with the responsibility for Finance that it was not economical to incur additional costs for the current system.

Other Sources of Assurance

The Business Assurance Service also looks at where other sources of assurance can be used to from the overall opinion through the three lines of defence model outlined in the strategy.

The annual service risk assurance process was completed in March 2015. This process seeks to identify from service managers which policy areas are higher risk to their service by the nature of their activities and what assurance were they giving in terms of responsibilities, training and monitoring.

Overall compared to 13/14 there are less areas where service managers consider there to be areas of weakness.

5. Audit Reporting Arrangements

The Audit Committee is provided with regular progress reports on the work performed by the Business Assurance Service.

Every quarter the report covers:

1) Any Assurance Plan Work completed since the previous report
2) Any advisory work completed
3) Progress with current work
4) Any other significant work
5) Outstanding Audit Recommendations over 6 months

This reporting and review ensures that audit recommendations are followed up and implemented appropriately.

There were no significant issues to report regarding the follow up any audit recommendations.

6. Risk Management

The Audit Committee has a role to monitor the effectiveness of risk management and internal control across the Council. As part of discharging this role the committee is asked to review the Strategic Risk Register.

During 14/15 a revised approach was developed for identifying and assessing Strategic Risks.

The Strategic Risk Register provides evidence of a risk aware and risk managed organisation. It reflects the risks that are on the current radar for corporate board and are not dissimilar to those faced across other local authorities. The difference is how the risks are assessed and how they are being managed. The risk register is reviewed at six monthly intervals.

7. Anti Fraud and Corruption Work 2014-15

The responsibilities of the Business Assurance Service includes developing and promoting the Anti-Fraud and Corruption Strategy, Whistleblowing Policy, conducting fraud risk assessments and raising awareness of emerging fraud issues.

National Fraud Initiative (NFI)

AVDC participates in this exercise which runs every two years and is co-ordinated nationally by the Audit Commission. Business Assurance Services is the key point of contact for the Council and facilitates and supports the Council's involvement.

Fraud Awareness

The new Whistle Blowing policy which replaces the Confidential Reporting Policy has been published. The new policy now includes reference to the key legislation contained in the Public Interest Disclosure Act.

Business Assurance have been increasing the awareness of this through a series of face to face training and information through the intranet for officers.

Business Assurance have attended Managers Group twice since March to update them on the new policy and the Bribery Act 2010 and how this relates to the receipt of gifts and hospitality.

8. Review of Effectiveness

The Accounts and Audit Regulations issued in 2006 (updated subsequently) required a "Review of the Effectiveness of Internal Audit" to be conducted annually.

This section of the report sets out information on the effectiveness of the service and focuses on compliance with the PSIAS (Public Sector Internal Auditing Standards) and customer feedback.

Compliance with Public Sector Internal Auditing Standards (PSIAS)

A best practice audit service is provided which fully complies with the PSIA Standards. A self-assessment against the requirements of the PSIAS was conducted in 2013 and the gap analysis and action plan has been updated to reflect the current position. See Appendix B.

Any external assessment is also now a requirement of the standards and this will need to take place within the next three years confirm that the standards have been met.

I do not consider that the gaps in the PSIA standards impact on the overall effectiveness of the work of Business Assurance.

Personal effectiveness and development

In accordance with best practice there is a rigorous internal review of all work undertaken by Assurance Officers and the results feed into the staff appraisal process.

Maintaining professional standards and keeping abreast of best professional practice is a very important part of the service. The Business Assurance Manager and two Assurance Officers are members of the Chartered Institute of Internal Auditors. One Assurance Officer has the IIA advanced diploma in Internal Auditing and Management and one is a Practitioner of the CIIA. In addition the assurance officers have specialist qualifications in Information Systems and Contract Management & Procurement.

During the year staff attended external training/seminars as well as self development through the work of the team and the aims to be as efficient and effective as possible.

The following training/developments were attended during 14-15.

CIPFA Better Governance Forum – Procurement and Contract Audit Update
CIPFA Better Governance Forum – Developing an effective counter fraud strategy
Internal short course – Dealing with Difficult Conversations
Association of Project Managers Conference
London Audit Group IT sub-group
The remaining development time was spread across the year for reading and research for new areas of reviews, IT training on the use of Visio.

The Business Assurance Manager regularly attends the London Audit Group where speakers on topical issues give presentations and there is opportunity to network. There are also close professional links with neighbouring councils. The Council also has a subscription to the CIPFA Better Governance Forum which provides weekly governance updates and bulletins aimed at Audit Committees.

The Business Assurance Manager's Annual Talent Review is conducted by the Director with the responsibility for Finance and feedback is also sought from the Chair of the Audit Committee.

Service Performance

Aspect of Service	**Performance measures**	**Target**	**Actual Performance**	
Cost and Quality Input	Service Costs	Within Budget	Within Budget	Met
Productivity	• Productivity Ratio	75%	78.4%	Exceeded
Quality of Output	**Client Satisfaction** - Staff Performance	90% Good or above	39/40 (97.5%)	Exceeded
	- Conduct of Reviews	95% Yes	98.2%	Exceeded
	- Reporting	95% Yes	100%	Exceeded
Compliance with professional standards	Meet PSIA standards	100%	98%	Below
Staff skills/Development	Annual training and development	5 days per person (total 10 days)	10.6 days	Exceeded

Productivity Ratio

This measure aims to minimise "non-productive" time and maximise "productive/chargeable" time. Non-productive time is that time that does not directly contribute to services to the customer. Eg annual leave, team meetings, personal development.

Productive Time	**Days**	**%**
BAS Plan	387.4	
Fraud strategy	8.3	
Total	**395.7**	78.4%
Non-productive time		
Corporate Groups	4.5	
Personal Development	10.6	
Team Meetings/1:1	12.4	
Leave BH sickness	71.0	
Elections	10.6	
Total	**109.1**	21.6%
Total Days available	504.8	

9. Audit and Counter Fraud Resources

During 2014/15 there were two full time assurance officers (Internal Auditors) to focus on delivering the Business Assurance Plan along with the Business Assurance Manager. On 31 March 2015 one of the assurance officers left to take up a new senior audit role. The resource implications for the 15/16 plan will be reported to the committee in July 2015.

One officer was also asked to be part of the core group that managed the May Parliamentary Elections which took approximately 10 days in total. Whilst this had an minor impact on the overall productivity ration it did not impact on the completion of the Assurance Plan.

The Fraud Investigation Officers who were part of the Revenue and Benefits Service were transferred to the DWP as part of the Single Fraud Investigation Service on 1 February. The full impact of this transfer will be reported to the committee in September 2015.

Appendix 1 – Assurance Definitions

Substantial Assurance	Our critical review or assessment on the activity gives us a high level of confidence on service delivery arrangements, management of risks, and the operation of controls and / or performance. The risk of the activity not achieving its objectives or outcomes is low. As a guide there are a few low risk / priority actions arising from the review.
Reasonable Assurance	Our critical review or assessment on the activity gives us a reasonable level of confidence on service delivery arrangements, management of risks, and operation of controls and / or performance. There are some improvements needed in the application of controls to manage risks. However, the controls are in place and operating sufficiently so that the risk to the activity not achieving its objectives is medium to low. As a guide there are mostly low risks and a few medium risk/priority actions arising from the review.
Limited Assurance	Our critical review or assessment on the activity identified some concerns on service delivery arrangements, management of risks, and operation of controls and / or performance. The controls to manage the risks are not always being operated or are inadequate. Therefore, the risk of the activity not achieving its objectives is medium to high. As a guide there are mostly medium and a few high risk / priority actions arising from the review.
No Assurance	Our critical review or assessment on the activity identified significant concerns on service delivery arrangements, management of risks, and operation of controls and / or performance. The controls to manage the risks are not being operated or are not present. Therefore the risk of the activity not achieving its objectives is high. As a guide there are a large number of medium and high risks / priority actions arising from the review.

Project Assurance - DELIVERY CONFIDENCE RATING

Each project health check will result in an assessment of delivery confidence.

Delivery Confidence is the confidence in a project's ability to deliver its aims and objectives:

- Within the timescales
- Within the budget
- To the quality requirements including delivery of benefits, both financial and non-financial.

The assessment of Delivery Confidence reflects:

- Specific issues that threaten delivery to time, cost and quality, and jeopardise the delivery of benefits
- The Business Assurance Officer's professional judgement of the likelihood of the project succeeding even though there may be no definitively clear evidence either way
- The resilience of the project to overcome identified shortcomings or threats.

RAG rating	**Criteria description**
Green	**Successful delivery of the project to time, cost and quality appears highly likely** and there are no major outstanding issues that at this stage appear to threaten delivery significantly.
Amber/Green	**Successful delivery appears probable**; however, constant attention will be needed to ensure risks do not materialise into major issues threatening delivery.
Amber	**Successful delivery appears feasible** but significant issues already exist, requiring management attention. These appear resolvable at this stage and if addressed promptly, should not present a cost/schedule overrun.
Amber/Red	**Successful delivery of the project is in doubt**, with major risks or issues apparent in a number of key areas. Urgent action is needed to ensure these are addressed, and whether resolution is feasible.
Red	**Successful delivery of the project appears to be unachievable.** There are major issues on project definition, schedule, budget, quality and/or benefits delivery, which at this stage do not appear to be manageable or resolvable. The project may need re-scoping and/or its overall viability reassessed.

Gap Analysis against PSIA Standards Updated July 2015

Ref	PSIA Standard Area of Non Conformance/weakness	Commentary	Actions	Update July 2015
	Code of Ethics Using evidence gained from assessing conformance with other Standards, do internal auditors display objectivity by Performing services in accordance with the Public Sector Internal Audit Standards.	The audit manual needs to be updated to reflect the PSIA requirements but as there is no significant change to the previous CIPFA code of practice this is not a significant issue	Update the Audit Manual (set of audit procedures) to reference the Public Sector Internal Audit Standards.	**Partially updated some key areas.eg Audit Charter** **Complete update of manual by 31 December 2015**
	Code of Ethics Do the internal auditors confirm on an annual basis that they comply with the IIA code of Ethics and the AVDC code of conduct	There has not been a requirement to complete an annual declaration up to now	Arrange for a form to be created and signed by the Internal Auditors in the team Business Assurance Manager	**Still outstanding** **Complete form as part of manual update**

Audit Committee
27 July 2015

APPENDIX F
Agenda Item No. 8

ANNUAL GOVERNANCE STATEMENT 2014-15

1 Purpose

1.1 The purpose of this report is to update the committee with the final version of the Annual Governance Statement for 2014-15 prior to its inclusion in the Statement of Accounts. Appendix A.

1.2 The preparation and publication of the Annual Governance Statement (AGS) is a statutory requirement of the Accounts and Audit Regulations 2011. The Council is required to "conduct a review at least once in a year of the effectiveness of its system of internal control" and to prepare a statement on internal control "in accordance with proper practices".

2 Recommendations for decision

2.1 The Audit Committee is requested to:

a) Review the Annual Governance Statement(AGS)

b) Consider the robustness of the Council's governance arrangements

c) Approve the AGS prior to its inclusion in the Statement of Accounts

3. Supporting information

3.1 A draft version of the Annual Governance Statement was reported to this Committee in March 2015. At that meeting members of the committee had the opportunity to discuss and comment on the statement.

3.2 The final version of the Annual Governance Statement is now presented to the Committee for approval.

3.3 Once it has been approved by the Audit Committee, the statutory Annual Governance Statement will be signed by the Leader of the Council and the Chief Executive.

3.4 As discussed at the March Committee meeting the assurance gathering process is based on the management and internal control framework of the Council.

3.5 The assurance framework includes reference to the sources of assurance obtained from management. This includes the new service risk assurance process which has been reported in more detail in the Business Assurance Service Progress Report.

3.6 The statement has also been updated to reflect the independent report of the Business Assurance Manager's which is a separate item on the agenda.

3.7 Improvements to the internal control environment are documented in Section 5 of the AGS and these will be monitored via the Business Assurance Service Progress Reports.

4. Options considered

4.1 None – this is a statutory requirement.

5. Reasons for Recommendation

5.1 To comply with legislation

6. Resource implications

None

Contact Officer	Evelyn Kaluza, Business Assurance Service Manager, 01296 585549
Background Documents	Names of Background documents

AYLESBURY VALE
DISTRICT COUNCIL

ANNUAL GOVERNANCE STATEMENT

APRIL 2014 – MARCH 2015

AYLESBURY VALE DISTRICT COUNCIL

ANNUAL GOVERNANCE STATEMENT 2014/15

Contents

Annual Governance Statement

1. Scope of Responsibility

1.1. Aylesbury Vale District Council is responsible for ensuring that its 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. Aylesbury Vale District Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

1.2. In discharging this overall responsibility, Aylesbury Vale District Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

1.3. Aylesbury Vale District Council's arrangements for ensuring good Corporate Governance are embedded in its constitution, policies and procedures. It has not approved and adopted a separate single code of corporate governance. However the principles to which the Council operates are intended to be consistent with those contained in the CIPFA / SOLACE Framework *Delivering Good Governance in Local Government*. Copies of the Council's principal policies and codes of practice can be consulted on its website (www.aylesburyvaledc.gov.uk). A list of the more significant documents is attached at Appendix A.

1.4. This statement explains how Aylesbury Vale District Council has complied with the principles of corporate governance and also meets the requirements of regulations 4(2) and 4(3) of the Accounts and Audit Regulations 2011, which requires all relevant bodies to prepare an annual governance statement prepared in accordance with proper practices in relation to internal control.

2. The Purpose of the Governance Framework

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

2.2. The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It 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 system of internal control is based on an on-going process designed to identify and prioritise the risk to the achievement of Aylesbury Vale District Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

3. The Governance Framework

3.1. The governance framework has been in place at Aylesbury Vale District Council for the year ended 31 March 2015 and up to the date of approval of the Annual Governance Report and Statement of Accounts.

3.2. Identifying, communicating and reviewing the Council's vision

3.2.1. Aylesbury Vale District Council's statement of its long-term vision for the Vale:

"Making Aylesbury Vale the best possible place to live, work and visit."

The council has an ambitious agenda to meet the financial pressures facing the Council and is committed to supporting the local economy and transforming the district through the various major projects and schemes. Key Plans include:

Medium Term Financial Plan 2014/15-2018/19
Capital Programme
Economic Development Strategy Action Plan 2011-2014
Housing and Homeless Strategy 2014-2017
Vale of Aylesbury Local Plan (under development)

3.3. Ensuring effective management of change and transformation

3.3.1. The approach adopted to achieve this organisational change is through the 'New Business Model' and in turn this will see each service fundamentally reviewed in terms of what is delivered, to whom, by who, at what cost and what the recipient should be expected to pay for it.

3.3.2. The work being undertaken within the New Business Model is being overseen and directed by the Cabinet member for Resources and is being subjected to scrutiny by Finance and Services Scrutiny Committee. The Resources portfolio has been broadened to encompass the majority of service improvement or change initiatives across the council to enable benefits to be tracked, remove duplication and increase collaboration.

3.3.3. To ensure greater accountability, Corporate Board have been appointed as the Programme Board, and appropriate members nominated as leads with direct responsibility for realising the savings for key projects.

3.3.4. Ideas/proposals for projects are discussed at the programme board and approved as appropriate.

3.4. Measuring the quality of services for users and value for money

3.4.1. AVDC recognises that it is essential to have accurate monitoring and forecasting information in order to understand costs. This is provided to all budget holders and managers via regular financial reports and summary reports are prepared for Corporate Board and Members. These show current expenditure, forecast predicted outturn for the year and highlight any areas where unexpected variances are apparent.

3.4.2. The Council has a sound understanding of its costs and performance and the factors influencing these. Cost and performance information is used in financial and service planning to make policy and service provision decisions and to identify efficiency savings. The Council regularly reviews costs to assess whether they are commensurate with the range, level and quality of services provided. It actively seeks and evaluates new ways of delivering services to achieve efficiencies and works with partners and other service providers to compare and evaluate processes, costs and outcomes.

3.4.3. Projected budgetary pressure resulting from the Government's public sector efficiency agenda have made reduction of the Council's cost base through either efficiency, cuts or increasing its income the top strategic priority. The extent of the reduction in available funding are predicted to be such that this will fundamentally reshape the size and structure of the organisation.

3.4.4. The Council has a Procurement Strategy and a set of Contract Procedure Rules which were updated in 2013. The strategy sets out the framework for how goods, works and services are procured. The strategy is in line with the Council's aims and objectives and principles of best value.

3.4.5. To promote best practice in procurement the Council has entered into a joint arrangement with Improvement and Efficiency South East (IESE). IESE are a sector wide organisation with considerable cross cutting experience and knowledge of various procurement approaches. The performance of this arrangement is being kept under review by the Finance and Services Scrutiny Committee.

3.4.6. The need to understand relative cost and performance is important for Members and staff at all levels of AVDC. Information on costs and performance are used by Scrutiny committees in understanding relative efficiency and direct scrutiny and challenge to particular areas.

3.4.7. A corporate scorecard which includes key performance and financial measures is reported to Corporate Board monthly.

3.4.8. The use of benchmarking is now in decline as largely these have only served to confirm that the services covered are generally of low cost and offer good value. Increasingly joint working opportunities are being explored as an alternative way of saving cost, and this exercise allows for the detailed comparison of cost base between similar organisations. Where this does identify areas of higher than average cost this information is used to target cost reduction.

3.5. Roles and Responsibilities of Members and Officers

3.5.1. The Council's Constitution sets out the roles of and relationships between the full Council, the Cabinet and Scrutiny and other Committees in the policy and decision making process and sets out their legal requirements. It also sets out a record of what responsibility each Council body or individual has for particular types of decisions or for decisions relating to particular areas or functions. The Constitution requires that all decisions taken by or on behalf of the Council will be made in accordance with the principles set out in the Constitution. The Leader is now responsible for determining the scheme of delegation for executive functions which is included in the Constitution.

3.5.2. The Constitution also sets out how the public can access the decision making process. Cabinet publishes a plan 28 days before each meeting publicising key decisions to be taken at the meeting. Other issues which are due to be considered by Cabinet or the Major Projects Committee at the time of publication of this document are included for information. Notice is also given of the intention to hold a meeting or part of a meeting in private to enable confidential or exempt information to be discussed.

3.5.3. The Constitution is subject to review as and when it is considered necessary. The Scheme of Officer Delegation was reviewed in March 2015 to ensure that it reflected changes to officer structures and responsibilities.

3.6. The Standards of Behaviour for Members and Staff

3.6.1 Member behaviours are governed by a code of conduct which is set out in the Constitution. The code covers disclosable pecuniary interests as required by the Localism Act 2011 and also retains the requirements to disclose personal and prejudicial interests and those to register gifts and hospitality received in a member's official capacity together with interests in outside bodies' charities and pressure groups. The Code of Conduct was adopted by full Council in July 2012.

3.6.2 All members of the Council have completed a register of their pecuniary and personal interests. Copies of guidance produced by the Department for Communities and Local Government on the revised code have been provided to every member and they have also received information from the monitoring officer highlighting the key aspects.

3.6.3 The Constitution also includes protocols covering member/officer relations, member involvement in commercial transactions and a members planning code of good practice.

3.6.4 There is a three stage procedure for dealing with complaints that councillors have broken the code of conduct. Hearings sub-committee considers complaints at stage 3 following an investigation report and a hearing procedure has been agreed.

3.6.5 A code of conduct for employees was approved in 2013 in conjunction with trade unions and employee representatives. This covers all aspects of conduct at work from how to treat colleagues to any conflicts of interest or dealing with matters such as accepting gifts and hospitality.

3.7 Standing Orders, Financial Regulations and Schemes of Delegation

3.7.1 The constitution sets out the scheme of delegation and the Contract Procedure Rules and guidance. Revised Contract Procedure Rules were approved by the Council on 4 December 2013.

3.7.2 Compliance with financial procedure notes and manuals are checked as part of key financial audits.

3.7.3 Financial regulations and procedures are incorporated into the constitution of the Council.

3.8 Role of the Chief Financial Officer

3.8.1 The Council largely mirrors the recommendations made by CIPFA with regards to the role of the Chief Financial Officer and his or her position and status within the organisation.

3.8.2 For this purpose the Chief Financial Officer is the Director with responsibility for Finance.

3.8.3 The Director with responsibility for Finance has a key position within the organisation and sits as a member of the Corporate Board, this being the main Officer Decision making body of the organisation responsible for developing, implementing and delivering the strategic objectives of the organisation.

3.8.4 All material financial decisions must be approved by the Director with responsibility for Finance or his deputy and the decision making structure of the organisation is designed to ensure that this happens through the report approval framework.

3.8.5 Processes, systems, internal controls and risks are maintained and frequently reviewed in order to ensure that good financial management exists within the organisation and that value for money is achieved.

3.8.6 The Director with responsibility for Finance is professionally qualified and skilled and is provided with the necessary resources to provide a finance function that is fit for purpose and suitably equipped to meet organisational and stakeholder needs.

3.9 Role of the Audit Committee

3.9.1 The Audit Committee was created as a full committee of the Council after the local government elections held in May 2007, arrangements. Its terms of reference, structure, composition and work programme have been developed with reference to the guidance issued by CIPFA in 2013, "Audit Committees: Practical Guidance for Local Authorities". A revised set of terms of reference were presented to the Audit Committee in March 2015. The constitution will be updated in sue course when the Terms of Reference have been through a General Purposes Committee.

3.9.2 This committee aims to provide independent assurance of the adequacy of the Council's risk management framework and the associated control environment, independent scrutiny of the financial and non-financial performance to the extent that it affects the Council's exposure to risk and weakens the control environment, and to oversee the financial reporting process.

3.10 Compliance with Relevant Laws and Regulations, Internal Policies and Procedures

3.10.1 Ensuring compliance with established policies, procedures, laws and regulations involves a range of measures which include:

- Notification of changes in the law, regulations and practice to Directorates;
- Awareness, understanding and training carried out by internal officers and external experts;
- The drawing up and circulation of guidance and advice on key procedures, policies and practices;
- Proactive monitoring of compliance by relevant key officers including the Section 151 Officer (Director with responsibility for Finance) and the Monitoring Officer (Head of Legal Services).

3.10.2 Compliance with new or revised policies is monitored by the relevant key officers and is incorporated in the Service Risk Assurance Process.

3.10.3 External audit reviews are reported to the Audit Committee. Their recommendations are also included in the monitoring arrangements described below for internal audit recommendations.

3.10.4 Business Assurance Services reviews compliance across all areas of AVDC. Reports are produced for management, recommendations for improvements agreed and implementation monitored through to completion. Regular reports on internal and external audit reviews and the progress made in implementing audit recommendations are provided to the Audit Committee. This helps to ensure that appropriate resources are made available for implementation within agreed timescales.

3.10.5 The Probity Group (Head of Paid Service, S151 Officer, Monitoring Officer, Business Assurance Manager and People and Payroll Manager) looks at emerging issues and non-compliance from any source.

3.10.6 Under Section 5 of the Local Government and Housing Act 1989 the Monitoring Officer is required to report to the Council where, in his/her opinion, a proposal, decision or omission by the Council, its Members or Officers is, or is likely to be, unlawful and also to report on any investigation by the Local Government Ombudsman. It has not been necessary for the Monitoring Officer to issue a formal report for the year 2014/15.

3.10.7 The Section 151 officer also has a legal responsibility to issue formal reports if they have particular concerns about the financial arrangements or situation of the Council. No such formal reports have been issued during the 2014/15 financial year.

3.11 Risk Management Arrangements

3.11.1 The Council has a Risk Management Strategy in place which sets out the process for identifying, assessing, managing and reviewing the key areas of risk and uncertainty that could impact on the achievement of the Council's objectives and service priorities.

3.11.2 A Service Risk Assurance process in place for all services and risk registers are in place for major projects.

3.11.3 Strategic risks for the Council have been identified and monitoring arrangements in place through six monthly updates to Corporate Board.

3.12 Whistle-blowing and Complaints Procedures

3.12.1 The Confidential Reporting Policy has been updated and replaced with a Whistleblowing Policy and reporting procedures are now available on the Council's website. This forms part of the Anti Fraud and Corruption Policy Strategy which was reviewed and update in 2013.

3.12.2 There have been no whistle-blowing reports through to the Business Assurance Service in 2014/15.

3.12.3 There has been no use of the Regulation of Investigatory Powers Act during 2014/15.

3.12.4 The Contract Regulations require officers preparing contracts to consider including references to AVDC's Confidential Reporting Policy.

3.12.5 There is a Customer Comment, Compliments and Complaints Policy which includes a publication for the public which explains the process. There are also detailed procedures for staff who are dealing with a complaint. All staff are required to complete the Customer Comment, Compliments and Complaints e-learning module.

3.12.6 In 2014/15 the Council has maintained the British Standards Institute Complaints Standard.

3.12.7 The Standards Committee considers any complaints made against councillors relating to breaches of the code of conduct. Details of how to make a complaint and the committee's procedure for dealing with member complaints are available on the Council's website and hard copies of a complaints leaflet have been distributed to information points throughout the District.

3.12.8 There were no complaints against councillors in AVDC which lead to a full investigation in 2014/15.

3.13 Member and Officer Development Needs

3.13.1 An all-party Member Development Steering Group (MDSG) is in place to oversee, monitor and help progress delivery of learning and development for elected Members to meet individual and corporate needs, and to achieve value for money. Agreement has been reached on the Member Induction Programme to be delivered following the 2015 elections. This will include training on the Code of Conduct and ethical standards.

3.13.2 The MDSG undertook surveys of all Members in June 2013 asking them to identify their future development and support needs. There was an excellent response to the surveys, with over 40 Councillors being interviewed. The survey results were used to put together successive Member Development Programmes (MDP). The current MDP 2013/14 will run up until the 2015 District Council elections MDP events have covered a range of issues including scrutiny skills, casework/advocacy, the local Member role in planning applications and enforcement, public speaking, effectively communicating with the media, Council procedure rules, speed reading and safeguarding.

3.13.3 Following over two years of work by the MDSG and Officers, the Council was successful in October 2012, following an external inspection, in achieving accreditation under the South East Employers Charter for Elected Member Development. The charter status, which lasts for 3 years, recognises the robust and structured approach that AVDC has put in place for Councillor development. South East Employers conducted a 'light touch' 18 months review in April 2014 which confirmed that AVDC is continuing to meet the standard.

3.13.4 All staff, including Directors and Heads of Service, take part in the Annual Talent Review process. This is used to identify their development needs and assess performance and career potential. All staff are assessed against a set of behavioural competencies. As part of the process quarterly Personal Performance Plans (PPP or one to ones) continue to take place for all staff.

3.13.5 AVDC has a comprehensive training and development programme. Details of the programme are available to all staff and Members on the Intranet. This takes into account both the organisation development needs as well as individual needs. The elearning hub is now well established with a wide range of learning and development opportunities, alongside more traditional classroom programmes. We continue to work collaboratively with other public sector organisations across Buckinghamshire to deliver management and leadership training. This has the benefits of staff being able to receive training in a timely manner and also learn from other organisations.

3.13.6 The Council operates a joint coaching scheme with Buckinghamshire County Council. Staff can self nominate or be referred to the scheme by their managers; they are then able to choose a coach from BCC or AVDC. This has been well used over the last 12 months.

3.13.7 The council has further developed its apprenticeship programme offering training opportunities to young people. Six departments have employed apprentices during 2014/15.

3.13.8 The HR and Payroll system (iTrent) has been further developed during 2014/15 with the introduction of self service facilities. This had led to further efficiencies with among other things, staff submitting time and expense claims on-line, booking on learning events and inputting sickness directly onto the system.

3.14 Communication and Consultation with the Public and Other Stakeholders

3.14.1 The Council recognises and welcomes the importance of consulting effectively with local people and other stakeholders who have an interest in life in the district.

3.14.2 The Council uses a wide range of channels to both consult and communicate with the community and other stakeholders. Consultation methods range from quantitative self-completion questionnaires to focus groups depending on the target audience and the objectives of each consultation project. Regular communication channels include the residents' magazine delivered to all households, a proactive media relations programme (radio, TV, newspapers), parish and community noticeboards, poster sites and targeted literature. The Council's website is continually expanding both in its content and its functionality. Social media including text messaging, Twitter, Facebook and web casting are being used proactively by the council.

3.14.3 A new customer insight programme has been developed to support the new business model approach. The programme makes greater use of Acorn customer segmentation data to help the council understand the profile, likes and dislikes of residents living in the Vale.

3.15 Information Governance Arrangements

3.15.1 Information governance is managed by the Information Governance Group (IGG) which is chaired by the Deputy Chief Executive who fulfils the role of Senior Information Risk Owner (SIRO). This group comprises of managers from key departments who are empowered to take decisions on information management. The IGG's key responsibility is to ensure that the Information Management Strategy is maintained and that actions are taken to implement the strategy and kept it up to date.

3.16 Governance Arrangements for Partnerships

3.16.1 Article 1 of the constitution commits the Council to providing community leadership in partnership with local people and businesses and effective and transparent decision-making, and to improving the delivery of services in consultation with the community. The Council has identified its significant partnerships and there are appropriate governance arrangements in place.

3.16.2 In January 2013 the list of significant partnerships was circulated to Corporate Board for review, and a number of changes were made. Reviews were completed for all of the partnerships on that list between March and July 2013. A further review is planned in 2015/16.

3.16.3 The significant partnerships are:

- Aylesbury Vale Estates (AVE). AVE is a limited liability partnership between AVDC and Akeman LLP, a private sector organisation with considerable experience of estates management and property development. The main aims are to improve AVDC's ageing commercial estate and support the local economy, whilst maintaining a future income for the Council.

- Local Enterprise Partnerships - South East Midlands LEP (SEMLEP) and Buckinghamshire Thames Valley LEP (BTVLEP). AVDC is in overlapping LEP arrangement as they both have a natural geographical fit with the Vale and reflect the common ''travel to work areas' and shared workforce, housing, skills and infrastructure issues. AVDC has had a seat on both of the LEP Boards, which is helpful in being in a strong position to influence and ensure there is LEP impact in the Vale and its economic growth, benefitting AVDC's communities.

- Buckinghamshire Advantage acts as the operational arm of Buckinghamshire Thames Valley Enterprise Partnership (BTVLEP) on the delivery of any BTVLEP funded capital schemes, ensuring local growth funds are invested to maximum effect. Its mission is to add value to planned development by promoting growth, identifying opportunities and removing barriers to sustainable development.

- Aylesbury Vale Local Strategic Partnership (AVLSP) - . Following a review and revision to its terms of reference in 2012, the AVLSP continues to meet and is seeking to focus its attentions upon a select range of activities which are important to those who live and work in the Vale and are not being actioned by other bodies in the area.

- Shared Procurement Partnership with Improvement and Efficiency South East (IESE). A special purpose vehicle established to deliver savings through improved procurement.

4. Review of Effectiveness

4.1 Aylesbury Vale District Council has responsibility for conducting, at least annually, a review of effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the executive managers within the authority who have responsibility for the development and maintenance of the governance environment, the Business Assurance Manager's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

4.2 The review of effectiveness has to consider the following areas:

- the authority
- the executive
- the audit committee / overview and scrutiny committees / risk management committee
- the standards committee
- Internal audit
- Chief Financial Officer
- other explicit review/assurance mechanisms

4.3 The Authority

4.3.1 The Council has a governance model for executive arrangements commonly referred to as the 'strong leader model'. The Constitution sets out the functions which are the responsibility of full Council such as the significant plans and strategies and the budget. Committees deal with certain matters notably in respect of development management control and licensing. The Cabinet deals with all other functions which are not the responsibility of another part of the Council whether by law or under the Constitution. The Leader has responsibility for appointing members of the Cabinet and determining the scheme of delegation for executive functions. The membership of committees will be reviewed after the 2015 elections having regard to the political balance rules.

4.3.2 Minutes and papers for Council, Cabinet and Committee meetings which are open to the public are freely available on the Council's web site. The only papers not available will be those that are exempt under the Council's procedures rules as set out in the Constitution.

4.3.3 To encourage participation and accountability one hour is set aside for questions from members at every ordinary meeting of the full Council. There is also provision for public participation at meetings of the development management control committees and a facility for the public to make statements relevant to a matter on the agenda at Council, Cabinet and other committees. Full Council meetings are now webcast and a review of other meetings that might be webcast will be undertaken during 2015.

4.4 The Executive

4.4.1 Operational management of the Council is a partnership between the Cabinet and the Corporate Team, which consists of the Chief Executive, the Deputy Chief Executive and Directors.

4.4.2 Formal Cabinet meetings are held monthly and the papers and minutes are made available to the public on the AVDC web site. Time is set aside for questions from members at the start of every Cabinet meeting. The scheme of delegation sets out the areas for which each Cabinet post holder is responsible.

4.4.3 Regular informal Cabinet briefing sessions are held approximately once a fortnight at which the Corporate Team briefs the Cabinet on Council business. Close working relationships are maintained as the Leader's, Cabinet Members' and Corporate Teams offices are all located close to each other.

4.4.4 The Corporate Board which comprises the Corporate Team and remaining Heads of Service ensures that the senior officers work as a team to enable the Council to best serve the people who live and work in the Vale.

4.4.5 Officers reporting to Heads of Service or Directors are involved in Managers Group meetings which receive information on corporate issues and projects.

4.4.6 The series of "Let's Get Talking" sessions continued in 2014/15 where Directors and Cabinet members meet with staff across the Council to discuss current issues and give staff the opportunity to ask questions. Feedback from these sessions continues to be positive.

4.5 The Audit Committee

4.5.1 The Audit Committee's Annual Report was discussed and agreed at their meeting on 18 March 2015. It has been circulated to all members, who will have the opportunity to raise questions at full Council. It will also be published on the Council's website.

4.5.2 The effectiveness of the Audit Committee forms part of the overall assessment of the effectiveness of Internal Audit and in 2013 CIPFA produced a publication 'Audit Committees – Practical Guidance for Local Authorities and Police (2013 Edition)' This included a self assessment against which Audit Committees could identify if they are meeting recommended good practice. An update on the self assessment was undertaken in March 2015 and fed into the Audit Committees Annual Report.

4.5.3 Audit Committee meetings have included regular training and information sessions to ensure that Members are able to fulfil their responsibilities effectively. During 2014/15 this included sessions on the role of the audit committee, fraud and the governance of major projects.

4.5.4 The Audit Committees Terms of Reference has been updated to reflect the CIPFA best practice model and will be formally approved by General Purposes Committee in 2015.

4.6 Overview & Scrutiny Committees

4.6.1 Following a review of the scrutiny structure and the effectiveness of the scrutiny process, AVDC moved to a structure of three Scrutiny Committees from four Scrutiny Committees from August 2012. Committee responsibilities have been divided between Economy and Business Development, Environment and Living, and Finance and Services. Their role includes policy development, service reviews, holding the Cabinet to account, representing community interests and external scrutiny. They look at how and why decisions are made, how services are functioning and whether there is scope for improvement and also consider wider community issues, particularly improving services to people living in the area. During 2014 it was decided to establish another scrutiny committee tasked with steering the development of the new Local Plan.

4.6.2 A Task and Finish Group was established in during 2014 to review the operation of Overview and Scrutiny and the general view was that the current arrangements were working reasonably well. However a few minor requirements were suggested and these will be considered after the 2015 elections. An annual report on the work of the Scrutiny Committees is presented to Council each year. The report for 2014/15 will be presented to the full Council meeting on 15 April 2015. It shows the number of meetings held, how many meetings each Member attended, some key issues considered and also the number of decisions "called in" for further consideration by each Scrutiny Committee. In addition it includes a form to encourage members of the public to suggest items which they would like to see raised by the Scrutiny Committees.

4.7 Standards Committee

4.7.1 The Annual Report of the Standards Committee for 2014/15 will be submitted to the full Council on 15 April 2015. This set out the work of the Committee over the year, including information on the Committee's Role and Terms of Reference, an overview of its activities during the year and a report on the monitoring of complaints and compliance with the Code of Conduct. The Annual Report is published on the Council's website.

4.7.2 The Standards Committee comprises seven district councillors plus two councillors from town or parish councils and three independent persons who are not entitled to vote. The two parish/town council representatives have been nominated by the Aylesbury Vale Association of Local Councils and the three independent persons have been appointed following public advertisement and interview.

4.7.3 The work of the Standards Committee is appreciated within the Council and promoted within the community. The Chairman of the Standards Committee, who is also a Cabinet member, has the opportunity to speak at Council when the annual report is submitted. Members and staff have a good understanding of the importance of the ethical agenda.

4.8 Business Assurance Service

4.8.1 The Business Assurance Service operates under regulation 6 of the Accounts and Audit Regulations 2003 (amended 2006 & 2011) and in accordance with the CIPFA Public Sector Internal Audit Standards.

4.8.2 A review of effectiveness against the standards is completed annually as part of the Business Assurance Manager's Annual Report.

4.8.3 The Council's Financial Regulations and Internal Audit Charter grant Business Assurance Services an unrestricted right of access to all Council records and property. They also confirm the organisational independence which allows Business Assurance Services to form an objective opinion on the adequacy and effectiveness of the whole system of internal control.

4.8.4 The Business Assurance Services Manager reports to the Director with responsibility for Finance, who is also the Council's Section 151 officer, and may also report direct to the Chief Executive, other Directors and Members of the Council if required.

4.8.5 The plan of work undertaken by Business Assurance Services is prepared with regard to the risks faced by the Council and following discussions with Directors and Heads of Service. It is presented to and approved by the Audit Committee in March.

4.8.6 The scope of work included in the annual assurance plan extends beyond financial governance to include corporate governance, risk management, probity, value for money, effectiveness and compliance with laws and standards.

4.8.7 The outcome of all assurance reviews are reported to the responsible Director as well as to the Director with responsibility for Finance (Section 151 officer) and the Deputy Chief Executive. A summary of the report will also be presented to the Audit Committee.

4.8.8 Where recommendations for the improvement of controls or systems are made at the end of an assurance review, these are agreed with the responsible managers together with details of the required action and an expected date for implementation. Any concerns regarding overdue actions are reported to the Audit Committee as part of the regular progress report.

4.8.9 Where action to address issues is not undertaken within the pre-determined timescales the Audit Committee can and has required the responsible manager to attend a formal meeting and be personally accountable.

4.8.10 The Audit Committee receives a progress report at each meeting which covers the assurance reviews and advisory work undertaken since the last report and any amendments needed to the Assurance plan.

Annual Assurance Opinion
Based on the results of the work undertaken during the year my opinion overall is that **satisfactory** assurance can be provided on the adequacy and effectiveness of the control environment.

There are no specific governance, risk management and internal control issues of which I have been made aware of during the year which cause any qualification of the above opinion.

4.9 Other Assurance Work Undertaken

4.9.1 A number of advisory pieces of work were completed as part of the Assurance Plan including a health check on project management, advising on the new Data Transparency Requirements and ongoing assurance on major projects through the attendance at project board meetings.

4.9.2 Three data breaches and one IT security breach were investigated by Business Assurance Services.

4.10 Anti Fraud and Corruption

4.10.1 Business Assurance Service and the Audit Committee are responsible for developing and maintaining the Council's anti-fraud and corruption strategies and culture. Anti fraud safeguards are the cornerstone of good governance and control across all areas of the Council.

4.10.2 Business Assurance Services drew up an 'Anti-Fraud and Corruption Improvement Plan' which was endorsed by the Audit Committee in September 2013, together with an updated Anti-Fraud Strategy. The main focus of the Improvement Plan was to strengthen the reporting mechanisms for how our employees, suppliers, contractors and partners are able to raise their concerns if they have suspicions over the Council's conduct or if they consider that the Council itself is a target for illegal activity. In addition the Confidential Reporting Policy was updated and renamed the Whistle-Blowing Response Procedure. Anti-Fraud will be prominent on Business Assurance Services work-plans in future as a result of the transfer of the fraud investigation staff to the Department of Works and Pensions on 2 February 2015.

4.11 Assurance Model

4.11.1 In preparation for the Annual Governance Statement a high level review of all the key areas of assurance has been carried out which takes into account three sources of assurance (as set out in the model on page 13):

- Management (through the Service Risk Assurance Process)
- Executive Management (through corporate board, corporate groups)
- Independent (i.e. internal/external audit)

4.11.2 Any areas of weakness identified through the service risk assurance process are listed in the action plan in Section 6..

4.12 Other Assurance and Review Mechanisms

4.12.1 Aylesbury Vale District Council is subject to external review by its officially appointed External Auditors, Ernst & Young. Their work is focused on the audit of the Council's Statement of Accounts and on reviewing the effectiveness of material core financial systems controls. They also produce regular progress reports on their work for this Committee and are able to raise any items of concern with them.
to be updated

4.12.2 External Audit Opinion – to be updated when the final accounts work completed in September 2015

5 AVDC Assurance Model

5.1 Assurance can come from many sources within the Council and part of the role of Business Assurance Service is to map out where those assurances come from in order to identify any gaps and this will help determine the scope of some of assurance reviews that need to be planned. There are broadly three main categories of assurance modelled below and by working towards defining these across areas of risk it will help the council understand how each contributes to the overall level of assurance and how best they can be integrated and mutually supportive.

FIRST LEVEL Management	•Assurance at this level comes directly from those responsible for delivering specific objectives, projects or operational areas. These people know the business, culture and day to day challenges which ensure that risks are identified at the lowest level . •Responsibilities include identifying risks and improvement actions.	Service Risk Assurance Project Risk Registers
SECOND LEVEL Corporate Groups and Specialists	•Assurance at this level comes from other management areas or disciplines which are not directly responsible for delivery of the those areas. This includes areas where reviews are undertaken to ensure that specific areas of risk are being managed, For example Information Security, Heath and Safety. •Responsibilities include designing policies, setting direction and ensuring compliance.	Strategic H&S Group, Health Safety, Wellbeing Committee, Resilience Forum, Major Projects Group, Information Governance Group Strategic Risk Profile
THIRD LEVEL internal, external audit	•Assurance at this level comes from more independent and objective sources such as internal and external audit. •Responsibilities include independent challenge, reporting on assurance.	Business Assurance (internal audit) External Audit

6. SIGNIFICANT GOVERNANCE ISSUES

Update on actions identified in 2013/14

Year Identified	Area of Weakness	Source	Further improvements required in 14/15	Responsible Officer	Timeframe	Progress @31/3/15
13/14	**Financial Procedures** Financial Procedures do not reflect changes that have been implemented since 2010	Policy compliance review	Financial Procedures need to be reviewed and updated to reflect changes and communicated to staff	Tony Skeggs Finance Manager	September 2014	Outstanding. New finance system delayed revision. New target date Sept 2015
13/14	**Policy Compliance Monitoring** Where policies require staff to confirm they have read and understood the policy or procedure e.g. Information Security, the e-learning hub has been used but it has limitations in terms of monitoring compliance and is resource intensive tracking and chasing staff that have not completed the modules.	Policy compliance review	Complete review of policy compliance software and produce business case to Probity Group.	Business Assurance Services Manager	September 2014	Preferred solution identified and project implementation commenced in June 15 with go-live target date September 15

Page 82

New Areas of weakness identified in 2014/15

Area of Weakness	Source	Action Required	Responsible Officer	Timeframe
Data Transparency – Not compliance with all areas of the Data Transparency Code	Business Assurance Review	Service areas to ensure that data is published on the website	Andrew Small	30 June 2015
Information Security Management – 7 out of 18 services had identified their assurance level as “amber” which means there are some areas of weakness that still need to be addressed	Service Risk Assurance Process	Services to complete the actions in the service risk assurance plan	Service Managers	30 September 2015
Service Resilience – 4 out of 10 services assessed their service continuity plans as “amber” and 1 identified as “red” (Waste & Recycling)	Service Risk Assurance Process	Services to update their service assurance plans	Service Managers	30 September 2015

6 Assurance Statement

6.1.1 We have been advised on the implications of the result of the review of the effectiveness of the governance framework by Audit Committee and plan to address weaknesses and ensure continuous improvement of the system in place.

6.1.2 We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that we identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed:……………………………………………………………………………

Leader

Signed:……………………………………………………………………………

Chief Executive

On behalf of Aylesbury Vale District Council

Appendix A
Council Policies, Codes of Practice

Public documents

District Link
Council tax Information leaflet distributed with council tax bills in March 2015

– Constitution:
Part 2 – Articles of the Constitution
Part 3 – Responsibility for Functions
Part 4 – Rules of Procedure
Part 5 - Codes and Protocols
Part 6 – Members Allowance Scheme
Part 7 – Management Structure

Member details
Membership of Cabinet and Committees
Calendar of meetings
Public participation opportunities

Member information on the intranet
Membership of informal groups
Receipt of gifts and hospitality
Political balance
Comments, compliments and complaints guidance
Representatives on outside bodies
Question time arrangements at Council
Members' services

Committee reports
Standards Committee Work Programme
See Audit Committee papers for Statement of Accounts

Annual scrutiny report

Other Documents/Policies
Medium term financial strategy
Partnership protocol
Equalities strategy
Quarterly financial digest
Aylesbury Vale Times
Risk management strategy
Annual talent book scheme
Whistleblowing Policy
Anti fraud & corruption strategy
Compliments and complaints procedure
IT security policies

2014/15 DRAFT STATEMENT OF ACCOUNTS AND YEAR END POSITION

1 Purpose

1.1 This report sets out the current position in terms of the Statement of Accounts preparation and reports the outturn position in a management style for members' information.

2 Recommendations/for decision

2.1 Members of the Committee are requested to note the current position in relation to the Statutory Accounts preparation and the outturn.

3 The Accounts Approval Process

3.1 The statutory code for the production and authorisation of the Accounts is set out within the Accounts and Audit Regulations.

3.2 The Regulations state that the members should only approve the Accounts in September when they have been made aware of the findings of the audit and, hence, can make an informed decision on their accuracy.

3.3 The Chief Financial Officer is required to certify the draft Accounts by the 30th June and arrange for them to be published on the Council's website by that date.

3.4 Whilst there is no requirement to do so, the guidance to the Accounts and Audit Regulations suggests it would be best practice to give members an early notification of the financial outcome of the previous year and to this end the draft Statement of Accounts is presented as part of this report.

4 2014/15 Year End Position

4.1 Whilst not forming part of the Statutory Accounts, the Quarterly Financial Digest sits behind the formal accounts and provides members with a more understandable guide to the financial events which took place in the year for the provision of the Council's services.

4.2 The year end position within the Statutory Accounts contains transactions which are required by the Accounting Regulations. These transactions are intended to provide the reader with a complete picture of the Authority's financial affairs during the course of the year, but not all of them impact upon the cost of services to the Council Tax payer.

4.3 For this reason it is difficult to reconcile the statutory accounts with the figures included within the Quarterly Financial Digest.

4.4 The Digest represents Management Information and is designed to explain in an understandable way the significant financial events which occurred during the year by comparing them with the expected or budgeted equivalent figures.

4.5 The Statutory Accounts only present actual expenditure and income, without reference to budgeted levels. Therefore, whilst the accounts present the definitive position on the Authority by way of its financial resources, it does not inform the reader as to whether this was the planned or expected position.

4.6 The main financial events of 2014/15 are explained in the Digest but the key issues are highlighted below.

Main Points Contained Within the Digest

4.7 The outturn position for the year shown in the Digest is a contribution to balances of £135,703, this was against a budgeted contribution to balances of £101,100.

4.8 The actual contribution would have been greater but during 2014/15 the Council agreed to a special use of balances to fund the continuing costs associated with HS2 (£10,000).

4.9 The early generation of savings in advance of 2015/16 and higher income associated with revised service provision have contributed to this underspend, although set against this is a shortfall in income from investment interest. The generation of savings has meant that the cost of a number of redundancies that have arisen during the year as part of section restructures could be met from the savings rather than through balances.

4.10 In practise the final outturn position is comprised of a number of ups and downs against individual services. The majority of the which were identified early in the year and reported in earlier issues of the Quarterly Digest and so the final outturn underspend is in line to that expected.

4.11 Some of the main factors that were reported throughout the year that have contributed to the outturn position were savings/extra income from Office Accommodation rent, Refuse and Recycling reduced vehicle maintenance costs, Housing Benefit and Revenues Collection increased costs income. Factors that went the other way include consultancy / salary / partnership costs associated with IT, IESE and Business Transformation, redundancy costs from the Environment & Health and Planning restructures.

4.12 The main service based factors are detailed in the Digest but the key areas are summarised in the table below.

	Actual Outturn £	Predicted Outturn £	
Top 5 Over Budget			
Environment & Health Admin	198,804	53,800	Redundancy costs following restructure.
Core Costs	114,547	78,000	IESE partnership costs, these costs will be offset by savings achieved through the partnership.
Business Transformation	97,684	0	Project and salary costs.
Planning Business Support	90,427	1,500	Redundancy costs following restructure.
Information Technology	50,365	0	Lower income offset by reduced running expenses.
Top 5 Under Budget			
Housing Benefit Administration	(226,374)	(163,600)	Increased administration grant and court costs income received.
Office Accommodation	(191,856)	(159,000)	Increased income from letting of office space and conference
Development Control	(159,944)	(700)	Higher planning fee income
Waterside Theatre	(98,419)	(72,300)	Business rates and other cost savings
Domestic Refuse	(79,759)	0	Savings on salaries and vehicle running costs.

4.13 The table below shows the balances position at the year end after taking into account the outturn position. The balance position is higher than the agreed prudent level that should be held, therefore, a report on its use will be presented to Finance and Services Scrutiny Committee.

GENERAL FUND STATEMENT OF BALANCES	BUDGET 2014/15 £'000	ACTUAL 2014/15 £'000	VARIANCE 2014/15 £'000
Brought Forward 1st April	**(3,184)**	**(3,640)**	**(456)**
Less General Underspend	0	(35)	(35)
Planned Contribution to Balances	(101)	(101)	0
Contribution to the HS2 Fund	0	11	11
Net Contribution (to) / from Balances	(101)	(125)	(24)
Working Balance Carried Forward	**(3,285)**	**(3,765)**	**(480)**

Transfers To and From Reserves

4.14 During 2014/15, the Council continued to use its earmarked reserves to meet revenue spend and also to provide sufficient funds for the future. In total £2.7 million was transferred out of reserves, whilst £6.3 million was transferred in, making a net increase in reserves of £3.6 million.

4.15 The largest use of reserves was from the income investment reserve, where £0.657 million was transferred to the General Fund in order to meet the shortfall on investment interest. Investment interest continues to be lower than expected due to the interest rates remaining unchanged throughout the year. The 2015/16 budgets have been revised to more accurately reflect the anticipated interest for the year so that there is less call on the reserve in the future.

4.16 The other sizeable movement was a contribution of £0.500 million from the Property Sinking Fund, which was transferred from revenue to capital to help fund the Swan Pool improvements.

4.17 Other movements out were £405,000 from the Planning reserve to fund appeal costs, £401,000 from the Repair and Renewals fund to meet the costs of planned operational building repairs.

4.18 There was only one sizeable contribution to reserves and this was £3.450 million of New Homes Bonus into the New Homes Bonus reserve. This gives a year end balance of £7 million, of which £1,113,000 is earmarked for parish initiatives.

4.19 Whilst the reserves are showing a net increase for the year, this is solely due to the contribution to the New Homes Bonus. However, this reserve has committed £5 million to the Council's East / West rail contribution (Council 17 July 2013). The commitment is spread over a number of years. Other commitments include £1.5 million to High Speed Broadband project, £0.986 million for the Pembroke Road depot and £0.945 million towards the Swan Pool improvements. Without this contribution in the total amount held in reserves would have risen slightly to £24.3 million.

4.20 A review of reserves will be carried out in advance of the 2016/17 budget setting process.

4.21 The full list of reserves and provisions is shown in appendix B.

5 Capital Spend and Income

5.1 The Council had an approved capital programme for 2014/15 of £24.3 million, of which £13.8 million was for the UCAV (University Campus Aylesbury Vale) facility, £2.0 million for the Swan Pool improvements and £1.5 million for Pembroke Road upgrade.

5.2 The actual spend was £15.4 million, of which £7.8 million was for the construction of the UCAV facility. The other area of significant spend was on enabling grants to Housing Associations, which totalled £4.5 million.

5.3 The spend was £8.9 million less than expected due to delays relating to the UCAV facility starting later than expected and with the second phase of the Depot alterations, where no agreement has been reached with AVE on which properties are available for development.

5.4 The Council is still in the position that it cannot generate vast sums of capital receipts as it has disposed of the majority of its assets. During 2014/15, £6.4 million was received, £2.8 million came from house sales and £3.6 million from the sale of the Circus Fields site and land at Barlow Road, Wendover.

5.5 During 2014/15 the Council took out further long term borrowing in order to meet its capital expenditure commitments. One loan, totalling £13.5 million, has been taken out with the PWLB for a period of 36 years. This takes the total borrowing at the end of the year to £28.5 million.

5.6 During the year the remaining balance of £2.5 million that was being held with a Fund Manager, Investec, was repaid.

6 Main Points Contained within the Draft Financial Statements

6.1 The Statement of Accounts, which will include all the notes and the group position, will be presented for approval to the September Audit Committee at the conclusion of the audit.

6.2 The Statement of Accounts is show the group position along side the Council's position. This makes comparison of the two positions easier and, also, helps to reduce the number of pages in the Statement.

6.3 The key statements for members' attention are the Comprehensive Income and Expenditure Statement (CIES) and the Balance Sheet. The CIES contains the same spend and income as contained in the Digest but it is presented in a different way to comply with the Statement of Recommended Practice (SORP).

6.4 There has not been any accounting changes that have been incorporated in the accounts this year.

6.5 There were no significant issues that were required to be reflected in this year's accounts. But below are some points for information.

i) Icelandic Banks – Heritable Bank, no payments were received during the year, which leaves a balance of £49,603 outstanding against the £1 million deposit.

ii) Fixed Assets – the only assets valued at the end of the year were the Community Centres.

6.6 With the group account, the year end position is that AVE still owe the Council £32.7 million. This is held in the form of deferred receipts £28.6 million, Hale Leys loan £2.9 million and a debtor of £1.2 million.

6.7 During the course of the year the deferred receipts balance reduced by £3,938,903. This was a result of AVE repayments of £362,473 against loan one and a repayment of £3,576,430 against loan 2, which is now fully repaid.

6.8 The provisional year end position of the AVE group was that they made a £1.101 million profit. AVE LLP itself made a £628,000 profit and Hale Leys LLP made a £473,000 profit after accounting for an impairment loss. The group profit was after realising a profit of £1.133 million on the sale of investment properties. However, AVE group accounts are prepared under UK Gaap regulations whilst AVDC accounts are prepared under IFRS regulations so the above figures are reflected differently within our accounts.

6.9 AVE LLP have declared a dividend of £208,388 for 2014/15, which has yet to be formally approved by the board. Any dividend is split 50/50 between AVDC and Akeman. In previous years AVDC has not received the dividend, it has been converted into a further loan rather than being paid to the Council, in contrast to Akeman who were paid the dividend. Akeman receive the dividend due to the tax position of their investors.

7 Accounting Estimates

7.1 In the course of preparing the Accounts, the authority has to use accounting estimates in a number of areas. The areas where accounting estimates are used are typically fixed assets, debtors & creditors, provisions, pensions and council tax accounting.

7.2 In order to enable a better understanding of those figures that involve elements of estimation a table has been attached as appendix C.

7.3 The table highlights how the methods are assumptions are used and the consequences of the estimate being widely different to the actual position.

8 Reasons for Recommendation

8.1 The Accounts and Audit Regulations no longer require the formal consideration of the Accounts by the Audit Committee prior to being presented for external audit. However, guidance suggests that it would be best practice to give members an early indication of the financial outcome of the previous year and this is set out in this report.

9 Resource implications

9.1 These are covered within the body of the report.

Contact Officer	Tony Skeggs 01296 585273
Background Documents	n/a

Aylesbury Vale District Council

Statement of Accounts for the Year Ended 31 March 2015

1. Introduction

I am pleased to be able to present to you the statement of accounts for the year 2014/15.

The statement of accounts is published to present a true and fair view of the financial position and transactions of the Council. Wherever possible it has been written in plain language but inevitably it contains technical terms and a glossary to help explain some of these terms can be found at the back of this publication.

2. Statement of accounts explanations

The statement of accounts comprises:

- Statement of responsibilities
- Core financial statements
- Notes to the core financial statements
- Supplementary financial statements
- Notes to the supplementary financial statements
- Appendices

The objective of each of the accounting statements is:

Statement of responsibilities

Identifies the officer who is responsible for the proper administration of the Council's financial affairs. The purpose is for the chief finance officer to sign a statement that the accounts present a true and fair view of the financial position of the Council at the accounting date and its income and expenditure for the year then ended.

Core financial statements

Movement in reserves statement - shows the movement in the year on the different reserves held by the Council, analysed into (a) *usable reserves* - those that can be applied to fund expenditure or reduce local taxation and (b) *unusable reserves* - those that cannot be applied to fund expenditure or reduce local taxation. The (*surplus)/deficit on the provision of services* line shows the true economic cost of providing the Council's services, more details of which are shown in the comprehensive income and expenditure statement. These are different from the statutory amounts required to be charged to the general fund balance for council tax setting purposes. The *net (increase)/decrease before transfers to earmarked reserves* line shows the statutory general fund balance before any discretionary transfers to/(from) earmarked reserves undertaken by the Council.

Comprehensive income and expenditure statement - shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Councils raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the movement in reserves statement.

Balance sheet - shows the values as at the balance sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves is usable reserves, i.e. those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the capital receipts reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is unusable reserves, i.e. those reserves that the Council is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the revaluation reserve), where amounts would only become available to provide services if the assets are sold, and reserves that hold timing differences shown in the movement in reserves statement line *adjustments between accounting basis and funding basis under regulations*.

Cash flow statement - shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council.

❖ Notes to the core financial statements

Provides support to the core financial statements, which informs the reader and gives sufficient information, to present a good understanding of the Council's activities.

❖ Supplementary financial statements

Collection fund – this account reflects the statutory requirement for billing authorities to maintain a separate collection fund, which shows the transactions of the Council in relation to non-domestic rates and council tax, and illustrates the way in which these have been distributed.

❖ Notes to the supplementary financial statements

Provides support to the supplementary financial statements, which informs the reader and gives sufficient information, to present a good understanding of the Council's activities.

❖ Appendices

- Appendix 1 – annual governance statement

  The annual governance statement is not part of the statement of accounts, but is required to be included alongside it in the same publication, and as such is not covered by (a) the chief finance officer's certification or (b) the external auditor's report.

  The objective of this statement is to fulfill the statutory requirement for the Council to conduct an annual review of the effectiveness of its system of internal control.

3. General fund service revenue spending compared with budget

In 2014/15 the district general fund net underspend was £125,000. A summary of the financial position is shown below:

General Fund Revenue	2014/15 Budget £000	2014/15 Actual £000
Expenditure	89,810	93,787
Income	(68,859)	(69,608)
Net Cost of Services	20,951	24,179
Cost of Borrowing	1,470	829
Other Costs	(6,797)	(4,396)
Investment Interest	(2,679)	(2,601)
Income from Grants	(4,067)	(9,157)
Net Expenditure	8,878	8,854
Local Taxpayers	(8,979)	(8,979)
Net Balance	(101)	(125)

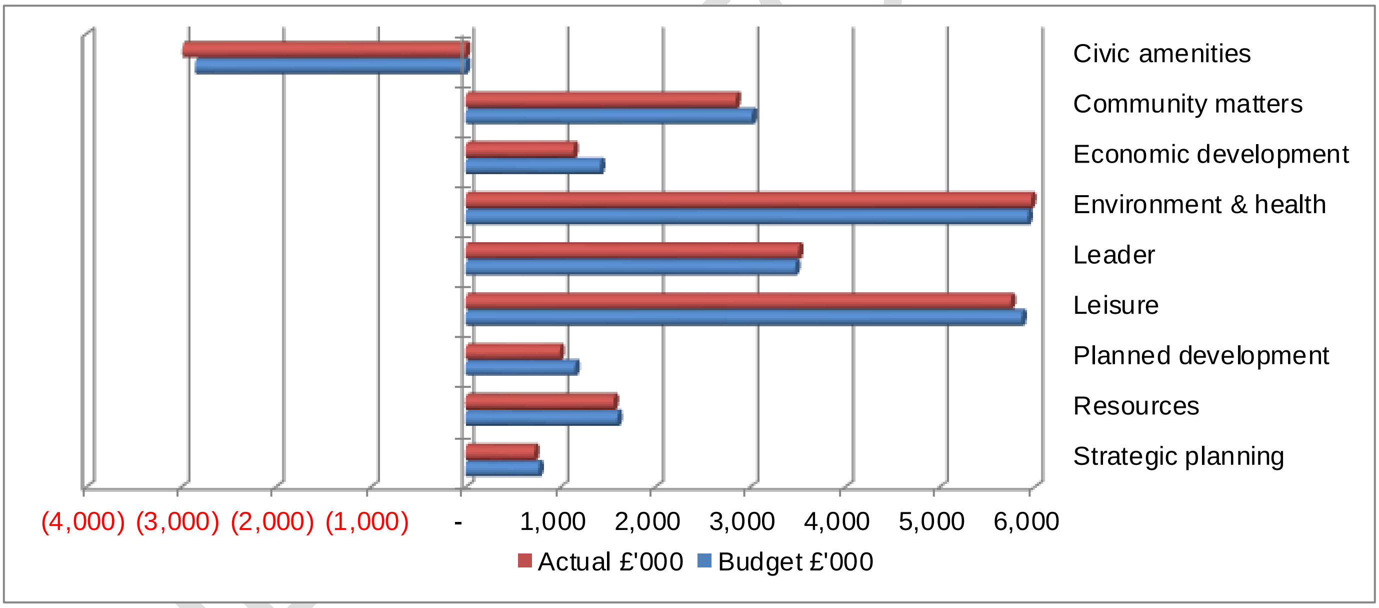
General Fund Balances	2014/15 Budget £000	2014/15 Actual £000
Balance 1st April	(3,184)	(3,640)
Transfer to General Fund	(101)	(101)
	(3,285)	(3,741)
Net Balance from Fund	-	(24)
Balance 31st March	(3,285)	(3,765)

The actual figures presented in the table above significantly vary from the budget for the year due to the year end accounting entries that are required covering IAS19, depreciation, impairment (see 5. Brief note of significant items in the core financial statements), revenue expenditure funded from capital under statute and contributions to and (from) reserves. These entries are not budgeted for as their exact values are not normally known until after the year end and also because they do not impact on the council tax requirement.

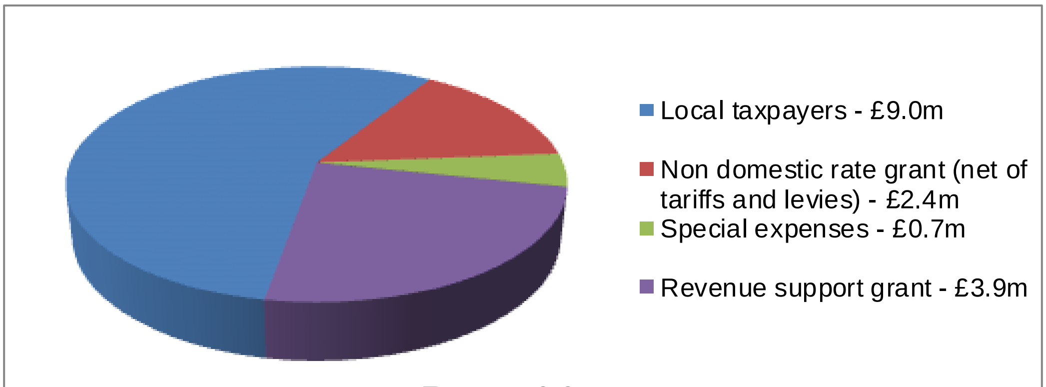
The main areas where variances from budget have been reported through the year in the Quarterly Financial Digest can be summarised as follows:

	Actual Outturn £	Forecast Outturn £	
Top 5 Under Budget			
Housing Benefits Administration	(226,374)	(163,600)	Increased administration grant and costs income
Office Accommodation	(191,856)	(159,000)	Increased income from letting of office space and conference facilities, plus savings in cleaning and business rates
Development Control	(159,944)	(700)	Higher planning fee income
Waterside Theatre	(98,419)	(72,300)	Savings on business rates and other running costs
Domestic Refuse	(79,759)	4,000	Savings on salaries and vehicle running costs
Top 5 Over Budget			
Environment & Health Administration	198,804	53,800	Redundancy costs
Core Costs	114,547	78,000	IESE partnership costs
Business Transformation	97,684	-	Additional project and salary costs
Planning Business Support	90,427	1,500	Redundancy costs
Information Technology	50,365	-	Lower income offset by reduced costs

The graph below shows the net spend by portfolio.



The pie chart below shows how the £16.0 million the Council receives from the local taxpayer and from Government is apportioned.



In 2014/15 the Council used £2,733,000 of earmarked reserves in support of revenue spend and transferred £6,304,000 into reserves, £3,450,000 of which was committed but unspent new homes bonus.

4. Capital spending

In 2014/15 the Council spent £8,893,000 on capital projects. The bulk of the expenditure during the year was spent on the works on the University Campus Aylesbury Vale which amounted to £7,762,000 (87%), whilst the refurbishment of Swan Pool accounted for £471,000 (5%). The remaining expenditure, £660,000, covered works on the Canal Society Clubhouse and the purchase of vehicles.

In 2014/15 the Council received non-asset backed capital receipts of £6,436,000, £2,793,000 of which was from house sales as part of the stock transfer agreement. In addition, the Council received £3,643,000 from the sale of Circus Fields and land at Barlow Road. The Council's capital expenditure in 2014/15 was partly financed from two sources, capital reserves and capital receipts. The remainder of the expenditure was funded from long term borrowing. The ability to generate new external resources remains limited.

5. Brief note of significant items in the core financial statements

The Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 sets out comprehensive requirements for group accounts. These require Councils to consider all their interests and to prepare a full set of group financial statements when they have material interests in subsidiaries, associates or joint ventures. A review has been undertaken of the Council's relationship with other bodies and it is clear that we should account for interests in Aylesbury Vale Estates LLP (AVE) - where the Council owns a 50% equity share - as a jointly controlled entity and prepare group accounts.

During 2012/13 Hale Leys LLP, a newly created, wholly owned subsidiary of AVE LLP purchased the Hale Leys shopping centre in Aylesbury. AVE LLP's accounts therefore now include their interest in Hale Leys LLP.

The statements are intended to present financial information about the parent (the Council) and the jointly controlled entity (AVE) by bringing together their results in a unified set of accounts. The accounts have been brought together on an equity basis.

During 2014/15, the Council has recognised an impairment loss of £1,362,000 in relation to Waterside public realm, which has been charged to the planning services line in the comprehensive income and expenditure statement.

6. Brief note explaining significance of any pension liability or asset

Any surplus or deficit on the Council's pension fund is required to be shown within the balance sheet. The effect of the Council's share of the pension fund administered by Bucks County Council has been assessed by the scheme's actuary as at 31 March 2015. The current valuation shows a deficit on the fund of £90,307,000 (£73,064,000 at 31 March 2014) based upon the nationally set criteria. The actual contributions payable by the Council are based upon the actuary's own assumptions in a valuation that is undertaken on a triennial basis. This valuation was last undertaken at 31st March 2013, with the next formal revaluation due as at 31st March 2016. The two valuations are carried out on different bases.

7. Brief note on the current borrowing facilities and capital borrowing

The Council is allowed to borrow providing they can demonstrate that the revenue costs are supportable and that it sets yearly borrowing limits, which have to be agreed by full Council. Aylesbury Vale District Council has, at any point in time, a number of cash requirements. Some services, such as the collection fund, have spare cash to invest whilst others, such as the capital programme, need cash to pay contractors. These cash flows, both positive and negative, are combined and managed in accordance with the approved treasury management strategy and practices. In day to day cash management, no distinction can be made between revenue cash and capital cash. External borrowing arises as a consequence of all the financial transactions of the Council and not simply those arising from capital spending.

8. Summary of sources of funds available to meet capital expenditure plans

The Council meets its capital expenditure plans through the use of capital receipts and contributions externally generated, and some internal revenue contributions. During 2014/15 there was a need to borrow long term as the ability to generate external receipts diminished.

9. An explanation of the impact of the current economic climate on the Council and the services it provides

The Council has carried forward healthy reserves (well above its minimum levels) into 2015/16 and despite continuing to receive a much lower level of formula grant, the Council, supported through a separate additional grant, froze its element of the council tax for 2015/16. This reflected a government policy objective.

As the Council enters into periods of much tighter local government funding, we have put in place a robust medium term financial strategy that sets out our planned savings to enable the budget to be balanced and to deliver affordable council tax levels covering a five year period. This is to ensure that resources will continue to be directed to ensure good quality services are provided to our residents in future.

Andrew Small
Director (with responsibility for finance)
The Gateway
Gatehouse Road
Aylesbury
Bucks HP19 8FF

The Council's responsibilities

The Council is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Council, that officer is the Director (with responsibility for finance)(the Director);
- manage its affairs: to secure economic, efficient and effective use of resources and safeguard its assets;
- approve the statement of accounts.

Council approval

The statement of accounts for the year to 31 March 2015 has been prepared and I confirm that these accounts were approved by the audit committee at its meeting on 28 September 2015.

Councillor Timothy Mills
Chairman of Audit Committee
28 September 2015

The Director's responsibilities

The Director is legally and professionally responsible for the preparation of the Council's statement of accounts in accordance with proper practices as set out in the CIPFA/LASAAC *Code of Practice on Local Authority Accounting in the United Kingdom 2014/15* - the Code.

In preparing this statement of accounts, I have:

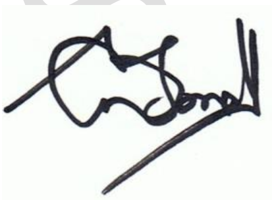
- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the Code.

The Director has also:

- kept proper accounting records which were up to date;
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

Director's certification

I certify that the statement of accounts presents a true and fair view of the financial position of the Council at the reporting date and its income and expenditure for the year ended 31 March 2015.



Andrew Small
Director (with responsibility for finance)
30 June 2015

Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The *'(surplus)/deficit on the provision of services'* line shows the true economic cost of providing the Council's services, more details of which are shown in the comprehensive income and expenditure statement. These are different from the statutory amounts required to be charged to the general fund balance for council tax setting purposes. The *'net (increase)/decrease before transfers to earmarked reserves'* line shows the statutory general fund balance before any discretionary transfers to/(from) earmarked reserves undertaken by the Council.

Council only	**General fund balance**	**Earmarked GF reserves**	**Capital receipts reserves**	**Capital grants unapplied**	**Total usable reserves**	**Unusable reserves**	**Total Council reserves**
	£000	£000	£000	£000	£000	£000	£000
Balance at 1 April 2013	**(3,292)**	**(22,660)**	**(3,816)**	**(481)**	**(30,249)**	**(67,792)**	**(98,041)**
Movement in reserves during 2013/14							
Deficit on provision of services (accounting basis)	8,099	-	-	-	8,099	-	8,099
Other comprehensive income and expenditure	-	-	-	-	-	1,512	1,512
Total comprehensive income and expenditure	**8,099**	**-**	**-**	**-**	**8,099**	**1,512**	**9,611**
Adjustments between accounting basis & funding basis under regulations (Note 6.2)	(9,982)	-	-	(111)	(10,093)	10,093	-
Net (increase)/decrease before transfers to earmarked reserves	(1,883)	-	-	(111)	(1,994)	11,605	9,611
Transfers to/(from) earmarked reserves (Note 7)	1,535	(1,535)	-	-	-	-	-
(Increase)/decrease in year	**(348)**	**(1,535)**	**-**	**(111)**	**(1,994)**	**11,605**	**9,611**
Balance at 31 March 2014 carried forward	**(3,640)**	**(24,195)**	**(3,816)**	**(592)**	**(32,243)**	**(56,187)**	**(88,430)**
Movement in reserves during 2014/15							
Deficit on provision of services (accounting basis)	2,118	-	-	-	2,118	-	2,118
Other comprehensive income and expenditure	-	-	-	-	-	10,788	10,788
Total comprehensive income and expenditure	**2,118**	**-**	**-**	**-**	**2,118**	**10,788**	**12,906**
Adjustments between accounting basis & funding basis under regulations (Note 6.2)	(5,814)	-	(5,793)	(675)	(12,282)	12,282	-
Net (increase)/decrease before transfers to earmarked reserves	(3,696)	-	(5,793)	(675)	(10,164)	23,070	12,906
Transfers to/(from) earmarked reserves (Note 7)	3,571	(3,571)	-	-	-	-	-
(Increase)/decrease in year	**(125)**	**(3,571)**	**(5,793)**	**(675)**	**(10,164)**	**23,070**	**12,906**
Balance at 31 March 2015	**(3,765)**	**(27,766)**	**(9,609)**	**(1,267)**	**(42,407)**	**(33,117)**	**(75,524)**

Group	General fund balance	Earmarked GF reserves	Capital receipts reserves	Capital grants unapplied	Total usable reserves	Unusable reserves	Total Council reserves	Council's share of reserves of joint venture	Total reserves
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 1 April 2013	**(2,022)**	**(22,660)**	**(3,816)**	**(481)**	**(28,979)**	**(67,792)**	**(96,771)**	**(854)**	**(97,625)**
Movement in reserves during 2013/14									
Deficit on provision of services (accounting basis)	9,201	-	-	-	9,201	-	9,201	-	9,201
Other comprehensive income and expenditure	-	-	-	-	-	435	435	(1,077)	(642)
Total comprehensive income and expenditure	**9,201**	**-**	**-**	**-**	**9,201**	**435**	**9,636**	**(1,077)**	**8,559**
Adjustments between group accounts and authority accounts (Note 6.1)	(663)	-	-	-	(663)	-	(663)	663	-
Adjustments between accounting basis & funding basis under regulations (Note 6.2)	(9,982)	-	-	(111)	(10,093)	11,170	1,077	-	1,077
Net (increase)/decrease before transfers to earmarked reserves	**(1,444)**	**-**	**-**	**(111)**	**(1,555)**	**11,605**	**10,050**	**(414)**	**9,636**
Transfers to/(from) earmarked reserves (Note 7)	1,535	(1,535)	-	-	-	-	-	-	-
(Increase)/decrease in year	**91**	**(1,535)**	**-**	**(111)**	**(1,555)**	**11,605**	**10,050**	**(414)**	**9,636**
Balance at 31 March 2014 carried forward	**(1,931)**	**(24,195)**	**(3,816)**	**(592)**	**(30,534)**	**(56,187)**	**(86,721)**	**(1,268)**	**(87,989)**
Movement in reserves during 2014/15									
Deficit on provision of services (accounting basis)	1,716	-	-	-	1,716	-	1,716	-	1,716
Other comprehensive income and expenditure	-	-	-	-	-	10,788	10,788	(1,500)	9,288
Total comprehensive income and expenditure	**1,716**	**-**	**-**	**-**	**1,716**	**10,788**	**12,504**	**(1,500)**	**11,004**
Adjustments between group accounts and authority accounts (Note 6.1)	506	-	-	-	506	-	506	(506)	-
Adjustments between accounting basis & funding basis under regulations (Note 6.2)	(5,814)	-	(5,793)	(675)	(12,282)	12,282	-	-	-
Net (increase)/decrease before transfers to earmarked reserves	**(3,592)**	**-**	**(5,793)**	**(675)**	**(10,060)**	**23,070**	**13,010**	**(2,006)**	**11,004**
Transfers to/(from) earmarked reserves (Note 7)	3,571	(3,571)	-	-	-	-	-	-	-
(Increase)/decrease in year	**(21)**	**(3,571)**	**(5,793)**	**(675)**	**(10,060)**	**23,070**	**13,010**	**(2,006)**	**11,004**
Balance at 31 March 2015	**(1,952)**	**(27,766)**	**(9,609)**	**(1,267)**	**(40,594)**	**(33,117)**	**(73,711)**	**(3,274)**	**(76,985)**

Comprehensive Income and Expenditure Statement

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Councils raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the movement in reserves statement.

2013/14								2014/15					
Council only			Group					Council only			Group		
Gross expenditure	Gross income	Net expenditure	Gross expenditure	Gross income	Net expenditure			Gross expenditure	Gross income	Net expenditure	Gross expenditure	Gross income	Net expenditure
£000	£000	£000	£000	£000	£000		note	£000	£000	£000	£000	£000	£000
2,044	(1,222)	822	2,044	(1,222)	822	Central services to the public		2,166	(1,353)	813	2,166	(1,353)	813
7,924	(2,376)	5,548	7,924	(2,376)	5,548	Cultural & related services		7,382	(3,000)	4,382	7,382	(3,000)	4,382
10,729	(4,088)	6,641	10,729	(4,088)	6,641	Environment & regulatory services		11,627	(4,707)	6,920	11,627	(4,707)	6,920
11,328	(3,925)	7,403	11,328	(3,925)	7,403	Planning services		7,305	(4,737)	2,568	7,305	(4,737)	2,568
2,692	(2,755)	(63)	2,692	(2,755)	(63)	Highways, roads & transport		2,932	(6,255)	(3,323)	2,932	(6,255)	(3,323)
54,882	(48,153)	6,729	54,882	(48,153)	6,729	Housing services		57,234	(49,553)	7,681	57,234	(49,553)	7,681
3,303	(1)	3,302	3,303	(1)	3,302	Corporate & democratic core		3,231	(3)	3,228	3,231	(3)	3,228
1,999	-	1,999	1,999	-	1,999	Non distributed costs		1,910	-	1,910	1,910	-	1,910
94,901	**(62,520)**	**32,381**	**94,901**	**(62,520)**	**32,381**	**Cost of services**	31	**93,787**	**(69,608)**	**24,179**	**93,787**	**(69,608)**	**24,179**
		1,862			1,862	Other operating income and expenditure	8			4,943			4,943
		(334)			768	Financing and investment income and expenditure	9			1,338			936
		(25,810)			(25,810)	Taxation and non-specific grant income	10			(28,342)			(28,342)
		8,099			**9,201**	**Deficit on provision of services**				**2,118**			**1,716**
		(591)			(1,668)	Surplus on revaluation of property, plant and equipment assets	25.1			(3,416)			(4,916)
		(46)			(46)	Deficit/(surplus) on revaluation of available for sale financial assets	25.2			51			51
		2,149			2,149	Remeasurement of net defined benefit	25.5			14,153			14,153
		1,512			**435**	**Other comprehensive income and expenditure**				**10,788**			**9,288**
		9,611			**9,636**	**Total comprehensive income and expenditure**				**12,906**			**11,004**

Balance Sheet

The balance sheet shows the value as at the balance sheet date of the assets and liabilities recognised by the Council. The net assets of the Council are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves is usable reserves, i.e. those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use. The second category of reserves is those that the Council is not able to use to provide services.

31 March 2014				31 March 2015	
Council only	Group			Council only	Group
£000	£000		note	£000	£000
		Property, plant & equipment			
104,035	104,035	Other land and buildings	11.7	108,554	108,554
2,262	2,262	Vehicles, plant and equipment	11.7	1,887	1,887
19	19	Community assets	11.7	19	19
9,729	9,729	Surplus assets not held for sale	11.7	9,729	9,729
220	220	Heritage assets	11.7	220	220
8,941	8,941	Assets under construction	11.7	10,131	10,131
125,206	**125,206**	**Total property, plant & equipment**		**130,540**	**130,540**
415	415	Investment property	12	415	415
1,340	56	Long term investments	13	1,285	1
-	843	Investment in joint venture	14	-	2,745
28,727	28,727	Long term debtors	15	28,315	28,315
155,688	**155,247**	**Long term assets**		**160,555**	**162,016**
1,800	1,800	Assets held for resale	16	451	451
21,076	21,076	Short term investments	17	34,132	34,132
23	23	Inventories		3	3
14,934	14,934	Short term debtors	17,18	12,584	12,584
7,736	7,736	Short term loans	17,19	4,286	4,286
5,115	5,115	Cash and cash equivalents	17,20	7,965	7,965
50,684	**50,684**	**Current assets**		**59,421**	**59,421**
-	-	Bank overdraft	17,20	-	-
(5,009)	(5,009)	Short term borrowing	17	-	-
(13,416)	(13,416)	Short term creditors	17,21	(13,552)	(13,552)
(1,629)	(1,629)	Provisions	22	(1,629)	(1,629)
(20,054)	**(20,054)**	**Current liabilities**		**(15,181)**	**(15,181)**
(183)	(183)	Provisions	22	(187)	(187)
(82,566)	(82,566)	Other long term liabilities	23	(100,306)	(100,306)
(15,139)	(15,139)	Long term borrowing	17	(28,778)	(28,778)
(97,888)	**(97,888)**	**Long term liabilities**		**(129,271)**	**(129,271)**
88,430	**87,989**	**Net assets**		**75,524**	**76,985**
(3,640)	(1,931)	General fund balance	24	(3,765)	(1,952)
(3,816)	(3,816)	Capital receipts reserve	24	(9,609)	(9,609)
(592)	(592)	Capital grants unapplied	24	(1,267)	(1,267)
(24,195)	(24,195)	Earmarked reserves	7,24	(27,766)	(27,766)
-	1,129	Share of joint venture profit and loss reserves	24	-	623
(32,243)	**(29,405)**	**Usable reserves**		**(42,407)**	**(39,971)**
(10,961)	(13,358)	Revaluation reserve	25.1	(14,377)	(18,274)
(51)	(51)	Available for sale financial instruments reserve	25.2	-	-
(86,824)	(86,824)	Capital adjustment account	25.3	(80,949)	(80,949)
(32,708)	(32,708)	Deferred capital receipts	25.4	(28,769)	(28,769)
73,064	73,064	Pensions reserve	25.5	90,307	90,307
1,204	1,204	Collection fund adjustment account	25.6	597	597
89	89	Accumulated absences account	25.7	74	74
(56,187)	**(58,584)**	**Unusable reserves**		**(33,117)**	**(37,014)**
(88,430)	**(87,989)**	**Total reserves**		**(75,524)**	**(76,985)**

Cash Flow Statement

The cash flow statement shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council.

2013/14				2014/15	
Council only	Group			Council only	Group
£000	£000		note	£000	£000
(8,099)	(9,201)	Net deficit on the provision of services		(2,118)	(1,716)
18,983	20,085	Adjustment to deficit on the provision of services for non cash movements	26.1	10,781	10,379
(7,929)	(7,929)	Adjustments for items included in the net surplus/(deficit) on the provision of services that are investing and financing activities	26.2	(8,364)	(8,364)
2,955	2,955	Net cash flows from operating activities		299	299
(17,662)	(17,662)	Net cash flows from investing activities	27	(10,035)	(10,035)
(781)	(781)	Net cash flows from financing activities	28	12,586	12,586
(15,488)	(15,488)	Net (decrease)/increase in cash and cash equivalents		2,850	2,850
20,603	20,603	Cash and cash equivalents at the beginning of the reporting period		5,115	5,115
5,115	**5,115**	**Cash and cash equivalents at the end of the reporting period**		**7,965**	**7,965**

1. Accounting Policies

1.1 General principles

The statement of accounts summarises the Council's transactions for the 2014/15 financial year and its position at 31 March 2015. The Council is required to prepare an annual statement of accounts by the Accounts and Audit (England) Regulations 2011 (SI 2011 no.817), which require the accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in The United Kingdom 2014/15 and Service Reporting Code of Practice 2014/15, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the 2003 Act.

1.2 Accruals of expenditure and income

All transactions of the Council are accounted for in the year in which they take place, not simply when the cash payments are made or received. In particular:

- Fees, charges and rents due from customers are accounted for as income at the date the Council provides the relevant goods or services;
- Supplies and services 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 stocks on the balance sheet;
- Interest receivable on investments is accounted for 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 income and expenditure has 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 it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected; and
- Income and expenditure are credited and debited to the relevant service revenue account, unless they properly represent capital receipts or capital expenditure.

1.3 Cash and cash equivalents

Cash comprises cash in hand and call account deposits repayable without penalty on notice of not more than 24 hours. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes 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.

1.4 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 equal to either at least 4% of the underlying amount measured by the adjusted capital financing requirement or the asset life method where the MRP is determined by reference to the life of the asset and an equal amount charged each year. Depreciation, impairment losses and amortisations are therefore replaced by minimum revenue provision in the statement of movement on the general fund balance, by way of an adjusting transaction within the capital adjustment account for the difference between the two.

1.5 Employee benefits

1.5.1 Benefits payable during employment

Short-term employee benefits are those due to be settled wholly 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 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 into the next financial year. The accrual is made at the wage and salary rates applicable in the following 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 is 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.

1.5.2 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 in exchange for those benefits, and are charged on an accruals basis to the relevant service costs line in the comprehensive income and expenditure statement at the earlier of when the Council can no longer withdraw the offer of those benefits or when the Council recognises costs for a restructuring.

When 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.

1.5.3 Post-employment benefits

The majority of Council employees are members of the local government pension scheme, administered by Buckinghamshire County Council. The scheme provides defined benefits to members (retirement lump sums and pensions), earned as employees work for the Council.

The local government scheme is accounted for as a defined benefits scheme:

- The liabilities of Buckinghamshire County Council's superannuation 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 earnings for current employees.

- Liabilities are discounted to their value at current prices, using a discount rate based on the annualised yield at the 21 year point on the Merrill Lynch AA rated corporate bond curve, which has been chosen to meet the requirements of IAS19 and with consideration of the duration of the employer's liabilities. This approach has been updated from previous disclosures when the yield on the iBoxx Sterling Corporate Index was used as a standard assumption for most employers in the fund.

- The assets of Buckinghamshire County Council's superannuation 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 pensions liability is analysed into the following components:

    - service cost comprising:
        - 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 as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years (debited to the net cost of services in the comprehensive income and expenditure statement as part of non-distributed costs).
        - net interest on the defined benefit liability, i.e. net interest expense for the Council – the change during the year in the net defined benefit liability that arises from the passage of time (charged to the financing and investment income and expenditure line in the comprehensive income and expenditure statement).

- re-measurement comprising:
  - the return on plan assets – excluding amounts included in net interest on the net defined benefit liability (charged to the pensions reserve as other comprehensive income and expenditure).
  - 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 (charged to the pensions reserve as other comprehensive income and expenditure).

- contributions paid to Buckinghamshire County Council's pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities. This is 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 transfers 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.

1.5.4 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 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.

1.6 Events after the balance sheet date

Events after the balance sheet date are those events, both favourable and unfavourable, that have occurred between the balance sheet date and the date when the statement of accounts is authorised for issue. Two types of event can be identified:

- those that provide evidence of conditions that existed at the balance sheet date – the statement of accounts is adjusted to reflect such events
- those that are indicative of conditions that arose after the balance sheet date – the statement of accounts is not adjusted to reflect such events, but 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.

1.7 Financial instruments

1.7.1 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 measured at fair value. 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.

This means that for the borrowings the Council has, 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.

1.7.2 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.

1.7.2.1 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 measured at fair value. 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 liability multiplied by the effective rate of interest for the instrument.

This means that for the loans the Council has made, the amount presented in the balance sheet is the outstanding principal receivable plus accrued interest, and interest charged to the comprehensive income and expenditure statement is the amount receivable for the year.

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 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.

1.7.2.2 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 measured 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 carrying amount of the liability multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income is credited to the comprehensive income and expenditure statement when it becomes receivable by the Council.

1.8 Government grants and other 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 or taxation and non-specific grant income 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. Amounts in the capital grants unapplied reserve are transferred to the capital adjustment account once they have been applied to fund capital expenditure.

1.8.1 Revenue support grant

Revenue support grant (RSG) is a general grant allocated by central government directly to local authorities as additional revenue funding. RSG is non-ring-fenced and is credited to taxation and non-specific grant income in the comprehensive income and expenditure statement

1.9 Interests in companies and other entities

The Council has a material interest in Aylesbury Vale Estates LLP (AVE), which requires it to prepare group accounts. In the Council's own single-entity accounts this interest is recorded as a financial asset at cost less any provision for losses.

1.10 Inventories and long-term contracts

Inventories (stocks) are included in the balance sheet at the lower of cost and net realisable value.

Long term contracts are accounted for on the basis of the comprehensive income and expenditure statement being charged in the year during which the cost of goods or services were received or provided.

1.11 Investment property

Investment properties are those (land or a building, or part of a building, or both) that are held solely to earn rentals or for capital appreciation or both. 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 but are revalued annually according to market conditions at the year end. Gains and losses on revaluation are posted to the financing and investment income and expenditure line in the comprehensive income and expenditure statement. The same treatment is applied to gains and losses on disposal.

Rentals and costs relating to investment properties are posted to the financing and investment income and expenditure line in the comprehensive income and expenditure statement and result in a gain or loss 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. The gains and losses are therefore reversed out of the general fund balance in the movement in reserves statement and posted to the capital adjustment account and any sale proceeds credited to the capital receipts reserve.

1.12 Leases

1.12.1 Finance leases

The Council accounts for leases as finance leases when substantially all (determined for Aylesbury Vale District Council as being equal to or greater than 95%) the risks and rewards relating to the leased property transfer to the Council. Rentals payable are apportioned between:

- a charge for the acquisition of the interest in the property (recognised as a liability in the balance sheet at the start of the lease, matched with a tangible fixed asset – the liability is written down as the rent becomes payable); and
- a finance charge is made to net operating expenditure in the comprehensive income and expenditure statement as the rent becomes payable.

Fixed assets recognised under finance leases are accounted for using the policies applied generally to tangible fixed assets, subject to depreciation being charged over the lease term, if this is shorter than the asset's estimated useful life.

1.12.2 Operating leases

Leases that do not meet the definition of finance leases are accounted for as operating leases. Rentals payable are charged to the relevant service account on a straight-line basis over the term of the lease, which generally means that rentals are charged when they become payable.

1.13 Overheads and support services

The cost of support services are recharged to services based on use and in accordance with CIPFA's *Service Reporting Code of Practice 2014/15 – SeRCOP.*

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 any depreciation and impairment losses chargeable on non-operational properties.

These two categories are defined in SeRCOP and accounted for as separate headings in the comprehensive income and expenditure statement.

1.14 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.

1.15 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.

1.15.1 Recognition

Expenditure on the acquisition, creation or enhancement of fixed assets is capitalised on an accruals basis in the accounts. Expenditure in excess of £10,000 on fixed assets is capitalised. This excludes expenditure on routine repairs and maintenance of fixed assets which is charged direct to service revenue accounts.

1.15.2 Measurement

Assets are initially measured at cost, comprising all expenditure that is directly attributable to bringing the asset into working condition for its intended use. Assets are then carried in the balance sheet using the following measurement bases:

- assets surplus to requirements - fair value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV)
- other land and buildings - fair value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV)
- vehicles, plant and equipment – existing use value (EUV)
- infrastructure assets - historic cost
- community assets – historic cost or revalued basis
- assets under construction – historic cost

Assets included in the balance sheet at current value are revalued on a rolling basis within a five year time-frame. Increases in valuations are matched by credits in the revaluation reserve to recognise unrealised gains. Exceptionally, gains might be credited to the comprehensive income and expenditure statement where they arise from the reversal of an impairment loss previously charged to a service revenue account.

1.15.3 Impairment

The values of each category of assets and of material individual assets that are not being depreciated are reviewed at the end of each financial year for evidence of reductions in value. Where impairment is identified as part of this review or as a result of a valuation exercise, this is accounted for by:

- 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 the balance (up to the amount of the accumulated gains)
- where there is no balance on the revaluation reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant line(s) in the comprehensive income and expenditure account.

Where an impairment loss is charged to the comprehensive income and expenditure statement but there were accumulated revaluation gains in the revaluation reserve for that asset, an amount up to the value of the loss is transferred from the revaluation reserve to the capital adjustment account.

1.15.4 Disposals and non current assets held for resale

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 resale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the other operating costs line in the comprehensive income and expenditure statement. Gains in fair value are recognised only up to the amount of any previous losses recognised in the surplus or deficit on provision of services. Depreciation is not charged on non current assets held for resale.

If assets no longer meet the criteria to be classified as non current assets held for resale, they are reclassified back to non current assets and valued at the lower of their carrying amount before they were classified for resale, adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as held for resale, and their recoverable amount at the date of the decision not to sell.

When an asset is disposed of or decommissioned, the value of the asset in the balance sheet is written off to the comprehensive income and expenditure statement as part of the gain or loss on disposal. Receipts from disposals are credited to the comprehensive income and expenditure statement as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains in the revaluation reserve are transferred to the capital adjustment account. Amounts in excess of £10,000 are categorised as capital receipts. A proportion of receipts (75%) relating to housing mortgage receipts is 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. Receipts are appropriated to the reserve from the movement in reserves statement.

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. Amounts are appropriated to the capital adjustment account from the movement in reserves statement.

1.15.5 Depreciation

Depreciation is provided in respect of all the relevant property, plant and equipment, other than investment properties, where a finite useful life has been determined. This is with the intention of writing off their balance sheet values in equal annual instalments over their remaining expected useful lives. This is commonly referred to as the ‘straight line’ method. An exception is made for assets without a determinable finite life (i.e. freehold land and certain community assets) and assets that are not yet available for use (i.e. assets under construction).

Revaluation gains are also depreciated, with an amount equal to the difference between the current value depreciation charge 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.

1.15.6 Componentisation

The objective of component accounting is to follow proper accounting practice by ensuring that property, plant and equipment is accurately and fairly included in the Council’s balance sheet, and that the comprehensive income and expenditure statement properly reflects the consumption of economic benefits of those assets over their useful lives through depreciation charges.

In order to do this, the Council must first determine which of its assets have a material value. For Aylesbury Vale District Council materiality in this instance has been set as any asset with a carrying value equal to or greater than 20% of the total carrying value for any asset group.

Where an asset is deemed material then the Council must ensure that the overall value of an asset is fairly apportioned over significant components that need to be accounted for separately and that their useful lives and the method of depreciation are determined on a reasonable and consistent basis. For Aylesbury Vale District Council significance has been set at equal to or greater than 20% of the asset’s cost.

1.16 Provisions, contingent liabilities and contingent assets

1.16.1 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 authority 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.

1.16.2 Contingent liabilities

A contingent liability arises where an event has taken place that gives the Council a possible obligation whose existence 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.

1.16.3 Contingent assets

A contingent asset arises where an event has taken place that gives the Council a possible asset whose existence 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.

1.17 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. The value is then appropriated from the reserve and credited to the general fund balance so that there is no 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.

1.18 Revenue expenditure funded from capital under statute

Revenue expenditure funded from capital under statute (REFCUS) is expenditure which may be capitalised but which does not result in the creation of tangible assets controlled by the Council. REFCUS incurred during the year is written off as expenditure to the relevant service revenue account in the year. Examples include grants to third parties for capital purposes and expenditure on private sector housing renewal.

1.19 VAT

VAT is only included within the revenue and capital income and expenditure accounts to the extent that it is irrecoverable.

2. Accounting standards not yet adopted

The Code of Practice on Local Council Accounting in the United Kingdom 2015/16 (the Code) requires the disclosure of information relating to the expected impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. This applies to the adoption of the following new or amended standards within the 2015/16 Code:

- IFRS 13 Fair Value Measurement – This standard provides a consistent definition of fair value and enhanced disclosure requirements. It is designed to apply to assets and liabilities covered by those IFRSs that currently permit or require measurement at fair value (with some exceptions). The adoption of this standard will require surplus assets (assets that are not being used to deliver services, but which do not meet the criteria to be classified as either investment properties or non-current assets held for sale) to be revalued to market value rather than value in existing use as at present. Operational property, plant and equipment are outside the scope of IFRS13. Overall this standard is not expected to have a material impact on the statement of accounts due to the low value of surplus assets held by the Council
- Annual Improvements to IFRSs (2011 – 2013 Cycle) – These improvements are minor, principally providing clarification, and will not have a material impact on the statement of accounts.

The Code requires implementation from 1 April 2015 and there is therefore no impact on the 2014/15 statement of accounts

3. Critical judgements in applying accounting policies

In applying the accounting policies set out in Note 1, the Council has had to make certain judgments about complex transactions or those involving uncertainty about future events. The critical judgments made in the statement of accounts are:

- There is a high degree of uncertainty about future levels of funding for local government. 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.

- The Council has a number of members who are trustees of the Aylesbury Vale Community Trust, an independent not-for-profit organisation that operated the leisure centres previously operated by the Council. It has been determined that the Council does not have control of the trust and it is not a subsidiary of the Council.

4. 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 2015 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

- Business rates - Since the introduction of the business rates retention scheme effective from 1 April 2013, local authorities are liable for successful appeals against business rates charged to businesses in 2012/13 and earlier years in their proportionate share. Therefore a provision has been recognised for the best estimate of the amount that businesses have been overcharged up to 31 March 2015. The estimate has been calculated using the Valuation Office (VOA) ratings list of appeals and the analysis of successful appeals to date when providing the estimate of the total provision up to and including 31 March 2015.

- Council tax (surplus)/deficit - Assumptions are made on the likely (surplus)/deficit for the year in the January prior to the year end. The information forms part of the budget setting process for Aylesbury Vale District Council, Buckinghamshire County Council, Thames Valley Police Authority and Buckinghamshire and Milton Keynes Fire & Rescue Authority. If the actual (surplus)/deficit differs significantly from the estimated assumption position from January, there will be an impact in the following year's budget process. A higher deficit could mean more savings being required or an increased council tax.

- Debt impairment - At 31 March 2015, the Council had a balance of sundry debtors for £9,735,000. A review of significant balances suggested that an impairment for doubtful debts of 21% (£2,013,000) was appropriate. However, in the current economic climate it is not certain that such an allowance would be sufficient. If collection rates were to deteriorate, which was not the case during 2014/15, the Council would require additional funds to set aside as an allowance.

- Earmarked reserves - The Council has a large number of earmarked reserves, which are reviewed annually to assess the expected year end balance. The expected reserve balances form part of the budget setting process. Although, the reserve levels are not prescribed, major variations could have an impact on service budgets as expected funds may not be available, which could lead to savings being required in year.

- Pensions liability - Estimation of the net liability to pay pensions depends on a number of complex judgments 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 pensions liability of changes in individual assumptions can be measured. The assumptions interact in complex ways.

- 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. In the current economic climate there will be increased pressure on all budgets, leading to difficult choices which might result in the Council being less 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. It is estimated that the annual depreciation charge for buildings would increase by £85,700 for every year that useful lives had to be reduced.

- Provisions for liabilities including restructuring, redundancy and onerous contracts - no provision is made for redundancies as sections have to meet the cost from within their own budgets. If there was the need to make redundancies and they could not be met from the service budget then it would impact on the general fund surplus. Any impact would have to be met from the following year. It could be significant if there were a large number.

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

5. Events after the balance sheet date

The statement of accounts was authorised for issue by the Director on 28 September 2015. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2015, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

6. Adjustments

6.1 Adjustments between group accounts and Council accounts

2013/14 Group		2014/15 Group
£000		£000
663	Share of AVE LLP loss for the year	(506)
663		**(506)**

6.2 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 made by statutory provisions as being available to the Council to meet future capital and revenue expenditure.

The following sets out a description of the reserves against which the adjustments are made.

- General fund balance
  The general fund is the statutory fund into which all the receipts of the Council are required to be paid and out of which all liabilities of the Council are to be met, except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the general fund balance, which is not necessarily in accordance with proper accounting practice. The general fund therefore summarises the resources that the Council is statutorily empowered to spend on its services or on capital investment.

- Capital receipts reserve
  The capital receipts reserve holds the proceeds from the disposal of land or other assets, which are restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance historic capital expenditure. The balance on the reserve shows the resources that have yet to be applied for these purposes at the year end.
- Capital grants unapplied
  The capital grants unapplied account holds the grants and contributions received towards capital projects for which the Council has met the conditions that would otherwise require repayment of the monies but which have yet to be applied to meet expenditure. The balance is restricted by grant terms as to the capital expenditure against which it can be applied and/or the financial year in which this can take place.

Council and group	**2014/15**			
	Usable reserves			
	General fund balance	**Capital receipts reserve**	**Capital grants unapplied**	**Movement in unusable reserves**
	£000	£000	£000	£000
Adjustments primarily involving the capital adjustment account				
Reversal of items debited or credited to the comprehensive income and expenditure statement				
Charges for depreciation and impairment of non-current assets	(7,915)	-	-	7,915
Revaluation increases/(decreases) recognised in the (surplus)/deficit on the provision of services	7,325			(7,325)
Revenue expenditure funded from capital under statute	(4,588)	-	-	4,588
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	(7,434)	-	-	7,434
Insertion of items not debited or credited to the comprehensive income and expenditure statement				
Statutory provision for the financing of capital investment	1,320	-	-	(1,320)
Adjustments primarily involving the capital grants unapplied account				
Capital grants and contributions unapplied credited to the comprehensive income and expenditure statement	1,928	-	(1,928)	-
Application of grants to capital financing transferred to the capital adjustment account	-	-	1,253	(1,253)
Adjustments primarily involving the capital receipts reserve				
Use of the capital receipts reserve to finance new capital expenditure	-	4,164	-	(4,164)
In-year capital receipts	6,018	(6,018)	-	-
Transfer from deferred capital receipts reserve upon receipt of cash	-	(3,939)	-	3,939
Adjustments primarily involving the pensions reserve				
Reversal of items relating to retirement benefits debited or credited to the comprehensive income and expenditure statement	(6,832)	-	-	6,832
Employer's contributions and direct payments to pensioners payable in year	3,742	-	-	(3,742)
Adjustments primarily involving the collection fund adjustment account				
Amount by which council tax income and non domestic rates income credited to the comprehensive income and expenditure statement is different from council tax and non domestic rates income calculated for the year in accordance with statutory requirements	607	-	-	(607)
Adjustments primarily involving the accumulated absences account				
Amount by which officer remuneration charged to the comprehensive income and expenditure statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	15	-	-	(15)
Total adjustments	**(5,814)**	**(5,793)**	**(675)**	**12,282**

Council and group	2013/14			
	Usable reserves			
	General fund balance	Capital receipts reserve	Capital grants unapplied	Movement in unusable reserves
	£000	£000	£000	£000
Adjustments primarily involving the capital adjustment account				
Reversal of items debited or credited to the comprehensive income and expenditure statement				
Charges for depreciation and impairment of non-current assets	(7,628)	-	-	7,628
Capital grants and contributions applied	6	-	-	(6)
Revenue expenditure funded from capital under statute	(4,063)	-	-	4,063
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	(2,574)	-	-	2,574
Insertion of items not debited or credited to the comprehensive income and expenditure statement				
Statutory provision for the financing of capital investment	1,219	-	-	(1,219)
Adjustments primarily involving the capital grants unapplied account				
Capital grants and contributions unapplied credited to the comprehensive income and expenditure statement	3,196	-	(3,196)	-
Application of grants to capital financing transferred to the capital adjustment account	-	-	3,085	(3,085)
Adjustments primarily involving the capital receipts reserve				
Transfer of cash sale proceeds credited as part of the loss on disposal to the comprehensive income and expenditure statement	2,193	(2,193)	-	-
Use of the capital receipts reserve to finance new capital expenditure	-	4,666	-	(4,666)
In-year capital receipts	2,131	(2,131)	-	-
Transfer from deferred capital receipts reserve upon receipt of cash	-	(342)	-	342
Adjustments primarily involving the deferred capital receipts reserve				
Transfer of deferred sale proceeds credited as part of the loss on disposal to the comprehensive income and expenditure statement	114	-	-	(114)
Adjustments primarily involving the pensions reserve				
Reversal of items relating to retirement benefits debited or credited to the comprehensive income and expenditure statement	(6,741)	-	-	6,741
Employer's contributions and direct payments to pensioners payable in year	3,547	-	-	(3,547)
Adjustments primarily involving the collection fund adjustment account				
Amount by which council tax income and non domestic rates income credited to the comprehensive income and expenditure statement is different from council tax and non domestic rates income calculated for the year in accordance with statutory requirements	(1,382)	-	-	1,382
Total adjustments	**(9,982)**	**-**	**(111)**	**10,093**

7. Transfers (to)/from earmarked reserves

This note sets out the amounts set aside from general fund balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet general fund expenditure in 2013/14 and 2014/15

Council and group	Balance 1 April 2013	Transfers out 2013/14	Transfers in 2013/14	Balance 31 March 2014	Transfers out 2014/15	Transfers in 2014/15	Balance 31 March 2015
	£000	£000	£000	£000	£000	£000	£000
Capital purposes							
Amenity areas	(2,214)	-	(210)	(2,424)	-	(82)	(2,506)
Property sinking	(2,812)	-	-	(2,812)	500	-	(2,312)
Information technology	(924)	-	(290)	(1,214)	282	(297)	(1,229)
Property strategy	(151)	151	(436)	(436)	-	(104)	(540)
Future vehicle costs	(4)	-	(15)	(19)	15	-	(4)
	(6,105)	**151**	**(951)**	**(6,905)**	**797**	**(483)**	**(6,591)**
Revenue purposes							
New homes bonus	(987)	-	(2,564)	(3,551)	-	(3,450)	(7,001)
Interest equalisation	(4,859)	1,407	-	(3,452)	657	-	(2,795)
Business rates	-	-	(1,680)	(1,680)	-	(321)	(2,001)
Superannuation	(1,963)	126	-	(1,837)	277	-	(1,560)
Benefit subsidy	(1,534)	-	-	(1,534)	-	-	(1,534)
Planning fees	(865)	363	(251)	(753)	405	(842)	(1,190)
Repairs & renewals	(851)	91	(295)	(1,055)	401	(254)	(908)
LABGI	(1,260)	388	(35)	(907)	100	(50)	(857)
Fairford Leys riverine	(393)	-	(19)	(412)	-	(438)	(850)
Self insurance	(594)	55	-	(539)	-	(38)	(577)
Aylesbury special expenses	(381)	-	(90)	(471)	-	(48)	(519)
Recycling & composting	(141)	-	(10)	(151)	-	(48)	(199)
Car parking	(170)	-	(22)	(192)	-	-	(192)
District elections	(73)	-	(68)	(141)	35	(54)	(160)
Leisure Activities	-	-	-	-	-	(156)	(156)
Historic buildings	(136)	-	-	(136)	-	(5)	(141)
Housing needs & s106	(116)	9	-	(107)	-	-	(107)
Business support fund	-	-	-	-	-	(102)	(102)
Business transformation	(211)	61	-	(150)	61	-	(89)
Rent guarantee scheme	(71)	-	-	(71)	-	-	(71)
Health licensing income	(53)	12	(10)	(51)	-	-	(51)
Market research	(31)	-	(1)	(32)	-	(15)	(47)
Playgrounds	(30)	-	(10)	(40)	-	-	(40)
Land registry fees	(33)	30	(8)	(11)	-	-	(11)
Other	(9)	-	-	(9)	-	-	(9)
Corporate improvement	(7)	-	(1)	(8)	-	-	(8)
Electricity supply	(1,787)	1,787	-	-	-	-	-
	(16,555)	**4,329**	**(5,064)**	**(17,290)**	**1,936**	**(5,821)**	**(21,175)**
	(22,660)	**4,480**	**(6,015)**	**(24,195)**	**2,733**	**(6,304)**	**(27,766)**

The following paragraphs provide an explanation of those reserves whose balance is in excess of £1 million or where it was felt reporting would be beneficial.

(a) Amenity areas

The Council has established a reserve to hold commuted sums and sums received by way of section 106 agreements. The sums are invested and the interest transferred to the general fund to meet on-going revenue costs.

(b) Property sinking reserve
The Council has established a property sinking fund for the purpose of meeting large maintenance and refurbishment costs associated with operational buildings, particularly the offices and the new theatre.

(c) Information technology
The Council has established a reserve for the purpose of meeting the cost of investment in new technology.

(d) New homes bonus
The Council has established a reserve from payments received from the Government. The new homes bonus payments are an incentive scheme aimed at encouraging authorities to increase housing supply through new build and returning empty properties to use. At its meeting of the 17 July 2013, the Council agreed to a £5.4 million contribution to the East/West rail link, which would be met from this reserve.

(e) Interest equalisation reserve
The Council has established a reserve for the purpose of maintaining the level of interest transferred to the general fund annually. The reserve helps to counteract any fluctuations in interest rates.

(f) Business rates reserve
The Council has established a reserve to smooth out the fluctuations in the retained proportion of business rates arising from new government financing arrangements.

(g) Superannuation reserve
This reserve has been established for the purpose of meeting back funding contributions and pension strain costs in respect of deleted posts.

(h) Benefit subsidy reserve
The Council has established a reserve for the purpose of meeting fluctuations in respect of housing benefit subsidy. Additional year end subsidy received during the following year will be available to meet future fluctuations once the final benefit subsidy position is known.

(i) Planning reserves
The Council has established a number of reserves for the purpose of meeting fees and costs associated with major planning enquiries.

(j) Repairs and maintenance (corporate property) reserve
The Council maintains a reserve for the purpose of providing for the future refurbishment of general fund property assets. This reserve receives an annual contribution from the comprehensive income and expenditure account.

(k) LABGI (local authority business growth incentive) reserve
The Council has created a reserve from the grant income received from the DCLG pending the allocation to specific areas that have been identified within the district.

8. Other operating income and expenditure

2013/14 Council and Group		2014/15 Council and Group
£000		£000
4,193	Parish precepts	4,272
2	Payments to the government housing capital receipts pool	1
(2,131)	Post stock transfer capital receipts	(2,793)
(210)	Commuted sum income	(82)
(253)	Other operating costs/(income)	(246)
261	Loss on disposal of non-current assets	3,791
1,862		4,943

9. Financing and investment income and expenditure

2013/14 Council only	2013/14 Group		2014/15 Council only	2014/15 Group
£000	£000		£000	£000
212	212	Interest payable and similar charges	829	829
2,968	2,968	Net interest on the net defined liability	3,138	3,138
(3,181)	(3,181)	Interest receivable and similar income	(2,601)	(2,601)
-	663	Share of losses attributable to joint venture	-	(506)
(439)	-	Distribution attributable to joint venture (note 29)	(104)	-
106	106	Other investment costs (note 12)	76	76
(334)	768		1,338	936

10. Taxation and non-specific grant income

2013/14 Council and Group		2014/15 Council and Group
£000		£000
(13,672)	Council tax income	(14,060)
(2,652)	Non domestic rates	(3,697)
(8,547)	Non-ringfenced government grants (note 30)	(9,157)
(939)	Capital grants and contributions	(1,428)
(25,810)		(28,342)

11. Property, plant and equipment

11.1 Measurement bases used

The gross carrying amount of assets has been determined on the following bases:

- other land and buildings are included in the balance sheet at the lower of net current replacement cost and net realisable value.
- vehicles, plant and equipment are included in the balance sheet at historical cost.
- community assets are included in the balance sheet at historical cost.
- assets under construction are included in the balance sheet at historical cost.

11.2 Depreciation methods used

Depreciation is calculated on a straight line basis over the useful life of an asset

11.3 Useful lives or depreciation rates used

The useful life of an asset is the period over which it is expected to deliver productive benefit to the Council. The useful lives used for depreciating the various assets are:

Class type	Useful life
Surface car parks	20 - 34 years
Multi-storey car parks	26 - 50 years
Sports pavilions	10 - 28 years
Other public buildings	8 - 43 years
Equipment	5 years
Vehicles	3 years

11.4 Capital commitments

In May 2014 the Council entered into an agreement to construct an educational facility for the value of £16.550 million. The outstanding commitment at 31 March 2015 was £6.419 million.

The Council is undertaking refurbishment work at Swan Pool, Buckingham at a cost of £2.700million. The outstanding commitment at 31 March 2015 was £2.229 million.

The Council had no construction contracts in effect at 31 March 2015.

11.5 Effects of changes in estimates

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. It is estimated that the annual depreciation charge for buildings would increase by £85,700 for every year that useful lives had to be reduced.

11.6 Revaluations

The Council carries out a rolling programme that ensures that all property, plant and equipment required to be measured at fair value is revalued at least once every five years. Valuations of land and buildings are carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. Valuations of all the community centres and Hampden House multi storey carpark were carried out by Mark Aldis BSc(Hons) M.R.I.C.S. of Wilks, Head and Eve as at 31 March 2015.

The significant assumptions applied in estimating the fair values are:

- operational assets – the total value has been apportioned between land and building parts, with the building representing the depreciable amount;
- specialised assets – where no market-based evidence exists to arrive at fair value, the depreciated replacement cost (DRC) approach has been used;
- land assets – these have been assessed to fair value having regard to the cost of purchasing notional replacement sites in the same locality;
- assets held for sale – these have been assessed to fair value on the basis of market value.

11.7 Movement on property, plant and equipment

Council and group	2014/15						
	Other land & buildings £000	Vehicles, plant & equipment £000	Community assets £000	Surplus assets £000	Heritage assets £000	PP&E under construction £000	Total PP&E £000
Cost or valuation							
At 1 April 2014	106,296	6,048	19	9,729	220	8,941	131,253
Additions	-	60	-	-	-	8,533	8,593
Revaluation increases/(decreases) recognised in the revaluation reserve	3,160	-	-	-	-	-	3,160
Revaluation increases/(decreases) recognised in the (surplus)/deficit on the provision of services	7,325	-	-	-	-	-	7,325
Impairment losses/reversals recognised in the (surplus)/deficit on the provision of services	(3,785)	-	(1,362)	-	-	-	(5,147)
Derecognition - disposals	(5,634)	-	-	-	-	-	(5,634)
Reclassification to assets held for resale	(451)	-	-	-	-	-	(451)
Other movements in cost or valuation	5,981	-	1,362	-	-	(7,343)	-
At 31 March 2015	**112,892**	**6,108**	**19**	**9,729**	**220**	**10,131**	**139,099**
Accumulated depreciation							
At 1 April 2014	(2,261)	(3,786)	-	-	-	-	(6,047)
Depreciation charge	(2,333)	(435)	-	-	-	-	(2,768)
Depreciation written out to the revaluation reserve	256	-	-	-	-	-	256
At 31 March 2015	**(4,338)**	**(4,221)**	**-**	**-**	**-**	**-**	**(8,559)**
Net book value							
At 31 March 2015	**108,554**	**1,887**	**19**	**9,729**	**220**	**10,131**	**130,540**
At 1 April 2014	**104,035**	**2,262**	**19**	**9,729**	**220**	**8,941**	**125,206**

Council and group	2013/14						
	Other land & buildings £000	Vehicles, plant & equipment £000	Community assets £000	Surplus assets £000	Heritage assets £000	PP&E under construction £000	Total PP&E £000
Cost or valuation							
At 1 April 2013	85,937	5,865	19	9,729	220	23,775	125,545
Additions	361	181	-	-	-	9,639	10,181
Revaluation increases/(decreases) recognised in the revaluation reserve	590	-	-	-	-	-	590
Impairment written out to the (surplus)/deficit on the provision of services	127	-	-	-	-	-	127
Impairment losses/reversals recognised in the (surplus)/deficit on the provision of services	-	-	(4,880)	-	-	-	(4,880)
Derecognition - disposals	(310)	-	-	-	-	-	(310)
Other movements in cost or valuation	19,591	2	4,880	-	-	(24,473)	-
At 31 March 2014	**106,296**	**6,048**	**19**	**9,729**	**220**	**8,941**	**131,253**
Accumulated depreciation							
At 1 April 2013	(18)	(3,162)	-	-	-	-	(3,180)
Depreciation charge	(2,251)	(624)	-	-	-	-	(2,875)
Derecognition - disposals	8	-	-	-	-	-	8
At 31 March 2014	**(2,261)**	**(3,786)**	**-**	**-**	**-**	**-**	**(6,047)**
Net book value							
At 31 March 2014	**104,035**	**2,262**	**19**	**9,729**	**220**	**8,941**	**125,206**
At 1 April 2013	**85,919**	**2,703**	**19**	**9,729**	**220**	**23,775**	**122,365**

12. Investment properties

The following items of income and expense have been accounted for in the financing and investment income and expenditure line in the comprehensive income and expenditure statement:

2013/14 Council and group £000		2014/15 Council and group £000
(2)	Rental income from investment property	(2)
108	Direct operating expenses arising from investment property	78
106		**76**

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 carry out repairs, maintenance or enhancement.

The following table summarises the movement in the fair value of investment properties over the year:

31 March 2014 Council and group £000		31 March 2015 Council and group £000
540	Balance at 1 April	415
(125)	Disposals	-
415	**Balance at 31 March**	**415**

13. Long term investments

31 March 2014			31 March 2015	
Council only	**Group**		**Council only**	**Group**
£000	£000		£000	£000
1,284	-	Aylesbury Vale Estates LLP	1,284	-
55	55	Green deal shares	-	-
1	1	Other	1	1
1,340	**56**		**1,285**	**1**

14. Investment in joint venture

31 March 2014 Group £000		31 March 2015 Group £000
1,308	Investment at cost	1,308
(24)	Capital repayments and distributions	(24)
(1,709)	Distributions	(1,813)
(1,129)	AVDC share of accumulated losses	(623)
2,397	AVDC share of accumulated revaluation gains	3,897
843		**2,745**

15. Long term debtors

31 March 2014 Council and group		31 March 2015 Council and group
£000		£000
28,648	Aylesbury Vale Estates LLP	28,264
79	Car purchase loans	51
28,727		**28,315**

16. Assets held for resale

At the end of the year, the Council had entered into negotiations to sell Elmhurst Community Centre, with a total value of £451,000.

31 March 2014 Council and group		31 March 2015 Council and group
£000		£000
-	Elmhurst Community Centre	451
1,800	Circus Fields	-
1,800		**451**

17. Financial instruments

17.1 Categories of financial instruments

The following categories of financial instruments are carried in the balance sheet:

31 March 2014 Council and group			31 March 2015 Council and group	
Long term	Current		Long term	Current
£000	£000		£000	£000
		Investments		
-	21,076	Loans and receivables	-	34,132
-	21,076	**Total investments**	-	34,132
		Debtors		
28,727	7,736	Loans and receivables	28,315	4,286
-	8,833	Financial assets carried at contract amounts	-	8,651
28,727	16,569	**Total debtors**	28,315	12,937
		Cash and cash equivalents		
-	5,115	Financial assets carried at contract amount	-	7,965
-	5,115	**Total cash and cash equivalents**	-	7,965
		Borrowings		
(15,139)	(5,009)	Financial liabilities at amortised cost	(28,778)	-
(15,139)	(5,009)	**Total borrowings**	(28,778)	-
		Creditors		
(9,502)	(6,037)	Financial liabilities carried at contract amount	(9,999)	(5,169)
(9,502)	(6,037)	**Total creditors**	(9,999)	(5,169)

17.2 Income, expense, gains and losses

2013/14 Council and group: Financial assets: loans and receivables	2013/14 Council and group: Assets and liabilities at fair value through profit and loss	2013/14 Council and group: Total		2014/15 Council and group: Financial assets: loans and receivables	2014/15 Council and group: Assets and liabilities at fair value through profit and loss	2014/15 Council and group: Total
£000	£000	£000		£000	£000	£000
-	212	212	Interest expense	-	829	829
-	**212**	**212**	**Total expense in deficit on the provision of services**	**-**	**829**	**829**
(3,181)	-	(3,181)	Interest income	(2,601)	-	(2,601)
(3,181)	**-**	**(3,181)**	**Total income in deficit on the provision of services**	**(2,601)**	**-**	**(2,601)**
(46)	-	(46)	Gains on revaluation	-	-	-
		-	Amounts recycled to the surplus or deficit on the provision of services after impairment	51		51
(46)	**-**	**(46)**	**Deficit/(surplus) arising on revaluation of financial assets in other comprehensive income and expenditure**	**51**	**-**	**51**
(3,227)	**212**	**(3,015)**		**(2,550)**	**829**	**(1,721)**

17.3 Fair values of assets and liabilities

Financial liabilities, financial assets represented by loans and receivables and long-term debtors and creditors are carried in the balance sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

- no early repayment or impairment is recognised;
- where an instrument will mature in the next 12 months, the carrying amount is assumed to approximate to fair value;
- the fair value of trade and other receivables is taken to be the invoiced or billed amount.

31 March 2014 Council and group: Carrying amount	31 March 2014 Council and group: Fair value		31 March 2015 Council and group: Carrying amount	31 March 2015 Council and group: Fair value
£000	£000		£000	£000
		Financial assets		
28,727	28,727	Long term debtors	28,315	28,315
21,076	21,101	Short term investments	34,132	34,097
5,115	5,115	Cash and cash equivalents	7,965	7,965
54,918	**54,943**		**70,412**	**70,377**
		Financial liabilities		
(9,502)	(9,502)	Long term creditors	(9,999)	(9,999)
(5,009)	(5,056)	Short term borrowing	-	-
(15,139)	(14,859)	Long term borrowing	(28,778)	(31,840)
(29,650)	**(29,417)**		**(38,777)**	**(41,839)**

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

18. Short term debtors

31 March 2014 Council and group		31 March 2015 Council and group
£000		£000
7,108	Central government bodies	3,721
1,268	Other local authorities	748
47	NHS bodies	200
193	Amounts owed by group undertakings	193
7,742	Other entities and individuals	9,735
16,358		14,597
(1,424)	Provision for impairment of bad debts	(2,013)
14,934		**12,584**

19. Short term loans

During 2012/13, the Council granted a loan to Hale Leys LLP (a newly created, wholly owned subsidiary of AVE LLP) to facilitate the purchase of the Hale Leys shopping centre in Aylesbury. By supporting the acquisition the Council became joint owners of the shopping centre.

The dividend receivable from AVE LLP in respect of 2011/12, plus an additional repayment of capital during 2012/13 was converted into a short term loan during 2012/13. An amount payable by AVE LLP for the purchase of 28 High Street, Winslow of £120,000 was converted into a short term loan during 2013/14 as was the dividend receivable of £439,000. Similarly, the dividend receivable in respect of 2014/15 of £104,000 was also converted into a short term loan.

The balances outstanding at the end of the year are as follows:

31 March 2014 Council and group		31 March 2015 Council and group
£000		£000
2,900	Hale Leys LLP	2,900
4,836	Aylesbury Vale Estates LLP	1,386
7,736		**4,286**

20. Cash and cash equivalents

31 March 2014 Council and group		31 March 2015 Council and group
£000		£000
1	Cash	1
592	Bank current accounts	424
4,522	Short term deposits	7,540
5,115		**7,965**

21. Short term creditors

31 March 2014 Council and group		31 March 2015 Council and group
£000		£000
(2,581)	Central government bodies	(2,347)
(4,947)	Other local authorities	(4,258)
(5,888)	Other entities and individuals	(6,947)
(13,416)		**(13,552)**

22. Provisions

	Council and group	
	Short term	Long term
	NNDR appeals	Refundable bonds
	£000	£000
Balance at 1 April 2013	**-**	**(164)**
Additional provisions made in 2013/14	(1,629)	(19)
Balance at 31 March 2014	**(1,629)**	**(183)**
Additional provisions made in 2014/15	-	(4)
Balance at 31 March 2015	**(1,629)**	**(187)**

23. Other long term liabilities

31 March 2014 Council and group		31 March 2015 Council and group
£000		£000
(73,064)	Pension liability	(90,307)
(9,502)	ALUTS contributions	(9,999)
(82,566)		**(100,306)**

24. Usable reserves

Movement in usable reserves are summarised below:

Council only	Balance 1 April 2013	Movements Debits	Movements Credits	Balance 31 March 2014	Movements Debits	Movements Credits	Balance 31 March 2015
	£000	£000	£000	£000	£000	£000	£000
General fund balance	(3,292)	135,987	(136,335)	(3,640)	130,420	(130,545)	(3,765)
Capital receipts reserve	(3,816)	4,666	(4,666)	(3,816)	4,164	(9,957)	(9,609)
Capital grants unapplied	(481)	3,085	(3,196)	(592)	1,253	(1,928)	(1,267)
Earmarked reserves	(22,660)	4,480	(6,015)	(24,195)	2,733	(6,304)	(27,766)
	(30,249)	**148,218**	**(150,212)**	**(32,243)**	**138,570**	**(148,734)**	**(42,407)**

Group	Balance 1 April 2012	Movements Debits	Movements Credits	Balance 31 March 2013	Movements Debits	Movements Credits	Balance 31 March 2014
	£000	£000	£000	£000	£000	£000	£000
General fund balance	(2,022)	135,987	(135,896)	(1,931)	130,420	(130,441)	(1,952)
Capital receipts reserve	(3,816)	4,666	(4,666)	(3,816)	4,164	(9,957)	(9,609)
Capital grants unapplied	(481)	3,085	(3,196)	(592)	1,253	(1,928)	(1,267)
Earmarked reserves	(22,660)	4,480	(6,015)	(24,195)	2,733	(6,304)	(27,766)
Joint venture profit and loss reserves	466	663	-	1,129	-	(506)	623
	(28,513)	**148,881**	**(149,773)**	**(29,405)**	**138,570**	**(149,136)**	**(39,971)**

25. Unusable reserves

Movement in unusable reserves are summarised below:

Council only	Balance 1 April 2013	Movements Debits	Movements Credits	Balance 31 March 2014	Movements Debits	Movements Credits	Balance 31 March 2015
	£000	£000	£000	£000	£000	£000	£000
Revaluation reserve	(11,007)	637	(591)	(10,961)	-	(3,416)	(14,377)
Available for sale financial instruments reserve	(5)	-	(46)	(51)	51	-	-
Capital adjustment account	(91,476)	14,265	(9,613)	(86,824)	19,937	(14,062)	(80,949)
Deferred capital receipts	(32,936)	342	(114)	(32,708)	3,939	-	(28,769)
Pensions reserve	67,721	22,492	(17,149)	73,064	28,423	(11,180)	90,307
Collection fund adjustment account	(178)	-	1,382	1,204	-	(607)	597
Accumulated absences account	89	89	(89)	89	74	(89)	74
	(67,792)	**37,825**	**(26,220)**	**(56,187)**	**52,424**	**(29,354)**	**(33,117)**

Group	Balance 1 April 2013	Movements Debits	Movements Credits	Balance 31 March 2014	Movements Debits	Movements Credits	Balance 31 March 2015
	£000	£000	£000	£000	£000	£000	£000
Revaluation reserve	(12,327)	720	(1,751)	(13,358)	141	(5,057)	(18,274)
Available for sale financial instruments reserve	(5)	-	(46)	(51)	51	-	-
Capital adjustment account	(91,476)	14,265	(9,613)	(86,824)	19,937	(14,062)	(80,949)
Deferred capital receipts	(32,936)	342	(114)	(32,708)	3,939	-	(28,769)
Pensions reserve	67,721	22,492	(17,149)	73,064	28,423	(11,180)	90,307
Collection fund adjustment account	(178)	-	1,382	1,204	-	(607)	597
Accumulated absences account	89	89	(89)	89	74	(89)	74
	(69,112)	**37,908**	**(27,380)**	**(58,584)**	**52,565**	**(30,995)**	**(37,014)**

25.1 Revaluation reserve

The revaluation reserve contains the gains arising from increases in the value of its property, plant and equipment. The balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired and the gains are lost;
- used in the provision of services and the gains are consumed through depreciation; or
- disposed of and the gains are realised.

The reserve contains only revaluation gains accumulated since 1 April 2007, the date that the reserve was created. Accumulated gains arising before that date are consolidated into the balance on the capital adjustment account.

2013/14 Council only	2013/14 Group		2014/15 Council only	2014/15 Group
£000	£000		£000	£000
(11,007)	(12,327)	Balance at 1 April	(10,961)	(13,358)
(591)	(1,751)	Upward revaluation of assets	(3,160)	(4,801)
-	-	Depreciation written back to revaluation reserve	(256)	(256)
-	83	Downward revaluation of assets and impairment losses not charged to the deficit on the provision of services	-	141
(591)	**(1,668)**	**Surplus on revaluation of non-current assets not posted to the deficit on the provision of services**	**(3,416)**	**(4,916)**
637	637	Amount written off to the capital adjustment account	-	-
(10,961)	**(13,358)**	**Balance at 31 March**	**(14,377)**	**(18,274)**

25.2 Available for sale financial instruments reserve

The available for sale financial instruments reserve contains the gains arising from increases in the value of investments that have quoted market prices or otherwise do not have fixed or determinable payments. The balance is reduced when investments with accumulated gains are:

- revalued downwards or impaired and the gains are lost; or
- disposed of and the gains are realised.

2013/14 Council and group		2014/15 Council and group
£000		£000
(5)	Balance at 1 April	(51)
(46)	Upward revaluation of investments	-
-	Downward revaluation of investments	51
(51)	**Balance at 31 March**	**-**

25.3 Capital adjustment account

The capital adjustment account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the comprehensive income and expenditure statement (with reconciling postings from the revaluation reserve to convert fair value figures to a historical cost basis). The account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement.

The account contains accumulated gains and losses on investment properties and gains recognised on donated assets that have yet to be consumed by the Council.

The account also contains revaluation gains accumulated on property, plant and equipment before 1 April 2007, the date that the revaluation reserve was created to hold such gains. Note 6 provides details of the source of all the transactions posted to the account, apart from those involving the revaluation reserve.

2013/14 Council and group £000	2013/14 Council and group £000		2014/15 Council and group £000	2014/15 Council and group £000
	(91,476)	Balance at 1 April		(86,824)
		Reversal of items relating to capital expenditure debited to the comprehensive income and expenditure statement		
7,628		● Charges for depreciation and impairment of non-current assets	7,915	
-		● Revaluation increases/(decreases) recognised in the (surplus)/deficit on the provision of services	(7,325)	
4,063		● Revenue expenditure funded from capital under statute	4,588	
2,574		● Amounts of non-current assets written off on disposal or sale as part of the loss on disposal to the comprehensive income and expenditure statement	7,434	
14,265			12,612	
(637)		Adjusting amounts written out of the revaluation reserve	-	
	13,628	Net written out amount of the non-current assets consumed in the year		12,612
		Capital financing applied in the year		
	(4,666)	● Use of the capital receipts reserve to finance new capital expenditure		(4,164)
	(6)	● Capital grants and contributions credited to the comprehensive income and expenditure statement that have been applied to capital financing		-
	(3,085)	● Application of grants to capital financing from the capital grants unapplied account and earmarked reserves		(1,253)
	(1,219)	● Statutory provision for the financing of capital investment charged against the general fund		(1,320)
	(86,824)	**Balance at 31 March**		**(80,949)**

25.4 Deferred capital receipts reserve

The deferred capital receipts reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the Council does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the capital receipts reserve.

2013/14 Council and group £000		2014/15 Council and group £000
(32,936)	Balance at 1 April	(32,708)
(114)	Transfer of deferred sales proceeds credited as part of the loss on disposal to the comprehensive income and expenditure statement	-
342	Transfer to the capital receipts reserve upon receipt of cash	3,939
(32,708)	**Balance at 31 March**	**(28,769)**

25.5 Pensions reserve

The pensions reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post-employment benefits in the comprehensive income and expenditure statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the pensions reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

2013/14 Council and group £000	2013/14 Council and group £000		2014/15 Council and group £000	2014/15 Council and group £000
	67,721	Balance at 1 April		73,064
(2,105)		Return on plan assets in excess of interest	(7,406)	
3,826		Other actuarial losses on assets	-	
5,943		Change in financial assumptions	21,591	
5,982		Change in demographic assumptions	-	
(11,497)		Experience gain on defined benefit obligation	(32)	
	2,149	Remeasurement of net defined benefit		14,153
	6,741	Reversal of items relating to retirement benefits debited or credited to the (surplus)/deficit on the provision of services in the comprehensive income and expenditure statement		6,832
	(3,547)	Employer's pensions contributions and direct payments to pensioners payable in the year		(3,742)
	73,064	**Balance at 31 March**		**90,307**

25.6 Collection fund adjustment account

The collection fund adjustment account manages the differences arising from the recognition of council tax income in the comprehensive income and expenditure statement as it falls due from council tax payers compared with the statutory arrangements for paying across amounts to the general fund from the collection fund.

2013/14 Council and group £000		2014/15 Council and group £000
(178)	Balance at 1 April	1,204
1,382	Amount by which council tax income and non domestic rates income credited to the comprehensive income and expenditure statement is different from council tax and non domestic rates income calculated for the year in accordance with statutory requirements	(607)
1,204	**Balance at 31 March**	**597**

25.7 Accumulated absences account

The accumulated absences account absorbs the differences that would otherwise arise on the general fund balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the general fund balance is neutralised by transfers (to)/from the account.

2013/14 Council and group £000	2013/14 Council and group £000		2014/15 Council and group £000	2014/15 Council and group £000
	89	Balance at 1 April		89
(89)		Settlement or cancellation of accrual made at the end of the preceding year	(89)	
89		Amount accrued at the end of the current year	74	
	-	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		(15)
	89	**Balance at 31 March**		**74**

26. Cash flow statement

26.1 Adjustments to net deficit on the provision of services for non-cash movements

2013/14			2014/15	
Council only	Group		Council only	Group
£000	£000		£000	£000
7,628	7,628	Depreciation and impairment losses	7,915	7,915
-		Upward revaluations	(7,325)	(7,325)
5,435	5,435	Increase in creditors	(563)	(563)
(1,492)	(1,053)	Increase in debtors	155	259
(4)	(4)	(Increase)/Decrease in inventories	20	20
3,194	3,194	Pension liability	3,090	3,090
-	-	(Increase)/Decrease in impairment for bad debts	-	-
2,574	2,574	Carrying amount of non-current assets sold	7,434	7,434
-	663	Share of losses attributable to joint venture	-	(506)
1,648	1,648	Other non-cash items charged to the net surplus or deficit on the provision of services	55	55
18,983	**20,085**		**10,781**	**10,379**

26.2 Adjustments for items included in the net deficit on the provision of services that are investing and financing activities

2013/14		2014/15
Council and group		Council and group
£000		£000
(4,444)	Proceeds from the sale of property plant and equipment, investment property and intangible assets	(6,436)
(3,485)	Any other items for which the cash effects are investing or financing cash flows	(1,928)
(7,929)		**(8,364)**

26.3 Operating activities

Operating activities within the cash flow statement include the following cash flows relating to interest:

2013/14		2014/15
Council and group		Council and group
£000		£000
3,222	Interest received	2,600
(64)	Interest paid	(566)

27. Cash flow statement - investing activities

2013/14		2014/15
Council and group		Council and group
£000		£000
(10,181)	Purchase of property, plant and equipment, investment property and intangible assets	(8,593)
(44,009)	Purchase of short term and long term investments	(66,000)
2,535	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	10,375
30,546	Proceeds from the sale of short term and long term investments	53,000
3,447	Other receipts from investing activities	1,183
(17,662)		**(10,035)**

28. Cash flow statement - financing activities

2013/14 Council and group £000		2014/15 Council and group £000
44,994	Cash receipts of short and long term borrowing	13,500
-	Other receipts from financing activities	4,168
(775)	Other payments for financing activities	-
(45,000)	Repayment of short and long term borrowing	(5,082)
(781)		**12,586**

29. Distribution attributable to joint venture

2013/14 Council only £000		2014/15 Council only £000
(439)	Distribution attributable to joint venture for the year	(104)
(439)		**(104)**

30. Grant income

The Council credited the following revenue grants and contributions to the comprehensive income and expenditure statement:

2013/14 Council and group £000		2014/15 Council and group £000
	Credited to taxation and non specific grant income	
(5,176)	Revenue support grant	(3,917)
(3,283)	New homes bonus	(4,370)
(88)	Other grants	(870)
(8,547)		**(9,157)**
	Credited to services	
(499)	Growth area fund 3	-
(15)	Planning delivery	(35)
(329)	Renovation grants	(340)
(224)	Council tax/NNDR collection grant	(224)
(54)	Homelessness	(53)
(165)	Other	(135)
(1,286)		**(787)**

31. Amounts reported for resource allocation decisions

The analysis of income and expenditure by service on the face of the comprehensive income and expenditure statement is that specified by the *Service Reporting Code of Practice*. However, decisions about resource allocation are taken by the Council's cabinet on the basis of budget reports analysed across portfolios. These reports are prepared on a different basis from the accounting policies used in the financial statement. In particular:

- no charges are made in relation to costs incurred in relation to the Paralympics Heritage Flame Festival or the Council's contribution to the HS2 fighting funds as these are to be funded from reserves.
- no charges are made for enabling grants paid.
- income and expenditure relating to town centre properties and industrial estates are included within portfolio spend, but are shown within other operating income and expenditure in the comprehensive income and expenditure statement.
- no charge is made for the year end accumulated absences accrual.

The income and expenditure of the Council's principal portfolios recorded in the budget reports for the year is as follows:

	2014/15 Council and group									
	Civic Amenities £000	Community Matters £000	Economic Development £000	Environment & Health £000	Leader £000	Leisure £000	Planned Development £000	Resources £000	Strategic Planning £000	Total £000
Fees, charges & other service income	(3,017)	(585)	(1,839)	(4,583)	(992)	(2,525)	(2,853)	(48,442)	(444)	(65,280)
Government grants	-	(69)	-	(340)	-	-	(26)	(317)	(35)	(787)
Total income	**(3,017)**	**(654)**	**(1,839)**	**(4,923)**	**(992)**	**(2,525)**	**(2,879)**	**(48,759)**	**(479)**	**(66,067)**
Employee expenses	1,008	2,190	208	5,538	2,676	2,456	2,678	3,920	534	21,208
Other service expenses	2,310	1,466	1,660	4,270	1,227	3,921	600	47,674	572	63,700
Support service recharges	(400)	(150)	(676)	762	589	605	594	(1,353)	98	69
Depreciation & impairment	(2,886)	-	1,863	318	-	1,295	-	-	-	590
Total expenditure	**32**	**3,506**	**3,055**	**10,888**	**4,492**	**8,277**	**3,872**	**50,241**	**1,204**	**85,567**
Net expenditure	**(2,985)**	**2,852**	**1,216**	**5,965**	**3,500**	**5,752**	**993**	**1,482**	**725**	**19,500**

	2013/14 Council and group									
	Civic Amenities £000	Community Matters £000	Corporate Issues £000	Economic Development £000	Environment & Health £000	Leader £000	Leisure £000	Planned Development £000	Resources £000	Total £000
Fees, charges & other service income	(2,783)	(580)	(1,060)	(3,932)	(931)	(1,831)	(2,253)	(47,149)	(313)	(60,832)
Government grants	-	(107)	-	(329)	-	-	(28)	(278)	(15)	(757)
Total income	**(2,783)**	**(687)**	**(1,060)**	**(4,261)**	**(931)**	**(1,831)**	**(2,281)**	**(47,427)**	**(328)**	**(61,589)**
Employee expenses	1,086	2,284	115	5,295	2,879	2,576	2,853	3,787	588	21,463
Other service expenses	1,786	1,607	1,918	3,877	1,020	3,685	424	45,942	1,093	61,352
Support service recharges	(376)	(282)	(821)	768	647	552	633	(1,358)	101	(136)
Depreciation & impairment	384	-	5,068	318	13	2,026	-	53	-	7,862
Total expenditure	**2,880**	**3,609**	**6,280**	**10,258**	**4,559**	**8,839**	**3,910**	**48,424**	**1,782**	**90,541**
Net expenditure	**97**	**2,922**	**5,220**	**5,997**	**3,628**	**7,008**	**1,629**	**997**	**1,454**	**28,952**

Reconciliation of portfolio income and expenditure to cost of services in the comprehensive income and expenditure statement

This reconciliation shows how the figures in the analysis of portfolio income and expenditure relate to the amounts included in the comprehensive income and expenditure statement.

2013/14 Council and group		2014/15 Council and group
£000		£000
28,952	Net expenditure in the quarterly digest for the end of March	19,500
3,474	Amounts in the comprehensive income and expenditure statement not reported to management in the analysis	4,694
(45)	Amounts included in the analysis not included in the comprehensive income and expenditure statement	(15)
32,381	**Cost of services in the comprehensive income and expenditure statement**	**24,179**

Reconciliation to subjective analysis

This reconciliation shows how the figures in the analysis of portfolio income and expenditure relate to a subjective analysis of the deficit on the provision of services included in the comprehensive income and expenditure statement.

	Council and group						Group	
	Portfolio analysis	Amounts not reported to management for decision making	Amounts not included in I & E	Cost of services	Corporate amounts	Total	Group adjustments	Total
	£000	£000	£000	£000	£000	£000	£000	£000
2014/15								
Fees, charges & other service income	(65,280)	(3)	2	(65,281)	-	(65,281)	-	(65,281)
Interest and investment income	-	-	-	-	(2,525)	(2,525)	-	(2,525)
Income from council tax	-	-	-	-	(14,060)	(14,060)	-	(14,060)
Income from non domestic rates	-	-	-	-	(3,697)	(3,697)	-	(3,697)
Post stock transfer capital receipts	-	-	-	-	(2,793)	(2,793)	-	(2,793)
Government grants and contributions	(787)	-	-	(787)	(10,585)	(11,372)	-	(11,372)
Dividends receivable	-	-	-	-	(104)	(104)	104	-
Other operating income	-	(3,540)	-	(3,540)	(82)	(3,622)	-	(3,622)
Total income	**(66,067)**	**(3,543)**	**2**	**(69,608)**	**(33,846)**	**(103,454)**	**104**	**(103,350)**
Employee expenses	21,208	-	-	21,208	-	21,208	-	21,208
Other service expenses	63,700	225	(32)	63,893	-	63,893	-	63,893
Support service recharges	69	(86)	15	(2)	-	(2)	-	(2)
Depreciation & impairment	590	-	-	590	-	590	-	590
Interest payments	-	-	-	-	3,967	3,967	-	3,967
Precepts & levies	-	-	-	-	4,272	4,272	-	4,272
Payments to housing capital receipts pool	-	-	-	-	1	1	-	1
Gain or loss on disposal of fixed assets	-	-	-	-	3,791	3,791	-	3,791
Share of losses attributable to joint venture	-	-	-	-	-	-	(506)	(506)
Other operating costs	-	8,098	-	8,098	(246)	7,852	-	7,852
Total expenditure	**85,567**	**8,237**	**(17)**	**93,787**	**11,785**	**105,572**	**(506)**	**105,066**
(Surplus)/deficit on the provision of services	**19,500**	**4,694**	**(15)**	**24,179**	**(22,061)**	**2,118**	**(402)**	**1,716**

	Council and group						Group	
	Portfolio analysis	Amounts not reported to management for decision making	Amounts not included in I & E	Cost of services	Corporate amounts	Total	Group adjustments	Total
	£000	£000	£000	£000	£000	£000	£000	£000
2013/14								
Fees, charges & other service income	(60,832)	(402)	-	(61,234)	-	(61,234)	-	(61,234)
Interest and investment income	-	-	-	-	(3,075)	(3,075)	-	(3,075)
Income from council tax	-	-	-	-	(13,672)	(13,672)	-	(13,672)
Income from non domestic rates	-	-	-	-	(2,652)	(2,652)	-	(2,652)
Post stock transfer capital receipts	-	-	-	-	(2,131)	(2,131)	-	(2,131)
Government grants and contributions	(757)	(529)	-	(1,286)	(9,486)	(10,772)	-	(10,772)
Dividends receivable	-	-	-	-	(439)	(439)	439	-
Other operating income	-	-	-	-	(210)	(210)	-	(210)
Total income	**(61,589)**	**(931)**	**-**	**(62,520)**	**(31,665)**	**(94,185)**	**439**	**(93,746)**
Employee expenses	21,463	70	-	21,533	-	21,533	-	21,533
Other service expenses	61,352	621	(59)	61,914	-	61,914	-	61,914
Support service recharges	(136)	(65)	14	(187)	-	(187)	-	(187)
Depreciation & impairment	7,862	(233)	-	7,629	-	7,629	-	7,629
Interest payments	-	-	-	-	3,180	3,180	-	3,180
Precepts & levies	-	-	-	-	4,193	4,193	-	4,193
Payments to housing capital receipts pool	-	-	-	-	2	2	-	2
Gain or loss on disposal of fixed assets	-	-	-	-	261	261	-	261
Share of losses attributable to joint venture	-	-	-	-	-	-	663	663
Other operating costs	-	4,012	-	4,012	(253)	3,759	-	3,759
Total expenditure	**90,541**	**4,405**	**(45)**	**94,901**	**7,383**	**102,284**	**663**	**102,947**
(Surplus)/deficit on the provision of services	**28,952**	**3,474**	**(45)**	**32,381**	**(24,282)**	**8,099**	**1,102**	**9,201**

32. Trading operations

The table below shows those operating units of the Council where service managers are required to operate within a commercial environment and balance their budget by generating income from other parts of the Council, other organisations and the general public.

2013/14 Council and group			2014/15 Council and group	
Turnover	(Surplus)/ deficit		Turnover	(Surplus)/ deficit
£000	£000		£000	£000
(906)	(125)	Trade waste	(978)	(136)
(551)	(70)	Garden waste	(629)	(31)
(2,631)	(295)	Car parks	(2,833)	(277)
(455)	34	Building control - chargeable	(483)	7
(84)	19	Market management	(91)	30
(346)	(63)	Land charges	(367)	(90)
(4,973)	**(500)**		**(5,381)**	**(497)**

33. Members' allowances

The Council paid the following amounts to members of the Council during the year:

2013/14 Council and group		2014/15 Council and group
£000		£000
312	Salaries	316
129	Allowances	130
11	Travel and other allowances	11
452		**457**

34. Officers' remuneration

34.1 Senior officers' remuneration

There is a requirement to disclose the individual remuneration of senior officers (those whose remuneration is more than £50,000 and are a designated head of a paid service and/or have responsibility for the management of the Council). The following table sets out the remuneration for senior officers whose salary is above £50,000 or where employed during the financial year, for those earning more than £150,000 then they must be named. The remuneration paid to the Council's senior employees is as follows:

		2014/15 Council and group				
	Identifier	Salary (including fees & allowances)	Bonuses	Total remuneration excluding pension contributions	Pension contributions	Total remuneration including pension contributions
		£000	£000	£000	£000	£000
Chief Executive - A Grant	1	148	-	148	34	182
Deputy Chief Executive	2	99	-	99	23	122
Corporate Director	3	76	-	76	17	93
Head of Service - Legal - Interim - Resigned	4	68	-	68	16	84
Head of Service - IT	5	67	-	67	15	82
Head of Service - Communications	6	66	-	66	15	81
Corporate Director	7	63	-	63	14	77
Head of Service - Facilities - Resigned	8	17	-	17	4	21
Head of Service - Planning - Resigned	9	9	-	9	2	11
		613	**-**	**613**	**140**	**753**

	Identifier	2013/14 Council and group: Salary (including fees & allowances)	Bonuses	Total remuneration excluding pension contributions	Pension contributions	Total remuneration including pension contributions
		£000	£000	£000	£000	£000
Chief Executive - A Grant	1	139	-	139	34	173
Deputy Chief Executive	2	98	-	98	22	120
Corporate Director	3	74	-	74	17	91
Head of Service - Legal - Interim	4	79	-	79	18	97
Head of Service - IT	5	67	-	67	15	82
Head of Service - Communications	6	64	-	64	15	79
Corporate Director	7	61	-	61	14	75
Head of Service - Facilities	8	59	-	59	13	72
Head of Service - Planning	9	77	-	77	18	95
Corporate Director - Resigned		38	-	38	9	47
Head of Service - People & Payroll - Resigned		14	-	14	3	17
		770	**-**	**770**	**178**	**948**

34.2 Officers' remuneration

The Council's other employees receiving more than £50,000 remuneration for the year (excluding employer's pension contributions) were paid the following amounts:

2013/14 Council and group Number of employees		2014/15 Council and group Number of employees
19	£50,000 - £54,999	16
7	£55,000 - £59,999	8
1	£60,000 - £64,999	-
-	£65,000 - £69,999	2
27		**26**

The number of exit packages with total cost per band and total cost of the compulsory and other redundancies are set out in the table below:

	Number of compulsory redundancies		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15
	Council and group		Council and group		Council and group	
					£000	£000
£0 - £20,000	8	17	8	17	100	217
£20,001 - £40,000	6	8	6	8	145	233
£40,001 - £60,000	-	6	-	6	-	295
£60,001 - £80,000	1	1	1	1	60	75
£80,001 - £100,000	-	2	-	2	-	169
	15	**34**	**15**	**34**	**305**	**989**

35. External audit costs

The Council has incurred the following costs in relation to the audit of the statement of accounts, certification of grant claims and statutory inspections and to non-audit services provided by the Council's external auditors:

2013/14 Council and group £000		2014/15 Council and group £000
75	Fees payable to the appointed auditor with regard to external audit services	90
(8)	Fees payable to the Audit Commission in respect of statutory inspection	(6)
18	Fees payable to the appointed auditor for the certification of grant claims and returns for the year	8
85		**92**

36. Leases

Council as lessee

36.1 Finance leases

The Council has acquired a number of buildings under finance leases, the majority of which are at a peppercorn rent. The assets acquired under these leases are carried as property, plant and equipment in the balance sheet at the following net amounts:

31 March 2014 Council and group £000		31 March 2015 Council and group £000
7,309	Other land and buildings	11,942
7,309		**11,942**

The future minimum lease payments due under non-cancellable leases in future years are:

2013/14 Council and group £000		2014/15 Council and group £000
9	Not later than one year	8
27	Later than one year and not later than five years	26
14	Later than five years	8
50		**42**

The expenditure charged in the comprehensive income and expenditure statement during the year in relation to these leases was:

2013/14 Council and group £000		2014/15 Council and group £000
8	Minimum lease payments	6
8		**6**

36.2 Operating leases

The Council has acquired its fleet of refuse collection vehicles by entering into operating leases with typical lives of seven years.

The future minimum lease payments due under non-cancellable leases in future years are:

2013/14 Council and group £000		2014/15 Council and group £000
854	Not later than one year	842
2,556	Later than one year and not later than five years	1,677
3,410		**2,519**

The expenditure charged to the environmental and regulatory services line in the comprehensive income and expenditure statement during the year in relation to these leases was:

2013/14 Council and group £000		2013/14 Council and group £000
853	Minimum lease payments	865
853		**865**

Council as lessor

36.3 Operating leases

The Council leases out property and equipment under operating leases for the following purposes:

- for the provision of community services, such as sports facilities, tourism services and community centres.
- for economic development purposes to provide suitable affordable accommodation for local businesses.

The future minimum lease payments receivable under non-cancellable leases in future years are:

2013/14 Council and group £000		2014/15 Council and group £000
(148)	Not later than one year	(1,000)
(264)	Later than one year and not later than five years	(4,836)
(26)	Later than five years	(7,199)
(438)		**(13,035)**

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews.

37. Capital expenditure and capital financing

The total amount of capital expenditure incurred in the year is shown in the table below, together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Council, the expenditure results in an increase in the capital financing requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed.

2013/14 Council and group		2014/15 Council and group
£000		£000
25,654	**Opening capital financing requirement**	30,976
	Capital investment	
542	Property, plant and equipment	60
9,639	Assets under construction	8,533
55	Long term investments	-
4,063	Revenue expenditure funded from capital under statute	4,588
	Sources of finance	
(4,666)	Capital receipts	(4,164)
(3,085)	Government grants and other contributions	(1,253)
(7)	Other	(55)
	Sums set aside from revenue:	
(1,219)	Minimum revenue provision	(1,320)
30,976	**Closing capital financing requirement**	**37,365**
	Explanation of movements in year	
5,322	Increase in underlying need to borrow (unsupported by government financial assistance)	6,389
5,322	**Increase in capital financing requirement**	**6,389**

38. Defined benefit pension schemes

38.1 Participation in pensions schemes

As part of the terms and conditions of employment of its officers, the Council makes contributions towards the cost of post-employment benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments that needs to be disclosed at the time that employees earn their future entitlement.

The Council participates in two post-employment schemes:

- The Local Government Pension Scheme, administered locally by Buckinghamshire County Council – this is a funded defined benefit final salary scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.

- Arrangements for the award of discretionary post-retirement benefits upon early retirement – this is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pension liabilities, and cash has to be generated to meet actual pensions payments as they eventually fall due.

38.2 Transactions relating to post-employment benefits

The Council recognises the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against council tax is based on the cash payable in the year, so the real cost of post-employment/retirement benefits is reversed out of the general fund via the movement in reserves statement.

The following transactions have been made in the comprehensive income and expenditure statement and the general fund balance via the movement in reserves statement during the year:

	Local government pension scheme		Discretionary benefits arrangements	
	2013/14	2014/15	2013/14	2014/15
	Council and	group	Council and	group
	£000	£000	£000	£000
Cost of services:				
• service cost	3,663	3,616	-	-
Financing and investment income and expenditure				
• net interest on the defined liability	2,968	3,138	-	-
Administration expenses	110	78	-	-
Total post employment benefit charged to the comprehensive income and expenditure statement	**6,741**	**6,832**	**-**	**-**
Movement in reserves statement				
• reversal of net charges made to surplus or deficit for the provision of services for post employment benefits in accordance with the code	(6,741)	(6,832)	-	-
Actual amount charged against the general fund balance for pensions in the year:				
• employers' contributions payable to scheme	3,273	3,379	-	-
• retirement benefits payable to pensioners	-	-	274	363

The cumulative amount of actuarial gains and losses recognised in the comprehensive income and expenditure statement during 2014/15 is a loss of £34,893,000 (a loss of £20,740,000 during 2013/14).

38.3 Assets and liabilities in relation to post-employment benefits

Reconciliation of the present value of the scheme liabilities (defined benefit obligation):

	Funded liabilities		Unfunded liabilities: discretionary benefits arrangements	
	2013/14	2014/15	2013/14	2014/15
	Council and	group	Council and	group
	£000	£000	£000	£000
Opening balance at 1 April	162,752	171,170	(924)	(3,992)
Adjustment	2,949	-	(2,949)	
Revised opening balance at 1 April	165,701	171,170	(3,873)	(3,992)
Current service cost	3,599	3,423	-	-
Interest cost	7,149	7,229	-	-
Change in financial assumptions	5,808	21,511	135	80
Change in demographic assumptions	5,982	-	-	-
Experience loss/(gain) on defined benefit obligation	(11,497)	(32)	-	-
Liabilities extinguished on settlements	(134)	-	-	-
Estimated benefits paid net of transfers in	(6,484)	(6,814)	-	-
Past service costs including curtailments	112	193	-	-
Contributions by scheme participants	934	1,038	-	-
Unfunded pension payments	-	-	(254)	(250)
Closing balance at 31 March	**171,170**	**197,718**	**(3,992)**	**(4,162)**

Reconciliation of the fair value of the scheme assets:

	Funded liabilities	
	2013/14	2014/15
	Council and group	
	£000	£000
Opening balance at 1 April	(94,107)	(94,114)
Interest on assets	(4,181)	(4,091)
Return on assets less interest	(2,105)	(7,406)
Other actuarial gains and losses	3,826	-
Administration expenses	110	78
Contributions by employer including unfunded	(3,547)	(3,742)
Contributions by scheme participants	(934)	(1,038)
Estimated benefits paid plus unfunded net of transfers in	6,738	7,064
Settlement prices paid	86	-
Closing balance at 31 March	**(94,114)**	**(103,249)**

Pension scheme assets comprised:

	31 March 2014				31 March 2015			
	Council and group				Council and group			
	Quoted prices in active markets	**Quoted prices not in active markets**	**Total**	**Percentage total of asset**	**Quoted prices in active markets**	**Quoted prices not in active markets**	**Total**	**Percentage total of asset**
	£000	£000	£000	%	£000	£000	£000	%
Gilts	-	4,706	4,706	5%	12,870	-	12,870	12%
UK equities	17,882	-	17,882	19%	11,564	-	11,564	11%
Overseas equities	38,586	-	38,586	41%	38,099	-	38,099	37%
Private equity	-	7,529	7,529	8%	-	6,722	6,722	7%
Other bonds	-	9,411	9,411	10%	13,371	-	13,371	13%
Property	-	7,529	7,529	8%	8,029	823	8,852	9%
Cash	-	941	941	1%	2,009	-	2,009	2%
Hedge funds	-	3,765	3,765	4%	-	3,888	3,888	4%
Absolute return portfolio	-	3,765	3,765	4%	-	4,352	4,352	4%
Alternative Assets	n/a	n/a	n/a	n/a	-	1,522	1,522	1%
	56,468	**37,646**	**94,114**		**85,942**	**17,307**	**103,249**	

38.4 Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. The local government pension scheme liabilities have been assessed by Barnett Waddingham, an independent firm of actuaries, estimates being based on the latest full valuation of the scheme as at 31 March 2013.

The significant assumptions used by the actuary have been:

2013/14 Council and group		2014/15 Council and group
	Mortality assumptions	
	Longevity at 65 for current pensioners:	
23.6	Men	23.7
26.0	Women	26.1
	Longevity at 65 for future pensioners:	
25.8	Men	26.0
28.3	Women	28.4
2.8%	Rate of Inflation	2.4%
4.6%	Rate of increase in salaries	4.2%
2.8%	Rate of increase in pensions	2.4%
4.4%	Rate for discounting scheme liabilities	3.3%

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analysis below has been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

	Increase in assumption	Decrease in assumption
	Council and group	
	£000	£000
Rate for discounting scheme liabilities (increase or decrease by 1%)	(3,419)	3,484
Rate of increase in salaries (increase or decrease by 1%)	417	(414)
Rate of increase in pensions (increase or decrease by 1%)	3,095	(3,037)
Longevity (increase or decrease by 1 year)	(6,624)	6,681

38.5 Impact on the Council's cash flows

The liabilities show the underlying commitments that the Council has in the long run to pay post-employment (retirement) benefits. The total liability of £90,307,000 has a substantial impact on the net worth of the Council as recorded in the balance sheet. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy:

- the deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees (i.e. before payments fall due), as assessed by the scheme actuary
- finance is only required to be raised to cover discretionary benefits when the pensions are actually paid.

The total contributions expected to be made to the local government pension scheme by the Council in the year to 31 March 2015 is £3,448,000.

38.6 Scheme history

	2010/11	2011/12	2012/13	2013/14	2014/15
	Council and group				
	£000	£000	£000	£000	£000
Present value of liabilities					
Local government pension scheme	123,830	148,598	162,752	171,170	197,718
Discretionary benefits	(451)	(673)	(924)	(3,992)	(4,162)
Fair value of assets in the local government pension scheme	(82,077)	(79,498)	(94,107)	(94,114)	(103,249)
(Surplus)/deficit in the scheme:					
• local government pension scheme	41,753	69,100	68,645	77,056	94,469
• discretionary benefits	(451)	(673)	(924)	(3,992)	(4,162)
Total	41,302	68,427	67,721	73,064	90,307

38.7 History of experience gains and losses

The actuarial gains identified as movements on the pensions reserve in 2014/15 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2015:

	2010/11	2011/12	2012/13	2013/14	2014/15
	Council and group				
	%	%	%	%	%
Differences between the expected and actual return on assets	0.58	(10.72)	11.75	2.61	11.14
Experience gains and losses on liabilities	11.41	-	(0.81)	6.88	0.02

39. Nature and extent of risks arising from financial instruments

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

- 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.
- market risk – the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates and 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. Risk management is carried out by a central treasury team, under policies approved by the Council. 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.

39.1 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, as laid down by Fitch and Moody's Ratings Services. The annual investment strategy also imposes a maximum sum to be invested with a financial institution located within each category.

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

The objective of the Council's treasury management policy is that it matches or betters the "average 7 day rate" for interest earned on investments whilst at all times protecting the Council's capital balances.

Investments are limited to the top 25 building societies together with UK banks and are only made to those institutions with high credit ratings and never for more than one year. A high credit rating is defined for this purpose as those banks or building societies with a short term rating of (A) or better according to the Fitch and Moody's Rating Services. Those building societies without Fitch ratings but ranked within the top 25 by size are also classed as prudent counterparties for investments purposes. Under the Local Government Act 2003 these are classed as non-specified institutions and should only be included on the Authorised Lending List after additional assurance has been obtained. Aylesbury Vale District Council imposes the additional condition that no investment should exceed 182 days with a non-specified institution and that the maximum amount lent to any single institution should not exceed £3 million if the assets of the organisation are more than £1 billion and £1 million if its assets are more than £½ billion.

No more than 70% of the Council's total investments should be invested with building societies without credit ratings.

Where possible, Aylesbury Vale District Council will further seek to reduce counterparty risk by placing investments with other local authorities and nationalised institutions. As these are ultimately backed by either the government or through taxation these are deemed to offer higher security than that offered at present by the financial sector. This strategy is limited by the need for these organisations to be seeking funding which coincides with our need to lend.

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 with parameters set by the Council.

The Council's maximum exposure to credit risk in relation to its investments in banks and building societies of £34,077,000 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 2015 that this was likely to crystallise.

The following analysis summarises the Council's potential maximum exposure to credit risk on other financial assets, based on experience of default and uncollectability over the last five financial years, adjusted to reflect current market conditions.

	Council and group				
	Amount at 31 March 2015	**Historial experience of default**	**Historial experience adjusted for market conditions at 31 March 2015**	**Estimated maximum exposure to default and uncollectability at 31 March 2015**	**Estimated maximum exposure at 31 March 2014**
	£000	%	%	£000	£000
Counterparty Rating	A	B	C	(A*C)	
A	11,029	0.023	0.023	2.5	2.4
A-	9,019	0.000	0.000	-	-
BBB	1,002	0.065	0.323	3.2	-
BBB-	5,012	0.000			
BB+	1,002	0.580	0.580	5.8	20.2
B	3,008	0.292	0.292	8.8	50.2
Other rated	4,005	0.311	0.311	12.5	18.8
Customers	2,880	5.000	5.000	144.0	139.3
	36,957			**176.8**	**230.9**

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 and customers.

The Council does not generally allow credit for customers, such that £2,001,000 of the £2,880,000 balance is past its due date for payment. The past due but not impaired amount can be analysed by age as follows:

31 March 2014 Council and group		31 March 2015 Council and group
£000		£000
491	Less than three months	495
242	Three to six months	223
422	Six months to one year	206
783	More than one year	1,077
1,938		**2,001**

39.2 Liquidity risk

The Council manages its liquidity position through the risk management procedures above as well as through cash flow management procedures required by the Code of Practice. In the event of an unexpected cash requirement the Council has ready access to borrowings from the money markets to cover any day to day cash flow need. The Council is also required to provide a balanced budget through the Local Government Act 1992, which ensures sufficient monies are raised to cover the annual expenditure. Therefore, there is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

All trade and other payables are due to be paid in less than one year.

39.3 Market risk

39.3.1 Interest rate risk

The Council is exposed to risk in terms of its exposure to interest rate movements on its 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 interest rates would have the following effects:

- investments at variable rates – the interest income credited to the surplus or deficit on the provision of services will rise
- investments at fixed rates – the fair value of the assets will fall.

Changes in interest payable and receivable on variable rate investments will be posted to the (surplus)/deficit on the provision of services or other comprehensive income and expenditure lines and affect the general fund balance, subject to influences from government grants. Movements in the fair value of fixed rate investments will be reflected in the other comprehensive income and expenditure line.

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

The treasury management team has a strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is used to update the budget quarterly during the year. This allows any adverse changes to be accommodated. According to this assessment strategy, at 31 March 2015, if interest rates had been 0.25% higher with all other variables held constant, the financial effect would be:

	Council and group
	£000
Increase in interest receivable on variable rate loans	1,352
Increase in interest receivable on variable rate investments	11
Increase in government grant receivable for financing costs	-
Impact on surplus or deficit on the provision of services	**1,363**
Decrease in fair value of fixed rate investment assets	-
Impact on other comprehensive income and expenditure	**-**
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)	14

The impact of a 0.25% fall in interest rates would mean that no interest would have been received.

39.3.2 Price risk

The Council does not invest in equity shares and is not exposed to losses arising from movements in the prices of the shares.

39.3.3 Foreign exchange risk

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

39.4 Environmental risk

The Council has taken out a rolling 10 year environmental warranty to safeguard against the risk of contaminated land that was transferred to the Vale of Aylesbury Housing Trust as part of the stock transfer. The risk of having to make use of the warranty is minimal.

40. 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 has identified the following contingent liabilities as at 31 March 2015.

- NNDR appeals – The Council has made a provision for NNDR appeals based upon its best estimates of the actual liability as at the year end in known appeals. It is not possible to quantify appeals that have not yet been lodged with the Valuation Office so there is a risk to the Council that national and local appeals may have a future impact on the accounts.

- Refund of fees paid - A group of property search companies which were seeking to claim refunds of fees paid to the Council to access land charges data have been successful. The Council has paid £159,000 to settle the claim. This amount includes interest and costs. The claimants have also intimated that they may bring a claim against all English and Welsh local authorities for alleged anti-competitive behaviour. It is not clear what the value of any such claim would be against the Council. It is possible that additional claimants may come forward to submit claims for refunds, but none have been intimated at present.

41. Contingent assets

A contingent asset is an asset that may be received but only if a future event occurs that is not under the control of the Council. At 31 March 2015, the Council had no material contingent assets.

42. Related party transactions

The Council is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. Disclosure of these transactions allows readers to assess the extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council.

Central government
Central government has effective control 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). Grants received from government departments are set out in the subjective analysis in Note 31 on reporting resources allocation decisions. Grant receipts outstanding at 31 March 2015 are shown in Note 30.

Members
Members of the Council have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2014/15 is shown in Note 33. A review has been made of the Register of Members' Interests and of declarations of interests made by members during the year. In addition, members have been requested to sign a form declaring whether there were any related party transactions during the year. Councillors Raj Khan, Tuffail Hussain, Michael Edmonds, Mike Hawkett, Alison Harrison, Peter Agoro, Ashley Bond and Peter Strachan have failed to make a return. Councillors David Thompson, Derrick Isham, Alan Ward, Brian Tyndall, Pam Pearce and David Vick either did not stand or were unsuccessful at the elections in May and have not returned a declaration. No works and services were commissioned from companies in which members had an interest. Details of any declarations are recorded in the Register of Members' Interests, which is open to public inspection at The Gateway Offices, Gatehouse Road during office hours.

Joint venture
The Council has a 50% interest in Aylesbury Vale Estates LLP. Relevant transactions are disclosed within note 14 (investments) and note 15 (long term debtors) to the balance sheet. The accounts of the joint venture have been consolidated with the overall Council accounts in the group financial statements.

Local enterprise partnerships
The Council is a member of both the South East Midlands LEP (SEMLEP) and the Buckinghamshire Thames Valley LEP (BTVLEP). This puts the Council in a strong position to influence economic growth and ensures there is LEP impact in the vale, benefiting the Council's communities. During the year, the Council made a contribution to SEMPLEP of £7,000.

Shared procurement partnership
The Council is in partnership with Improvement and Efficiency South East (IESE), a special purpose vehicle established to deliver savings through improved procurement. Each year the Council makes a contribution to IESE of £75,000.

Bucks Advantage
Bucks Advantage is the local delivery vehicle for the Vale, jointly owned by the Council and Buckinghamshire County Council, and covers the BTVLEP area. No contribution was made during the year, although the Council processes payments on their behalf for which it is reimbursed on a quarterly basis.

Aylesbury Vale Local Strategic Partnership
Aylesbury Vale Local Strategic Partnership focuses on those community engagement activities not actioned by other bodies. No contribution was made during the year.

Collection fund

The collection fund is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate collection fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the government of council tax and non-domestic rates.

2013/14 Council tax	2013/14 NNDR	2013/14 Total		note	2014/15 Council tax	2014/15 NNDR	2014/15 Total
£000	£000	£000			£000	£000	£000
			Income				
(99,164)	-	(99,164)	Income from council tax	C2	(102,577)	-	(102,577)
-	(48,134)	(48,134)	Income collectable from business ratepayers	C3	-	(49,613)	(49,613)
(99,164)	**(48,134)**	**(147,298)**			**(102,577)**	**(49,613)**	**(152,190)**
			Expenditure				
			Precepts and demands				
67,473	-	67,473	• Buckinghamshire County Council		72,037	-	72,037
9,853	-	9,853	• Thames Valley Police Authority		10,570	-	10,570
3,702	-	3,702	• Bucks & Milton Keynes Fire Authority		3,894	-	3,894
12,974	-	12,974	• Aylesbury Vale District Council		13,815	-	13,815
			Business rates:				
-	24,245	24,245	• Payment to government	C3	-	23,381	23,381
-	4,849	4,849	• Payment to preceptors	C3	-	4,676	4,676
-	19,396	19,396	• Retained by Aylesbury Vale District Council	C3	-	18,678	18,678
-	224	224	• Cost of Collection		-	224	224
-	-	-	• Transitional Protection Payment		-	257	257
-	-	-	• Write offs		-		-
-	4	4	• Interest payable		-	12	12
			Bad and doubtful debts				
(161)	114	(47)	• Write offs		(201)	82	(119)
267	-	267	• Increase in provision		670	-	670
-	4,072	4,072	• Provision for appeals		-	-	-
			Contributions				
1,269	-	1,269	• Towards previous year's surplus	C4	4,048	-	4,048
95,377	52,904	148,281			104,833	47,310	152,143
(3,787)	**4,770**	**983**	**Surplus for the year**		**2,256**	**(2,303)**	**(47)**
(1,313)	-	(1,313)	Accumulated surplus b/fwd		(5,100)	4,770	(330)
(3,787)	4,770	983	(Surplus)/deficit for the Year		2,256	(2,303)	(47)
(5,100)	**4,770**	**(330)**	**Accumulated (surplus)/deficit c/fwd**		**(2,844)**	**2,467**	**(377)**

Notes to the collection fund

C1. General

The collection fund is an agent's statement that reflects the statutory obligation of billing authorities to maintain a separate collection fund. The statements shows the transactions of the billing authority in relation to the collection form taxpayers of council tax and national non-domestic rates (NNDR) and its distribution to local government bodies and the government.

The Council has a statutory requirement to operate a collection fund as a separate account to the general fund. The purpose of the collection fund therefore is to isolate the income and expenditure relating to council tax and NNDR. The administrative costs associated with the collection process are charged to the general fund.

Collection fund surpluses declared by the billing authority in relation to council tax are apportioned to the relevant precepting bodies in the subsequent financial year. Deficits likewise are proportionately charged to the relevant precepting bodies in the following year. For Aylesbury, the council tax precepting bodies are Buckinghamshire County Council (BCC), Thames Valley Police Authority (TVPA) and Buckinghamshire and Milton Keynes Fire and Rescue Authority (BMKFRA).

In 2013/14, the local government finance regime was revised with the introduction of the retained business rates scheme. The main aim of the scheme is to give Councils a greater incentive to grow businesses in their area. It does, however, also increase the financial risk due to non-collection and the volatility of the NNDR tax base.

The scheme allows the Council to retain a proportion of the total NNDR received. Aylesbury Vale District Council's share is 40% with the remainder paid to our precepting bodies, central government 50%, BCC 9% and BMKFRA 1%.

NNDR surpluses declared by the billing authority in relation to the collection fund are apportioned to the relevant precepting bodies in the subsequent financial year in their respective proportions. Deficits likewise are proportionately charged to the relevant precepting bodies in the following year.

The national code of practice followed by local authorities in England stipulates that a collection fund income and expenditure account is included in the Council's financial statements. The collection fund balance sheet meanwhile is incorporated into the Council's consolidated balance sheet.

C2. Calculation of council tax

Council tax derives from charges raised according to the value of residential properties, which have been classified into 9 valuation bands (A* - H) for this specific purpose. Individual charges are calculated by estimating the amount of income required to be taken from the collection fund by the Council for the forthcoming year and dividing this by the council tax base (i.e. the equivalent number of band D dwellings).

The council tax base for 2014/15 was 70,733 (2013/14: 69,178). The tax base was approved under delegated authority by the Cabinet Member for Resources and was calculated as follows:

2013/14				2014/15		
Number of chargeable homes less exemptions and discounts	**Factor**	**Band D equivalents**	**Band**	**Number of chargeable homes less exemptions and discounts**	**Factor**	**Band D equivalents**
5	5/9	3	A*	6	5/9	3
2,429	6/9	1,619	A	2,456	6/9	1,637
10,206	7/9	7,938	B	10,428	7/9	8,111
18,980	8/9	16,871	C	19,541	8/9	17,370
11,436	9/9	11,436	D	11,807	9/9	11,807
9,773	11/9	11,945	E	9,945	11/9	12,155
7,012	13/9	10,128	F	7,106	13/9	10,264
5,517	15/9	9,195	G	5,626	15/9	9,377
331	18/9	662	H	363	18/9	726
65,689		69,797		67,278		71,450
		(619)	Allowance for non-collection			(717)
		(6,572)	Council tax support scheme			(4,880)
		69,178	**Council tax base**			65,853
		99.1%	Collection rate assumed			98.9%

C3. Non-domestic rates

The Council collects national non-domestic rates (NNDR) for its area based on local rateable values provided by the Valuation Office Agency (VOA) multiplied by a uniform business rate set nationally by central government. In previous financial years the total amount due, less certain allowances, was paid to a central pool (the NNDR pool) administered by central government, which, in turn, paid to local authorities their share of the pool, such shares being based on a standard amount per head of the local adult population.

In 2013/14, the administration of NNDR changed following the introduction of a business rates retention scheme which aims to give Councils a greater incentive to grow businesses in their area but also increases the financial risk due to volatility and non-collection of rates. Instead of paying NNDR to the central pool, local authorities retain a proportion of the total collectible rates due. Aylesbury Vale District Council's share is 40% with the remainder paid to our precepting bodies, central government 50%, BCC 9% and BMKFRA 1%.

The business rates shares payable for 2014/15 were estimated before the start of the financial year as £23,381,000 to central government, £4,209,000 to BCC, £468,000 to BMKFRA and £18,705,000 to Aylesbury Vale District Council. These sums have been paid in 2014/15 and charged to the collection fund in the year.

When the scheme was introduced, central government set a baseline level for each authority identifying the expected level of retained business rates and a top-up or tariff amount to ensure that all authorities receive their baseline amount. Tariffs due from authorities payable to central government are used to finance the top-ups to those authorities who do not achieve their targeted baseline funding. In this respect, Aylesbury Vale District Council paid a tariff of £15,722,000 from the general fund in 2014/15.

In addition to the local management of business rates, authorities are expected to finance appeals made in respect of rateable values as defined by VOA and hence business rates outstanding as at 31 March 2015. As such, authorities are required to make a provision for these amounts. Appeals are charged and provided for in proportion of the precepting shares. The total provision charged to the collection fund for 2014/15 has been calculated as £0 (2013/14: £4,072,000).

The total non-domestic rateable value at 31 March 2015 was £130,470,959 (31 March 2014: £130,037,211). The national non-domestic rate multiplier for the year was 47.1p for small businesses (2013/14: 46.2p) and 48.2p for all other businesses (2013/14: 47.1p).

C4. Contribution to collection fund surpluses and deficits

The Council has a statutory requirement to prepare an estimate each January of the surplus or deficit expected to arise at the end of the financial year. In January 2014 it was estimated that the collection fund would have a surplus of £4,048,000, which was payable during 2014/15.

Accrual
Income and expenditure are shown in the accounts as sums due to and from the Council during the year when they are earned or incurred and not when the money is received or paid.

Budget
A budget is a financial statement that expresses the Council's service delivery plans and capital programme in monetary terms.

Capital expenditure
Expenditure on the acquisition of a fixed asset that will be used to provide services beyond the current accounting period or expenditure that adds value to an existing asset.

Capital programme
This is a financial summary of the capital projects that Aylesbury Vale District Council intends to carry out over a specified period of time.

Capital receipt
The proceeds from the sale of land or property. Capital receipts can be used to finance new capital expenditure but cannot be used to fund revenue expenditure.

CIPFA
This is the Chartered Institute of Public Finance and Accountancy.

Collection fund
A separate fund recording the expenditure and income relating to council tax and non-domestic rates.

Community assets
This is land and property that Aylesbury Vale District Council intends to hold forever. It generally has no determinable useful life and there is often a restriction regarding its sale.

Contingent liability
A sum due to be paid which may arise in the future but which cannot be determined in advance.

Council tax
This is one of the main sources of income to the Council. Council tax is levied on households within its area by the billing authority and the proceeds are paid into the collection fund for distribution to precepting authorities and for use by the billing authority's own general fund.

Creditor
This applies to money the Council owes to third parties for goods and services it has received but not paid for at the end of the accounting period.

Debtor
This applies to money that is owed to the Council from third parties for goods and services it has provided but not yet been paid for at the end of the accounting period.

Depreciation
This is a charge made to the revenue account each year that reflects the reduction in value of fixed assets used to deliver services.

Exceptional items
Material items which derive from events or transactions that fall within the normal activities of the Council and which need to be disclosed separately by virtue of their size or incidence to give fair presentation to the accounts.

Extraordinary items
Material items possessing a high degree of abnormality which derive from events or transactions that fall outside the normal activities of the Council and which are not expected to recur.

Finance lease
This is a lease, usually of buildings, which is treated as capital borrowing.

Fixed assets
Tangible assets that yield benefits to the Council and its services for a period of more than one year.

Government grants
Grants made by the central government towards either revenue or capital expenditure to help with the costs of providing services and capital projects. Some government grants have restrictions on how they may be used whilst others are general purpose.

Gross expenditure
The total cost of providing the Council's services before taking into account income from fees, charges and government grants.

Housing benefits
This is the national system for giving financial assistance to individuals towards certain housing costs. The cost of the service is subsidised by central government.

Impairment
This is a reduction in the value of a fixed asset as shown in the balance sheet to reflect its true value.

Income
This is the money that the Council receives or expects to receive from any source; fees, charges, sales, grants and interest.

Infrastructure assets
Inalienable fixed assets, expenditure on which is recoverable only by continued use of the asset created e.g. pedestrianisation.

Intangible assets
These are non-financial fixed assets that do not have any physical substance but are identifiable and are controlled by the Council through custom or legal rights e.g. computer software.

Inventories
These are items of stores that the Council has bought to use on a continuing basis but has not yet used.

Liability
A liability arises when the Council owes money to others and it must be included in the financial statements. There are two types of liability:

- a current liability is a sum of money that will or might be payable during the next accounting period e.g. creditors or cash overdrawn.
- a deferred liability is a sum of money that will not be payable until some point after the next accounting period or is paid off over a number of accounting periods.

Local services support grant
A general grant paid by central government to local authorities as a contribution towards the cost of their services.

Long term investments
Long term investments are investments intended to be held for use on a continuing basis in the activities of the Council. They should be classified as long term only where an intention to hold the asset for longer than one year can be clearly demonstrated.

National non-domestic rate (NNDR)
A levy on businesses, based on a national rate in the pound set by the government multiplied by the 'rateable value' of the premises they occupy. NNDR is collected by Aylesbury Vale District Council on behalf of central government and paid into a national 'pool'. The 'pool' is then redistributed among all local authorities and police authorities on the basis of population.

Operating lease
This is a lease where ownership of the fixed asset remains with the lessor.

Property, plant and equipment assets
These are fixed assets owned by the Council and used or consumed in the direct delivery of services.

Precept
The levy made by precepting authorities on billing authorities, requiring the latter to collect income from council tax payers on their behalf. Precepts are paid from the collection fund.

Provision
This is a sum of money that has been put aside in the accounts for liabilities or losses that are due but where the amount due or timing of the payment is not known with any certainty.

Rateable value
The annual assumed rental value of a property that is used for business purposes.

Reserves
A reserve results from an accumulation of surpluses, deficits and appropriations over past years. Reserves of a revenue nature are available and can be spent or earmarked at the Council's discretion.

Revenue expenditure
The day to day expenses associated with the provision of services.

Revenue expenditure funded from capital under statue
This is capital expenditure that does not create an asset that belongs to the Council. The value is written off to revenue in the year. An example of this type of expenditure is an improvement grant to another organisation.

Useful life
This is the period over which an organisation will derive benefits from the use of a fixed asset.

GENERAL FUND REVENUE RESERVES AND PROVISIONS

The table shows the current level of provisions and reserves held by the Council at the beginning of the year, the movements in the year and the closing balance at 31st March 2015.

GENERAL FUND REVENUE RESERVES AND PROVISIONS	OPENING BALANCE 01/04/2014 £'000	INCOME TO 31/03/2015 £'000	SPEND TO 31/03/2015 £'000	SCRUTINY CLOSING BALANCE 31/03/2015 £'000
PROVISIONS				
Refundable Bonds	(183)	(4)	0	(187)
NNDR Appeals	(1,629)	0	0	(1,629)
BAD DEBT PROVISIONS				
Housing Benefits Overpayments	(858)	(503)	0	(1,361)
Local Taxation	(372)	(62)	0	(434)
Other	(86)	(15)	8	(93)
On Street Parking	(67)	(45)	28	(84)
Haywoods Way - Aylesbury FC	(41)	0	0	(41)
TOTAL PROVISIONS	**(3,236)**	**(629)**	**36**	**(3,829)**
Aylesbury Special Expenses	(471)	(48)	0	(519)
RESERVES				
New Homes Bonus	(3,110)	(3,450)	0	(6,560)
New Homes Bonus Parish Iniatives	(441)	0		(441)
Interest Equalisation	(3,452)	0	657	(2,795)
Property Sinking	(2,812)	0	500	(2,312)
Commuted Sums	(2,424)	(82)	0	(2,506)
Superannuation	(1,837)	0	277	(1,560)
Housing Benefit Subsidy	(1,534)	0	0	(1,534)
New Technology System Replacement	(1,214)	(297)	282	(1,229)
Repairs & Renewals	(1,000)	(253)	401	(852)
LABGI	(907)	(50)	100	(857)
Planning Related	(753)	(842)	405	(1,190)
Insurance - Risk and Self Insurance	(540)	(38)	0	(578)
Industrial Rent Loss	(436)	(104)	0	(540)
Business Rates	(1,680)	(321)	0	(2,001)
Fairford Leys Riverine Corridor	(412)	(438)	0	(850)
Car Parking Related	(192)	0	0	(192)
Recycling and Composting	(151)	(48)	0	(199)
Business Transformation	(150)	0	61	(89)
District Council Elections	(141)	(54)	35	(160)
Business Support Fund	0	(102)	0	(102)
Historic Buildings	(136)	(5)	0	(141)
Housing Needs & Section 106	(107)	0	0	(107)
Rent Guarantee Scheme	(71)	0	0	(71)
CCTV	(56)	0	0	(56)
Licensing	(51)	0	0	(51)
Playgrounds	(40)	0	0	(40)
Corporate Market Research	(31)	(15)	0	(46)
Future Vehicle Costs	(19)	0	15	(4)
Land Registry	(11)	0	0	(11)
Other	(9)	0	0	(9)
Corporate Improvement	(7)	0	0	(7)
Leisure Activities	0	(156)	0	(156)
TOTAL RESERVES & SPECIAL	**(24,195)**	**(6,303)**	**2,733**	**(27,765)**
TOTAL RESERVES AND PROVISIONS	**(27,902)**	**(6,980)**	**2,769**	**(32,113)**

AVDC: Estimates Used in the Production of the Statement of Accounts 2014/15

The following table summarises the significant estimates made in compiling the Statement of Accounts for the year ending 31 March 2015:

Item	Method Used, and any change from prior period	Relevant Controls	Use of an Expert	Assumptions Made / Sensitivity to changes in assumptions	Reliability of data / consideration of alternative estimates	Level of Estimation Uncertainty
Non adjusting events – after the balance sheet date	None.					
Property, plant and equipment valuations	Certified valuations provided as part of a five year rolling programme and an annual review for impairment covering all assets. Only the properties classed as Community Centres were valued. All valuations prepared in accordance with the Royal Institute of Chartered Surveyors (RICS) Valuation Manual.	Valuations are reviewed by Finance and any large / unexpected movements are checked with the valuer.	Yes – Valuer from the Wilks, Head and Eve a firm Valuers.	Title – assumed all properties are free from onerous and unusual restrictions. Contamination – assumed properties are not affected by land contamination. Site Stability – assumed no instability of any of the properties. Vehicles and Equipment are depreciated on a straight line basis rather than a reducing balance method.		Assumptions are standard recommended practice for valuation of properties.
Depreciation	Straight line depreciation over the remaining useful life of each asset. Remaining life estimated by the valuer in accordance with the RICS Valuation Manual.	Following inputting into Aptos, the amounts are reviewed against the budget. Any variations are investigated.	Yes – Valuer from the Wilks, Head and Eve a firm Valuers.	As above.		Any increase or decrease in useful lives will affect the level of depreciation and the carrying value of the assets.
Impairments	Physical impairment assessed by Finance Manager whilst an Economic impairment assessment is requested from an external valuer.	Any findings to be confirmed with surveyor in legal section.	Yes – Valuer from the Wilks, Head and Eve a firm Valuers.	Any major physical will be reported via property services and/or insurance section.	None.	Incorrect assessment of impairment could have a major impact on the balance sheet but not the overall bottom line.

Item	Method Used, and any change from prior period	Relevant Controls	Use of an Expert	Assumptions Made / Sensitivity to changes in assumptions	Reliability of data / consideration of alternative estimates	Level of Estimation Uncertainty
Componentisation	If an individual asset has a carrying value of more than 20% of the carrying value of the overall asset then it will be separately accounted for.	To be reviewed by Finance Manager.	No.	The cost of the individual asset will be used as the value for comparison of the overall asset value.		
Estimated remaining useful lives of PPE	Remaining life estimated by the valuer in accordance with the RICS Valuation Manual. No change from prior period.	Valuations are reviewed by Finance and any large / unexpected movements are checked with the valuer.	Yes – Valuer from the Wilks, Head and Eve a firm Valuers.	As for PPE valuations above.		Any increase or decrease in useful lives will affect the level of depreciation and the carrying value of the assets.
Recharging of overheads	Cost of overheads are allocated to SEA headings based on usage of various services. There will be no change from prior periods.	Allocation basis and final recharge reviewed by Finance Manager.	No.	Assume that each basis accurately reflects the level of service consumed e.g. ICT services recharged based on number of PCs held by each area. Assume that data taken at a point in time will not alter significantly during the year.	No consideration of alternative estimates.	No effect on bottom line figures. Errors in estimates unlikely to be significant and will only affect allocation between service headings.
Measurement of Financial Instrument fair values	Fair values based on Net Present Value approach, which provides an estimate of the value of payments in the future in today's terms	Valuations provided by an expert	Yes – Capita Asset..	Interest is not paid/received on the start date of an instrument, but is paid/received on the maturity date.		Potential effect of higher/lower interest rates included within the Statement of Accounts 2014/15. But not considered material.
Bad debt provision	Provision is made based upon the financial level of the arrear. An increasing percentage is applied to the increasing level of the arrears. For Council Tax arrears older than 4 years, a 100% provision is made.	None.	No.	Assumed that the higher the financial amount then the harder will be to collect over time.	Data reliable. An alternative approach based upon the age of the debt could be considered.	Not material for AVDC but could have an impact upon the Collection Fund surplus / deficit.

Item	Method Used, and any change from prior period	Relevant Controls	Use of an Expert	Assumptions Made / Sensitivity to changes in assumptions	Reliability of data / consideration of alternative estimates	Level of Estimation Uncertainty
Provisions for liabilities including restructuring, redundancy and onerous contracts	No provision is made for redundancies, sections have to meet the cost from within their budgets..	None.	No.	Sections can meet costs within their budgets.		Could be significant if no budgetary provision but there is a possible reserve that could be used.
Accruals	Use of actual information or estimate from section.	Review of working paper if applicable by Finance.	No.	Will vary depending on individual circumstances. Typical example will be where an invoice crosses over the year end, the amount will be allocated on a proportional basis		Unlikely to be significant as over and under estimates are likely to cancel each other out on average
Finance Lease liabilities	None.					
Long term obligations -PFIs	None.					
Defined benefit pension amounts and disclosures	Information supplied by actuaries via Bucks CC.	None.	Yes – actuary	Assumed information is correct.	Assumed information is reliable.	
Earmarked Reserves	Annual review, where reserve holders indicate expected levels. A review was carried out in 2014/15 and some reserves of a similar type were merged.	Actual position will be compared to return that was submitted.	Yes – Finance Manager.			Reserves - levels not prescribed. Any over/under estimates will be reviewed in the following year.
Contingent Assets	None.					
Contingent Liabilities	None.					
NNDR payment to/ from the DCLG	Figure now based upon the NNDR 1 claim.	None.	Revenue's officer.	Assumed the NNDR 1 claim will be accurate.	Data considered reliable.	Assumed difference will be marginal.
Council tax surplus/ deficit	Using Iworld control prints a forecast position is determined based upon likely income and bad debts. This is done in November and again January. No change from prior years.		No.	Assumptions will be made about the level of income received and the level of level of arrears that could be expected.	Data is reliable, no need for an alternative approach.	Any difference in the estimated surplus or deficit will have an impact in the following year.

This page is intentionally left blank

Audit Committee
27 July 2015

APPENDIX H
Agenda Item No. 10

AUDIT COMMITTEE WORK PROGRAMME

1 Purpose

1.1 To discuss, amend and approve the future work programme for the Audit Committee.

2 Recommendations/for decision

2.1 The Committee is asked to review, amend and approve the proposed work programme. Appendix 1

3 Supporting information

3.1 The proposed programme has been prepared taking into account the comments and requests made at previous Audit Committee meetings and the requirements of the Internal and External Audit process.

3.2 The Committee is asked to consider whether they wish to add or remove any items and whether the timing of items is appropriate to their needs.

3.3 The Committee is also asked to consider whether there are any additional areas or topics not included in the current work programme which they would like to add.

4 Reasons for Recommendation

4.1 To allow members of the Audit Committee to amend and agree their work programme.

5 Resource implications

5.1 An allowance is always included in the Annual Assurance Plan to support the work of the Audit Committee. There are no additional direct resource requirements arising from this report.

Contact Officer	Evelyn Kaluza Business Assurance Services Manager Tel: 01296 585549
Background Documents	None

Appendix 1

AUDIT COMMITTEE WORK PROGRAMME 2015-16

Item	Contact Officer	27 July 2015	28 Sep 2015	9 Nov 2015	25 Jan 2016	Mar 2015
Audit Committee Work Programme	Evelyn Kaluza	X	X	X	X	X
Member Training / Briefing Sessions	Evelyn Kaluza	X	X		X	
Audit Committee Annual Report	Evelyn Kaluza					X
External Audit Plan & fee letter	David Guest					X
External Audit - Audit Results Report (ISA 260)	David Guest		X			
External Audit Annual Letter	David Guest			X		
External Audit AGR for Grant Claims	David Guest				X	
External Audit Update / Progress Report	David Guest	X		X	X	
Assurance Strategy and Plan	Evelyn Kaluza					X
Assurance Progress Report	Evelyn Kaluza	X	X	X	X	X
Audit Committee Review of Effectiveness	Evelyn Kaluza					X
Risk Management Progress Report	Evelyn Kaluza		X			
Fraud Progress	Evelyn Kaluza		X			
Business Assurance Services Manager's Annual Report	Evelyn Kaluza	X				
Annual Governance Statement	Evelyn Kaluza	X				X
Statement of Accounts	Tony Skeggs	X				
Post Audit Statement of Accounts	Tony Skeggs		X			
Working Balances	Tony Skeggs					X