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AYLESBURY VALE DISTRICT COUNCIL
Democratic Services

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AYLESBURY VALE DISTRICT COUNCIL

15 September 2016

AUDIT COMMITTEE

A meeting of the **Audit Committee** will be held at **7.00 pm** (or as soon as possible after the conclusion of a Members' training session on "Effective Audit Committees and Risk Management") on **Monday 26 September 2016** 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: Alice Fisher, afisher@aylesburyvaledc.gov.uk

Membership: Councillors: K Hewson (Chairman), B Chapple OBE (Vice-Chairman), C Adams, Branston, M Collins, P Irwin, M Smith, R Stuchbury, D Town and H Mordue (ex-Officio)

NOTE: The training session for Members will begin at 6.30pm

AGENDA

1. APOLOGIES

2. TEMPORARY CHANGES TO MEMBERSHIP

Any changes will be reported at the meeting.

3. MINUTES (Pages 3 - 14)

To approve as correct records the Minute of the meeting held on 25 July, 2016 attached as an appendix.

4. DECLARATION OF INTEREST

Members to declare any interests.

5. EXTERNAL AUDIT - AUDIT RESULTS (ISA 260) (Pages 15 - 36)

To consider the report attached as an appendix.

Contact Officer: Kate Mulhearn (01296) 585724

6. INTERNAL AUDIT PROGRESS REPORT (Pages 37 - 62)

To consider the report attached as an appendix.

Contact Officer: Kate Mulhearn (01296) 585724

POSITIVE ABOUT DISABLED PEOPLE

7. CORPORATE RISK REGISTER (Pages 63 - 68)

To consider the report attached as an appendix.

Contact Officer: Kate Mulhearn (01296) 585724

8. POST AUDIT STATEMENT OF ACCOUNTS (Pages 69 - 150)

To consider the report attached as an appendix.

Contact Officer: Tony Skeggs (01296) 585273

9. WORK PROGRAMME (Pages 151 - 152)

To consider the report attached as an appendix.

Contact Officer: Kate Mulhearn (01296) 585724

10. DATE OF FUTURE MEETINGS

Future meetings are planned as follows:-

- 6.30pm on 14 November 2016
- 6.30pm on 23 January, 2017
- 6.30pm on 27 March, 2017

11. EXCLUSION OF THE PUBLIC

The following matter is for consideration by Members "In Committee". It will therefore be necessary to

RESOLVE –

That under Section 100(A)(4) of the Local Government Act, 1972, the public be excluded from the meeting for the following item of business on the grounds that it involves the likely disclosure of exempt information as defined in the Paragraph indicated in Part 1 of Schedule 12A of the Act:-

Item No. 12 – Corporate Risk Register

The public interest in maintaining the exemption outweighs the public interest in disclosing the information because the report contains information relating to the financial or business affairs of organisations (including the Authority holding that information) and disclosure of commercially sensitive information would prejudice negotiations for contracts and land disposals or transactions.

12. CORPORATE RISK REGISTER (Pages 153 - 156)

To consider the attached confidential information.

Contact Officer: Kate Mulhearn (01296) 585724

AUDIT COMMITTEE

25 JULY 2016

PRESENT: Councillor K Hewson (Chairman); Councillors B Chapple OBE (Vice-Chairman), C Adams, P Agoro (in place of M Smith), Branston, M Collins, R Stuchbury, D Town and H Mordue (ex-Officio)

APOLOGIES: Councillors P Irwin and M Smith

1. MINUTES

RESOLVED –

That the Minutes of the meetings held on 21 March 2016 and 8 May 2016 be approved as correct records.

2. ANNUAL REPORT FROM THE CHAIRMAN OF THE AUDIT COMMITTEE

The Committee received the annual report from the Chairman of the Audit Committee which summarised the work carried out during the 2015/16 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.

The report also took into account the review of the effectiveness of the committee which was a self assessment against CIPFA's best practice guidance. This was attached as Appendix B to the Committee report. In most areas the Committee was meeting good practice requirements and was actively and effectively supporting improvement across the specified areas. A number of actions had been identified to further improve, including an assessment of the membership of the committee against the CIPFA core knowledge and skills framework.

As well as circulating the final version of the report to all Members via the Members' Information Sheet it would also be published on the Council's website. Members considered the self assessment (Appendix B) regarding their effectiveness and the CIPFA Audit Committee Members' knowledge and skills framework (Appendix C) and discussed their training needs for the coming period. Members agreed that they would benefit from training that covered issues including the financial accounts, legal/regulatory obligations, risk management, financial governance principles, and compliance / local procedures. It would also be helpful to have a better understanding of audit terminology and

RESOLVED –

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

(2) That the Officers, in consultation with the Chairman, be asked to put together a timetable of training to be scheduled with future Audit Committee meetings.

3. EXTERNAL AUDIT PROGRESS REPORT

The Committee received a report on the progress made by the external auditors, Ernst and Young, on their audit plan for 2015/16. To date, three weeks of final accounts testing had been undertaken and no issues had been identified at the moment that needed to be brought to the Committee's attention.

The auditors would continue to hold regular meetings with key Officers as part of the ongoing audit process. Meetings had also been held with the Housing Benefits team and selected samples for testing for the initial work which had been completed in mid June. These interim reviews had not identified any issues considered necessary to bring to the Committee's' attention.

The year-end audit results including the opinion on the financial statements, conclusions on the arrangements for securing economy, efficiency and effectiveness in the use of resources, and opinion on the whole of Government accounts would be reported to the next meeting in September 2016.

Members confirmed that the Plan and work aligned with the Committee's expectations and

RESOLVED –

That the external auditors' report be noted.

4. INTERNAL AUDIT ANNUAL REPORT

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

The Committee received a report detailing the Business Assurance Services (BAS) Manager's opinion on risk management, control and governance and their effectiveness in achieving the Council's agreed objectives for 2015-16. Based on this work, the BAS Manager had provided the following opinion:-

"Generally satisfactory with some improvements required to specific systems and processes."

Governance, risk management and control in relation to business critical areas was generally satisfactory. However, there were some weaknesses in the framework of governance, risk management and control which potentially put the achievement of the Council's objectives at risk.

Improvements were required in those areas to enhance the adequacy and effectiveness of governance, risk management and control."

In forming this opinion the Business Assurance Services Manager had confirmed that internal audit activity throughout 2015-16 had been independent from the rest of the organisation and had not been subject to interference in the level or scope of the audit work completed.

A total of 13 assurance reviews had been completed in 2015/16 of which 2 had been given a "substantial" assurance, 8 a "reasonable" assurance and 3 a "limited" assurance. This had resulted in the identification of 6 high, 22 medium and 9 low priority actions to improve weaknesses in the design and operating effectiveness of controls. This compared to 9 assurance reviews (6 high, 23 medium and 12 low priority recommendations) in 2014/15, although a direct comparison could not be made.

A summary of the reviews undertaken and the opinion given was detailed at Section 3 of the BAS Manager's report.

A number of weaknesses had been identified that needed to be reported in the Annual Governance Statement, and which related to the limited assurance reports issued for core financial systems. A summary of these limited assurances was also detailed in Section 3 of the BAS Manager's report.

Other internal audit work undertaken during the year included a review of risk management arrangements and had led to a revised risk management strategy being approved by the Audit Committee in September 2015. The annual service risk assurance process had been facilitated by internal audit in March 2016 and sought to identify from service managers which policy areas were higher risk to their service by the nature of their activities and what assurance they could give in terms of responsibilities, training and monitoring.

One investigation into a data breach had taken place during the year.

A limited assurance report had been issued for data transparency (finding that the Transparency Code had not been complied with in 5 out of 10 areas) but subsequent work during the course of the year had ensured that the required information had been updated and published as required.

All agreed actions arising from audit reports were kept under review by Business Assurance Services and regular reports on overdue actions were provided to the Audit Committee. There were no significant issues to report regarding the follow up of any audit recommendations.

A self-assessment against the requirements of the Public Sector Internal Auditing Standards (PSIAS) had been conducted in 2013 and the gap analysis and action plan had been last updated in July 2015. During 2016, the requirements of PSIAS had been considered and there are no areas of concern to indicate that the current arrangements were not fully compliant with the Standards. Compliance with PSIAS would be considered as part of the review of service provision going forward.

As part of discussions, and using the Business Assurance report on Council Tax and Business Rates for 2015/16 which had received a " Reasonable" assurance opinion as an example, Members were provided with a detailed explanation of the background, scoping, terms of reference and work that went into producing the assurance report and assurance rating. It was explained that a similar process had been undertaken for all assurance reviews, although the level and type of testing would differ from review to review. Due to the different mix and focus of reviews the overall results could not directly be compared from year to year.

It was further explained that the assurance testing methodology was not AVDC specific and took account of factors such as best practice, established audit methodologies, current risk information and the experience of the audit team.

Members requested further information and were informed that going forward audit work would need to take account of the Council working and acting in a more commercial manner, although AVDC owned or part owned companies would operate as separate entities in line with their Business Plans, articles of association and shareholders powers.

RESOLVED –

That the content of the Business Assurance Services Manager's annual report for 2015-16 be noted.

5. ANNUAL GOVERNANCE STATEMENT

The Annual Governance Statement (AGS) for Aylesbury Vale District Council, that would be signed by the Leader of the Council and the Chief Executive when approved by the Audit Committee, formed part of the Council's formal accounts for the financial year 2015-16. A draft of the Annual Governance Statement had been reported to the Audit Committee in March 2016, and Members had been given the opportunity to discuss and comment on it.

The statement explained how AVDC had complied with the principles of corporate governance and also met the requirements of regulations 4(2) and 4(3) of the Accounts and Audit Regulations, which required all relevant bodies to prepare an AGS in accordance with proper practices in relation to internal control.

Members were advised that the assurance gathering process for preparing the Statement was based on the management and internal control framework of the Council and, in particular, on the independent report of the Council's Business Assurance Services Manager presented to this meeting. The assurance framework included reference to the sources of assurance obtained from management. This included the new service risk assurance process which had been reported in more detail in the Business Assurance Service Progress Report.

During 2015 the Council had implemented a new finance system with the objective to improve automated work-flow and establish a system that was widely used by budget managers across the Authority. The system went live in June 2015.

Internal audit work highlighted a number of weaknesses relating to the design of financial controls and processes and the way they were operating within the new financial system. Some of the issues identified were relevant to the overall financial control environment. Weaknesses had also been identified in the reconciliation processes between the corporate finance and other systems, such as the revenues and benefits system.

A detailed plan had been developed to address the weaknesses identified and prompt action had been taken by management. Progress was being monitored by the Financial Review Programme Board and would be reported to the Audit Committee.

Having critically reviewed the Annual Governance Statement 2015-16 and the robustness of the Council's governance arrangements, it was

RESOLVED –

(1) That the content of the Annual Governance Statement 2015-16, be noted.

(2) That the Annual Governance Statement 2015-16 be approved for inclusion in the Council's Statement of Accounts for 2015-16.

6. INTERNAL AUDIT PROGRESS REPORT

The Committee received a progress report of activity undertaken since March 2016 that highlighted the following matters:-

(i) Final reports – the following had been issued since March 2016, with the full internal audit reports attached at Appendix 4.

Council Tax and Business Rates – overall, the controls and processes were found to be operating effectively to provide reasonable assurance over billing and recovery. However, there were a number of areas (set out in Appendix 4 to the Committee report) where action was needed to improve the integrity of financial information, control and monitoring processes.

General Ledger and Budgetary Control – the review had been given a Limited assurance and had raised 2 high priority and 1 medium priority recommendations over the management and control of the general ledger and one medium recommendation for budgetary control.

Housing Benefits – the draft report had been issued to management and had a Reasonable assurance conclusion. Overall the controls and processes over housing benefits were found to be operating effectively to provide reasonable assurance over the accuracy and efficiency of claims handling. There were a number of areas where action was needed to improve the integrity of financial information and performance monitoring processes. There was also a need to consider the Council's level of overpayment and the approach to recovery.

Data Protection (Mobile Devices) – this review had been undertaken by an external data security specialist and been given a Reasonable assurance. A number of recommendations had been raised but the overriding one concerned the need to develop and maintain awareness of the importance of information security, and the precautions that users were expected to maintain when mobile working.

Vale Lottery – this review had focussed on four areas identified as being key to ensuring that the lottery is being operated effectively and in compliance with the Gambling Act, namely Governance and Legislation, Financial Transparency, Day to Day Operation and Performance Management. Overall, the processes and controls operating over the Vale Lottery were found to be operating adequately to ensure that it was operating effectively, with transparency and in compliance with the Gambling Act.

(ii) Assurance Plan Work in Progress – the following work had started:-

- Debt Recovery – work had commenced to identify the level of debt for each revenue stream, the ageing profile and establishing the existing recovery processes. Following this initial exercise the scope of the review would be developed.

- Information Governance Effectiveness – the review would assess the Council's information governance effectiveness using a benchmark approach centred on 23 'killer questions' across 5 key domains; Culture, Management, People, Process and Technology. Work would be performed by external specialists following on from the Mobile Devices review.

- Contracts – Internal audit has contributed to the Commercial AVDC Procurement and Contracts Review by performing data analytics of T1 contract/supplier spend and risk assessing the contract portfolio.

Progress against the 2016/17 Annual Internal Audit Plan, as approved by the Audit Committee in March 2016, was further detailed at Appendix 2 to the Committee report.

(ii) Overdue Audit Recommendations and follow up work

- Housing Allocations – The Bucks Home Choice Partnership policy had not yet formally reviewed the outcomes of lettings through Bucks Home Choice. A brief review of the Allocation scheme's objectives had been recently finalised that would allow the BHC review to be undertaken by the end of July 2016.

- Taxi Licensing – work was underway, although not completed, on the policy for document retention governing the licensing application process and which incorporated the whole licensing function. The data retention policy was currently in draft, with a view to it being agreed and fully implemented by December 2016.

(iii) Internal Audit classification definitions – the basis for classifying internal audit findings and overall reports had been revised to enhance the transparency of internal audit work and the reporting methodology. Each individual finding was allocated a "risk rating". The overall report classification was determined by allocating points to each of the individual findings included in the report, providing an overall level of risk. This enabled the risk profile to be compared across areas under review and progress to be monitored from year to year.

The definitions of the individual finding risk ratings and overall reporting classification were detailed in Appendix 1 to the committee report.

(iv) Commercial AVDC and internal audit – the Business Assurance Team, which included internal audit was involved in a number of the business reviews being undertaken as part of the fundamental restructure and business transformation programme of the Council - Commercial AVDC. The annual internal audit plan had been focused to assist these across the Council.

The review that the Business Assurance team falls under was known as "Business Governance", overseen by the Business Strategy & Governance Sector Lead, Andy Barton. This area covered audit and risk, insurance, information governance and security, health and safety, emergency planning, and business resilience and disaster recovery.

The outcome of the review would confirm the new structure, how the services were delivered, and would include an assessment of internal, external and partner based provision of the functions, opportunities to improve automation of processes, and deliver a business plan for the functions going forward.

In the mean time the functions would continue to be delivered as usual. For the internal audit and risk elements, this was a combination of interim staff and contracted work mixed with the existing resources in the team. The Audit Committee would be kept updated with the progress and on any developments.

Members sought and were provided with additional information as follows:-

(a) Technology 1 – that the new financial system included more complete controls and checks for the management and control of the general ledger.

The Council had several key financial systems that fed into the T1 General Ledger, including iTrent (Payroll) and iWorld (Housing Benefits, Council Tax and Business Rates). During the year to March 2016 there had been inconsistent, incomplete or no reconciliation of these financial systems to the General Ledger.

Work was underway to map the interrelationships between the General Ledger and all other financial systems and roles and responsibilities for reconciliations within the finance team and service areas would be clarified. Standards procedures would be documented and implemented.

(b) Suspense accounts – it was confirmed that these accounts had been reviewed and were now being cleared daily and at month-end, as per agreed procedures and responsibilities.

(c) that the Action Plans at Appendix 3 to the Committee report included details of diagnosis and proposed actions and the timetable for implement them.

RESOLVED –

That the progress report be noted, including the progress made by Business Assurance Services against work identified in the Assurance Plan for 2015/16.

7. RISK MANAGEMENT REPORT

The Committee had received a report on Risk Management and the results of the Service Risk Assurance for 2015/16 in March 2016 and had requested that a further report on risk management be submitted to the July meeting, with information evidencing that the Council was ensuring that risk management was being embedded in processes being implemented to advance the Council's commercial ambitions.

The Corporate Risk Register provided evidence of a risk aware and risk managed organisation. It reflected the risks that were on the current radar for Transition Board. Some of these were not dissimilar to those faced by other local authorities.

The Risk Register had been refreshed and updated taking into account the Commercial AVDC programme and been discussed by Transition Board on 6 July who had reviewed the risks and ratings and considered how effectively risks were being managed and where further action was required. The style of reporting had also been revised.

Since the previous review in September 2015, four new risks had been added to the register, one had been removed and a number of other risks had been subsumed into other overarching risks resulting from the Commercial AVDC Programme. As such, there were now 16 risks on the Corporate Register, with the residual risk rating being 3 low risk, 6 moderate risk, 4 high risk and 2 extreme risk.

Information on the risk matrix and risk ratings (impact and likelihood) was explained further in the Committee report.

To facilitate discussion about the detail of the Corporate Risk Register, the Committee resolved to exclude the public from the meeting under Section 100 (A) (4) of the Local Government Act, 1972, on the grounds that the item involved the likely disclosure of commercially sensitive information as defined in Paragraph 3 of Schedule 12A of the Act. The disclosure of such information might prejudice negotiations for contracts and land disposals or transactions. Members challenged robustly some of the assumptions made in the Risk Register, both in specific and general terms.

An explanation was provided of the difference between assurance ratings given as the result of assurance reviews and Inherent / Residual risk ratings detailed in the Corporate Risk Register. It was further explained that the Overall Residual Risk ratings took account of Overall Inherent Risk rating, the Council's capacity to manage that risk and controls that were in place to manage/mitigate the risk. The Corporate Risk Register would be regularly reviewed by Transition Board and reported to the Audit Committee.

RESOLVED –

(1) That the current position of the Corporate Risk Register be noted.

(2) That the Corporate Risk Register continue to be reported to each meeting in the format reported to this meeting, and include an additional column (+/- numeric) highlighting what change (i.e. direction of travel) there had been to the Overall Residual Risk rating over the period.

8. ANNUAL FRAUD PROGRESS 2015/2016

The Committee received a report updating Members on the anti fraud and corruption work that had taken place over the last 12 months. This included an update on the actions identified in the fraud risk benchmarking assessment which were reported in January 2016 and a full year report on the activity of the Compliance Team for 2015-16.

An assessment of the Council's governance structures and processes against the CIFPA "Code of practice on managing the risk of fraud and corruption" had been reported to the Audit Committee in January 2016 which had shown that the Council was performing at 40% of the CIPFA standard. Members had commented at the time that the Council might want to consider setting a target of performing to 60-65% of the CIPFA code.

The Action Plan presented in January 2016 had been reviewed and updated by the Transition Board, and was attached as Appendix 1 to the Fraud report. Overall, the Council needed to do more to ensure it's resilience against fraud and to support good governance. All of the Action Plan actions were achievable with current resource and would improve the Council's governance structures and ability to demonstrate effective financial stewardship and strong public financial management.

Once in place and embedded, the actions identified would improve the overall assessment score and help provide assurance that the Council had adopted a response that was appropriate for its fraud and corruption risks and was committed to maintaining its vigilance to tackle fraud.

An Anti-Fraud and Corruption Statement had been included on the first page of the attached Fraud Report which the Committee was asked to endorse and promote to other members.

In March 2015 the Fraud Investigation Team had transferred to the DWP Single Fraud Investigation Service as part of the governments aims to try to tackle welfare benefit fraud. Since then the Council had not had a resource dedicated to fraud investigation. The Compliance Team which was part of the Revenues and Benefits Service had been established to undertake interventions and reviews of customer's council tax liability, housing benefit and council tax reduction entitlement, and to ensure account/claim records are correct, identifying errors and recovering overpayments as well as applying penalties where appropriate.

Appendix 3 of the Fraud Report summarises the outcomes of the Compliance Team work for 2015-16. The total overpaid benefits identified through the work of the Compliance Team during the year 2015/2016 had been £1.7million.

RESOLVED –

(1) That the updated Fraud Action Plan and the work undertaken by the Compliance Team during it's first full year be noted.

(2) That the Council's Fraud Statement be endorsed and be promoted to all Members of the Council.

9. STATEMENT OF ACCOUNTS

The Committee received a report on the current position in terms of accounts preparation, and which also identified significant changes to accounting policies applied in the preparation of the accounts. The budget outturn position was also reported in a management style for the information of Members.

Members were informed that whilst the Quarterly Finance Digest (QFD) did not form part of the statutory accounts, it did provide a more understandable guide to the financial events that had taken place in the last year relating to the provision of Council services. The outturn position for the year shown in the Digest was a contribution to balances of £209,662, as against a budgeted nil contribution. The actual contribution would have been greater but during 2015/16 the Council had agreed to a special use of balances to fund the continuing costs associated with HS2 (£67,000) and the Web and E-Commerce projects (£441,000).

The early generation of savings in advance of 2016/17 and higher income associated with revised service provision had contributed to this underspend, although this had to be offset against a shortfall in income from investment interest. The generation of savings had meant that the cost of a number of redundancies that had arisen during the year as part of section restructures were met from the savings rather than through balances.

Some of the main factors that had been reported during the year and which had contributed to the outturn position were savings/extra income from Waterside properties rent and service charges, Refuse and Recycling reduced vehicle fuel costs, and car parking charges and service charge costs. Factors that had negatively impacted included consultancy / agency / pension costs, costs associated with Commercial AVDC / loss of contract income within IT and backfilling senior management posts within Contract Services.

The latest Quarterly Finance Digest had also detailed the top 5 underspends and overspends by service areas for 2015/16, and showed that the General Fund Statement of Balances position at the year end was £3.974m after taking into account the outturn position.

During 2015/2016, transfers to and from reserves had been as follows:-

- That £3.3m had been transferred out of reserves and £7.8m transferred into reserves, making a net increase of £4.5m.
- The largest use of reserves had been £1.454m from the new homes bonus reserve to fund the Swan Pool improvements and for Parish initiatives. The other sizeable move had been a contribution of £0.5m from the Property Sinking Fund, transferred from revenue to capital to also fund the Swan Pool improvements.
- Other movements out had been £277,000 from the Superannuation reserve to fund pension costs, £97,000 from the Repair and Renewals fund to meet the costs of planned operational building repairs and £727,000 from the Benefit Subsidy reserve, which was a contribution to the overpaid benefit doubtful debts provision.

- There been two sizeable contribution to reserves, one of which had been £5.074m of New Homes Bonus into the New Homes Bonus reserve. This gave a year end balance of £10.6m, of which £1.,278m was earmarked for parish initiatives.
- The other sizeable contribution had been £1.156m to the Planning reserves, where additional planning fee income was paid into the reserve rather than being held in revenue.
- Whilst the reserves were showing a net increase for the year, this was solely due to the contribution to the New Homes Bonus. However, this reserve had committed £5m to the Council's East / West rail contribution (Council 17 July 2013). The commitment was spread over a number of years. Other commitments include £1.5m to High Speed Broadband project and £0.986m for the Pembroke Road depot. Without this contribution in the total amount held in reserves would have fallen slightly to £27.1m.
- The full list of reserves and provisions was detailed in Appendix B to the Committee report. They would be reviewed again in advance of the 2017/18 budget setting process.

The Council had an approved capital programme for 2015/16 of £14.1m, of which £6.4m was earmarked for the UCAV (University Campus Aylesbury Vale) facility, £2.2m for the Swan Pool improvements and £3.8m for Pembroke Road depot upgrade.

The actual spend was £8.9m, of which £6.0m was for the completion of the UCAV facility. The other area of significant spend was on the completion of the Swan Pool improvements, which totalled £2.3m.

The spend was £5.2m less than expected due to delays relating to the purchase of the depot, which had finally completed in July 2016, and had in turn delayed the second phase of the Depot alterations. Less housing enabling grants had been paid out due to no schemes coming forward and no refuse vehicle replacements had been made in the year.

The Council still could not generate vast sums of capital receipts as it had disposed of the majority of its assets. During 2015/16, £2.4m was received, £2.3 million came from house sales and £0.1m from the sale of the some land off Buckingham Road, Aylesbury.

During 2015/16 no new long term borrowing was taken out, although one of the shorter term loans was repaid in December. This took the total borrowing at the end of the year to £23.5 million. During the year the level of investments remained fairly constant due to the slow down in the capital programme, which meant that the amount out on loan at 31 March 2016 had been £39m.

The statutory code for the production and authorisation of the accounts, that all Councils had to follow, was set out within the Accounts and Audit Regulations. These required Members to only approve the accounts in September when they could be informed of any audit findings and, therefore, make an informed decision on their accuracy.

The Council's Chief Financial Officer had certified the draft accounts by 30 June and had published them on the Council's website. Guidance from the Accounts and Audit Regulations suggested that, while there was not a requirement to do so, it was best practice to give Members an early notification of the financial outcome of the previous financial year. As such, Members had been provided with the previous year's full statements and were asked to consider these alongside the year-end financial information contained in the Quarterly Finance Digest (QFD).

Members' attention was drawn to the two main statements, namely the Comprehensive Income and Expenditure Statement (CIES) and the Balance Sheet. The CIES contained the same spend and income information as detailed in the QFD, but it was presented in a different way to comply with the Statement of Recommended Practice (SORP).

There had not been any accounting changes that had been incorporated in the accounts this year.

There had not been any significant issues that had been required to be reflected in the 2015/16 accounts. However, some of the main information points were:-

- Fixed Assets – The only assets valued at the end of the year were the UCAV educational facility and the revamped Swan Pool at Buckingham.
- Companies – the accounts include the Council's new companies, Novae, AV Broadband and Vale Commerce.
- That the year end position was that Aylesbury Vale Estates (AVE) still owed the Council £32.7m, made up of £7.8m deferred receipts, £2.9m Hale Leys loan and a debtor of £1.4m.

During the course of the year the deferred receipts balance had reduced by £383,305 with AVE making repayments against one remaining loan.
The provisional year end position of the AVE group was a £0.467m profit, which was made up of an AVE LLP small loss of £628,000 and a Hale Leys LLP profit of £489,000. The group profit was after realising a profit of £505,000 on the sale of investment properties. However, these figures were reflected differently in the AVDC and AVE accounts as they were prepared using different accounting regulations.

Members commented on the Officers' remuneration information and that the number of other Council employees receiving more than £50,000 remuneration for the year (excluding employer's pension contributions) had reduced during the least year.

RESOLVED –

That the current position in relation to the statutory accounts preparation and the outturn be noted.

10. WORK PROGRAMME

The Committee considered the future Work Programme for 2016-17 which took account of comments and requests made at previous Committee meetings and particular views expressed at this meeting, and the requirements of the internal and external audit processes. A Risk Management report would also come to the meeting on 14 November 2016, and a timetable of training events would be scheduled for future meetings.

RESOLVED –

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

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Audit Committee
26 September 2016

EXTERNAL AUDIT – AUDIT RESULTS REPORT - ISA(UK & IRELAND) 260

1 Purpose

1.1 To allow the Audit Committee to review the draft Audit Results Report – ISA260 and from the External Auditors and the agree the letter of representation.

2. Recommendations/for decision

2.1 The Committee is asked to receive the External Auditors' report to those charged with governance and to:

(i) Note the matters raised in the report and any other comments made by the External Auditors in its introduction to the item.

(ii) to note and agree the contents of the letter of representation to be signed by the Chairman of the Audit Committee

3. Supporting information

3.1 The Council is required to receive the report from the External Auditors to those charged with governance at a formal committee meeting before the end of September 2016.

3.2 In addition the committee is required to approve the content of the letter of representation which has to be signed by the Chairman of the Audit Committee.

4. Reasons for Recommendation

This report is an integral part of the independent external audit review process.

5. Resource implications

None.

Contact Officer	Kate Mulhearn 01296 585724
Background Documents	None

Aylesbury Vale District Council

Audit Results Report - ISA (UK and Ireland) 260
for the year ended 31 March 2016

September 2016

Ernst & Young LLP

Building a better working world

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Contents

In April 2015 Public Sector Audit Appointments Ltd (PSAA) issued ‘‘Statement of responsibilities of auditors and audited bodies 2015-16’. It is available from the Chief Executive of each audited body and via the PSAA website (www.psaa.co.uk)

The Statement of Responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The ‘Terms of Appointment from 1 April 2015’ issued by PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and statute, and covers matters of practice and procedure which are of a recurring nature.

This Audit Results Report is prepared in the context of the Statement of Responsibilities. This report is intended solely for the use of the members of the audited body. We, as appointed auditor, take no responsibility to any third party.

Our Complaints Procedure – If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with your usual partner or director contact. If you prefer an alternative route, please contact Steve Varley, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.

1. Executive summary

The National Audit Office's Code of Audit Practice (the Code) requires us to report to those charged with governance – the Audit Committee – on the work carried out to discharge our statutory audit responsibilities, together with any governance issues identified. This report summarises findings from the 2015/16 audit, which is substantially complete. It includes messages arising from our audit of the financial statements and the results of our work to assess arrangements to secure economy, efficiency and effectiveness in the Council's use of resources.

We show below the results and our conclusions on the significant areas of the audit.

Status of the audit	We have substantially completed our audit of the financial statements for the year ended 2015/16. Subject to satisfactory completion of the outstanding items included in Appendix B. We have performed the procedures outlined in our Audit Plan and anticipate issuing an unqualified opinion on the financial statements. We expect to conclude that the Council has put in place proper arrangements to secure value for money in its use of resources. We have performed the procedures required by the National Audit Office (NAO) for the Whole of Government Accounts submission. We had no issues to report. We expect to issue the audit certificate at the same time as the audit opinion.
Audit differences	There are no unadjusted audit differences. Our audit identified a number of audit differences which our team have highlighted to management for amendment. The majority of these are below our reporting threshold and all have been corrected during the audit. There was one audit difference which was above our reporting threshold and further details are provided at Appendix A.
Scope and materiality	In our audit plan presented at the 21 March 2016 Audit Committee meeting, we set materiality of £2.12 million when deciding on our audit procedures. We have reassessed this based on the Council's actual results and we have decreased this amount to £1.95 million The reason for the decrease in planning materiality was a lower operating expenditure in 2015/16 compared to the Authority's 2014/15 outturn. The basis of our assessment is 2% of gross operating expenditure. The threshold for reporting audit differences which have an impact on the financial statements is £1.46 million.
Significant audit risks	We identified the following audit risks during our planning, and reported them in our audit plan: · PPE valuation; · complex supplier arrangements; · risk of management override; and

	· Value for Money - Balanced budget and long term financial planning. ‘Addressing audit risks’ sets out how we have gained audit assurance over those issues during the audit.
Other reporting issues	We have no other matters to report.
Control observations	We have adopted a fully substantive approach and have therefore not tested the operation of controls.

We would like to take this opportunity to thank the Council’s staff for their assistance during the audit.

Maria Grindley

Executive Director
For and on behalf of Ernst & Young LLP

2. Responsibilities and purpose of our work

The Council's responsibilities

The Council is responsible for preparing and publishing its Statement of Accounts, accompanied by the Annual Governance Statement (AGS). In the AGS, the Council reports publicly on how far it complies with its own code of governance, including how it has monitored and evaluated the effectiveness of its governance arrangements, and any planned changes in future.

The Council is also responsible for having proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Purpose of our work

Our audit was designed to:

- express an opinion on the 2015/16 financial statements and the consistency of other information published with them;
- report by exception on the AGS;
- consider and report any matters that prevent us being satisfied that the Council had proper arrangements for securing economy, efficiency and effectiveness in its use of resources (the value for money conclusion); and
- discharge our statutory duties and responsibilities as established by the Local Audit and Accountability Act 2014 and Code of Audit Practice.

This report also contains our findings on any areas of audit emphasis and our views on any significant deficiencies in internal control or the Council's accounting policies and key judgements.

We also review and report to the National Audit Office on the Whole of Government Accounts return. The extent of our review is specified by the National Audit Office.

3. Financial statements audit

Addressing audit risks

We identified the following audit risks when we planned our audit, and reported them in our Audit Plan. We set out below how we have gained the necessary audit assurance.

A significant audit risk is an inherent risk which is both more likely to happen and has a greater effect if it does happen; so it requires special audit consideration. For significant risks, we obtain a relevant understanding of the entity's controls and assess their design and implementation.

Significant Risks (including fraud risks)	Audit procedures performed	Assurance gained and issues arising
Property, Plant and Equipment – Valuations Due to the complexity in accounting for property, plant and equipment, the cyclical approach to valuations, and the material values involved, there is a higher risk that asset valuations contain material misstatements. We also identified an error that required amendment in the prior year. The error was caused by incorrect accounting of upward revaluations of assets between the CIES and the Revaluation Reserve.	We: · Relied on management's experts and reviewed the instructions given to that valuer; · Considered the accounting treatments and basis of valuation as required by the Code; and · Tested the appropriateness of PPE journal entries ensuring that they are in line with the Councils accounting policies.	Our testing did not identify any issues relating to the valuation of property, plant and equipment. The Council used an appropriate valuer and the results of the valuations made were in line the Code and the Council's accounting policies.
Risk of management override As identified in ISA (UK and Ireland) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly, and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement.	We: · Tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements; · Reviewed accounting estimates for evidence of management bias; and · Evaluated the business rationale for any significant unusual transactions.	Our testing of journal entries did not identify adjustments which were outside of the normal course of business. All journals tested had an appropriate business rationale. The most significant accounting estimates in the financial statements relate to the net pension liability, property valuations and NDR appeals provision. We found no indication of management bias in these estimates. We did not identify any evidence of management override or fraudulent activity.
Risk of fraud in revenue recognition Under ISA240 there is a presumed risk that revenue may be misstated due to improper recognition of revenue. In the public sector, this requirement is modified by Practice Note 10, issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition. We have reviewed this risk for the Council's income and expenditure streams and identified the capitalisation of revenue expenditure on Property, Plant and Equipment as an area for review given the extent of the Council's capital programme.	We: · Reviewed and tested revenue and expenditure recognition policies; · Reviewed and discussed with management any accounting estimates on revenue or expenditure recognition for evidence of bias; · Developed a testing strategy to test material revenue and expenditure streams; · Reviewed and tested revenue cut-off at the period end date; and · Reviewed capital expenditure on property, plant and equipment to ensure it meets the relevant accounting requirements to be capitalised.	Our testing gave us no concerns as to inappropriate revenue and expenditure recognition through fraudulent or biased management decisions.

We also identified the following 'other' audit risks.

Other Risks	Audit procedures performed	Assurance gained and issues arising
New General Ledger System The Council have changed their general ledger system during the year (from 01 June 2015). The main reason for this was to improve the control environment of the system as the old system, Aptos, had a number of historical control issues. There is a risk around the transfer of data between these systems, in particular that that opening balances will be incorrect.	We: · Tested the transfer of data between the two general ledger systems and ensured that the opening balances were accurate; · Walked through the new general ledger system and identify controls in place; and · Substantively tested transactions from these systems.	The testing of opening balances did not identify any issues. We did walk through the new system and its design of controls in place and we are aware of the work performed by internal audit around the effectiveness of these controls. As a result we have taken a fully substantive approach to the audit.
Group Accounts The Council set up three new companies in 2015: AVB Broadband , a 95% owned subsidiary Novae Consulting , a 100% owned subsidiary Vale Commerce Ltd, a 100% owned subsidiary The Council has been preparing group accounts for a few years now in respect of AVE. The Council continues to assess these interests as quantitatively and qualitatively material to the group and therefore the Council will continue to consolidate the companies into the Council's group accounts as required by the Code of Practice on Local Authority Accounting in the United Kingdom (Code of Practice). However, there has been a significant change to the group structure in year which poses the risk that the group financial statements do not meet the requirements as defined by the Code.	We reviewed and tested whether the Council has: · Identified all potential group entities; · Adopted and correctly applied accounting policies that comply with the requirements of the Code; · Consolidated the companies' accounts appropriately into the group accounts; and · Made all appropriate disclosures in accordance with adopted accounting policies and requirements of the Code.	We have confirmed all of the group entities and tested the consolidations and disclosures within the accounts. This did not identify any issues.
Pension Liability The pension liability is considered a significant estimate in relation to its size. In 2014/15, the liability stood at £90.3m. There is a risk that small movements in the estimation could lead to material misstatement if the estimation is not robust.	We: · Considered reliance on management's experts and reviewed the data given to Barnett Waddingham; · Considered the accounting treatment and IAS 19 requirements as set out by the Code; and · Used EY Pension specialists in reviewing actuary assumptions and other relevant data.	We have reviewed the outputs of the IAS 19 report from Barnett Waddingham and used our pension's specialist to confirm the accounting entries for the Pension Liability. This did not identify any issues.
Provision for Business Rate Appeals In 2013/14 the Council was required to calculate a provision for business rate appeals for the first time. We found that the Council had developed an appropriate methodology for the estimate. This methodology needs to be reassessed to ensure that the assumptions made remain appropriate to prepare a reliable estimate.	We: · Reviewed the Council's provision for business rate appeals to ensure it has been calculated on a reasonable basis in line with IAS 37 and that the assumptions underlying the estimate are reasonable. · As part of this we ensured the provision was supported by appropriate evidence and that any level of estimation uncertainty is adequately disclosed in the accounts.	We have reviewed the provision and supporting disclosures in place and confirmed that it is in line with IAS 37. Our work did not identify any issues.

Other matters

As required by ISA (UK&I) 260 and other ISAs specifying communication requirements, we must raise significant findings from the audit and any other matters significant to oversight of the Council's financial reporting process, including the following:

- qualitative aspects of accounting practices, estimates and disclosures;
- matters specifically required by other auditing standards to be reported to those charged with governance, e.g. issues about fraud, compliance with laws and regulations, external confirmations and related party transactions;
- any significant difficulties encountered during the audit; and
- other audit matters of governance interest.

We wish to report the following matters:

- In line with the Accounts and Audit Regulations 2015, the Council are required to have a period for the exercise of public rights (i.e to allow for inspection and objections to the accounts) for a period of 30 working days and must include the first 10 working days of July. The Council did not meet this requirement as they did not start this period until 5 August 2016.

Control themes and observations

It is the Council's responsibility to develop and implement systems of internal financial control and to have proper arrangements to monitor their actual adequacy and effectiveness. Our responsibility as auditor is to consider whether the Council has arrangements to satisfy itself that this is indeed the case.

We have adopted a fully substantive approach and have therefore not tested the operation of controls.

We have reviewed the Annual Governance Statement and can confirm that it is not misleading or inconsistent with other information arising from the audit or our knowledge of the Council.

Request for written representations

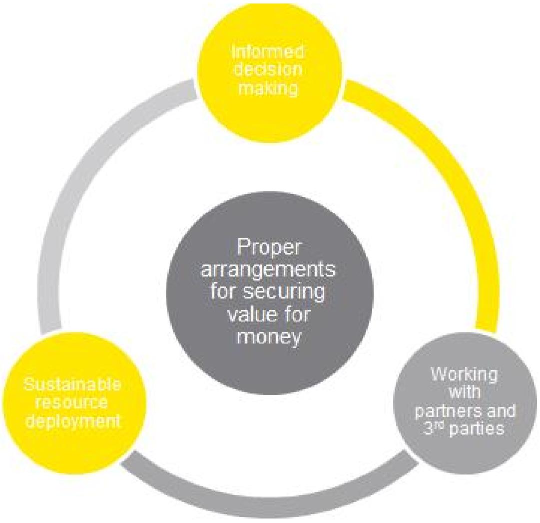
We have asked for a representation letter to gain management's confirmation on a number of matters, as outlined in the papers for the Audit Committee on 26 September 2016.

Whole of Government Accounts

We also review and report to the National Audit Office on the Council's Whole of Government Accounts return. The extent of our review is specified by the National Audit Office.

We are currently concluding our work in this area and will report any matters arising to the Audit Committee on 26 September 2016.

4. Value for money



We must consider whether the Council has 'proper arrangements' to secure economy, efficiency and effectiveness in its use of resources. This is known as our value for money conclusion.

Proper arrangements are defined by statutory guidance issued by the National Audit Office. They consist of the Council's arrangements to:

- take informed decisions;
- deploy resources in a sustainable manner; and
- work with partners and other third parties.

Overall conclusion

We identified one significant risk for these criteria:

- Balanced budget and long term financial planning

We have performed the procedures as outlined in our audit plan. We did not identify any significant weaknesses in the Council's arrangements.

We therefore expect to conclude that the Council has proper arrangements to secure value for money in its use of resources.

Significant risks

The table below presents the findings of our planned work:

VFM risk identified in our audit plan	Has an impact on arrangements for:	Key findings
Balanced budget and long term financial planning The Council's finances continue to be under significant pressure in the medium term. In its Medium Term Financial Plan 2016/17 – 2018/19 the Council has identified a budget gap of £5.6 million. The achievement of the Council's Financial Plans to date has been good, with savings identified to close the budget gaps. However, the Council has to continue to deliver significant savings year on year in order to bridge the gap and balance its budget.	· Taking informed decisions; · Deploying resources in a sustainable manner; and · Working with partners and other third parties.	We have used PSAA's value for money profile tool to assess Council's spending against similar District Councils.. We have reviewed and assessed the assumptions within the Council's 2016/17 budget and medium term financial plan. We have no matters to report from this work.

Appendix A – Corrected audit differences

We identified the following corrected differences greater than £1.46 million during our audit which we believe we should report to the Committee.

These items have been corrected by management in the revised financial statements.

Balance sheet and Statement of comprehensive income and expenditure

Item of account	Balance sheet (Decrease) / Increase £000	Comprehensive income and expenditure statement (Decrease) / Increase £000
Non Distributed Costs – Expenditure		(2,007)
Other SERCOP headings - Expenditure	`	2,007
The Council had incorrectly classified a number of pensions expenditure items within Non Distributed Costs. This expenditure has been reclassified across the other service cost headings in line with guidance.		
Cumulative effect of adjusted differences		0

Appendix B – Outstanding matters

The following items are outstanding at the date of this report:

Item	Actions to resolve	Responsibility
Management representation letter	Receive signed letter of representation	Management and Audit Committee
Subsequent events review	Complete the subsequent events procedures up to the date the audit report is signed	EY and management
AVE audited accounts	Receive audited accounts for AVE	Management
Whole of Government Accounts	Preparation and submission by management and review of the submission by EY.	EY and management
Final completion of audit procedures and review by the Executive Director	Management and EY to work together to complete any outstanding work, including: - Reserves	EY and management

Appendix C – Independence

We confirm that there are no changes in our assessment of independence since our confirmation in the Audit Plan dated 21 March 2016.

We complied with the Auditing Practices Board's Ethical Standards for Auditors and the requirements of the Public Sector Audit Appointments Ltd (PSAA)'s Terms of Appointment. In our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning of regulatory and professional requirements.

We confirm that we do not know of any relationships that may affect the independence and objectivity of the firm and which auditing and ethical standards require us to report to you.

We consider that our independence in this context is a matter that should be reviewed both by the Council and by us. It is therefore important that you consider any facts you know about and come to a view. If you wish to discuss any matters concerning our independence, we will be happy to do so at the Audit Committee on 26 September 2016.

We confirm that we have met the reporting requirements to the Audit Committee as 'those charged with governance' under International Standards on Auditing (UK and Ireland) 260 – Communication with those charged with governance. Our communication plan for doing this was set out in the Audit Plan of 21 March 2016.

Appendix D – Auditor fees

The table below sets out the scale fee and our final proposed audit fees.

Description	Proposed final Fee 2015/16 £	Scale Fee 2015/16 £	Variation comments
Total Audit Fee – Code work	56,785	56,785	n/a
Certification of claims and returns	11,286	11,286	n/a

Our actual fee is in line with the scale fee set by the PSAA, subject to satisfactory clearance of the outstanding work.

We confirm we have not undertaken any non-audit work outside the PSAA's requirements.

Appendix E – Required communication with the audit committee

We must provide certain communications to the Audit Committees of UK clients, as detailed below:

Required communication	Reference
Planning and audit approach Communication of the planned scope and timing of the audit, including any limitations.	Audit Plan
Significant findings from the audit · Our view on the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures · Any significant difficulties encountered during the audit · Any significant matters arising from the audit and discussed with management · Written representations requested from management · Expected modifications to the audit report · Any other matters significant to the oversight of the financial reporting process	Audit Results Report
Going concern Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including: · Whether the events or conditions constitute a material uncertainty · Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements · The adequacy of related disclosures in the financial statements	No conditions or events were identified, either individually of in aggregate, that indicated there could be doubt about Aylesbury Vale District Council's ability to continue as a going concern for the 12 months from the date of our report.
Misstatements · Uncorrected misstatements and their effect on our audit opinion · The effect of uncorrected misstatements relating to prior periods · A request for any uncorrected misstatement to be corrected · In writing, any significant corrected misstatements	Audit Results Report
Fraud · Enquiries of the audit committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity · Any fraud we have identified or information obtained indicating that a fraud may exist · A discussion of any other matters related to fraud	We have made enquiries of management. We have not becaome aware of any fraud or illegal acts during our audit.
Related parties Significant matters arising during the audit in connection with the entity's related parties including, when applicable: · non-disclosure by management · inappropriate authorisation and approval of transactions · disagreement over disclosures · non-compliance with laws and regulations · difficulty in identifying the party that ultimately controls the entity	We have not matters we wish to report.

Required communication	Reference
External confirmations · Management's refusal for us to request confirmations · Inability to obtain relevant and reliable audit evidence from other procedures	We have received all requested confirmations.
Consideration of laws and regulations · Audit findings of non-compliance where it is material and believed to be intentional. This communication is subject to compliance with legislation on tipping off · Ask the audit committee about possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and which the audit committee may know about	We have not identified any material instances of non-compliance with laws and regulations.
Independence Communication of all significant facts and matters bearing on EY's objectivity and independence Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as: · the principal threats · safeguards adopted and their effectiveness · an overall assessment of threats and safeguards · information about the general policies and processes to maintain objectivity and independence	Audit Plan and Audit Results Report
Significant deficiencies in internal controls identified during the audit	Audit Results Report
Group audits · An overview of the type of work to be performed on the financial information of the components · An overview of the nature of the group audit team's planned involvement in the work to be performed by the component auditors on the financial information of significant components · Instances where the group audit team's evaluation of the work of a component auditor gave rise to a concern about the quality of that auditor's work · Any limitations on the group audit, for example, where the group engagement team's access to information may have been restricted · Fraud or suspected fraud involving group management, component management, employees who have significant roles in group-wide controls or others where the fraud resulted in a material misstatement of the group financial statements	Audit Plan Audit Results Report
Fee Information Breakdown of fee information at the agreement of the initial audit plan Breakdown of fee information at the completion of the audit	Audit Plan Audit Results Report
Certification work · Summary of certification work undertaken	Certification Report

AYLESBURY VALE DISTRICT COUNCIL
Director
Please ask for: Andrew Small
Direct Line: 01296 585107
Switchboard: 01296 585858
Text Relay: prefix telephone number with 18001
Email: ASmall@aylesburyvaledc.gov.uk
Our Ref:
Your Ref:

AYLESBURY VALE DISTRICT COUNCIL

14 September 2016

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

Dear Maria,

This letter of representations is provided in connection with your audit of the consolidated and council financial statements of Aylesbury Vale District Council ("the Group and Council") for the year ended 31 March 2016. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the consolidated and council financial statements give a true and fair view of the Group and Council financial position of Aylesbury Vale District Council as of 31 March 2016 and of its financial performance (or operations) and its cash flows for the year then ended in accordance with, for the Group and Council CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

We understand that the purpose of your audit of our consolidated and council financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing, which involves an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, and is not designed to identify - nor necessarily be expected to disclose - all fraud, shortages, errors and other irregularities, should any exist.

Accordingly, we make the following representations, which are true to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with, for the Group and Council the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

2. We acknowledge, as members of management of the Group and Council, our responsibility for the fair presentation of the consolidated and council financial statements. We believe the consolidated and council financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of the Group and Council in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 and are free of material misstatements, including omissions. We have approved the consolidated and council financial statements.

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POSITIVE ABOUT DISABLED PEOPLE

3. The significant accounting policies adopted in the preparation of the Group and Council financial statements are appropriately described in the Group and Council financial statements.

4. As members of management of the Group and Council, we believe that the Group and Council have a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 for the Group and Council that are free from material misstatement, whether due to fraud or error

5. There are no unadjusted audit differences identified during the current audit and pertaining to the latest period presented.

B. Fraud

1. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.

2. We have disclosed to you the results of our assessment of the risk that the consolidated and council financial statements may be materially misstated as a result of fraud.

3. We have no knowledge of any fraud or suspected fraud involving management or other employees who have a significant role in the Group or Council's internal controls over financial reporting. In addition, we have no knowledge of any fraud or suspected fraud involving other employees in which the fraud could have a material effect on the consolidated or council financial statements. We have no knowledge of any allegations of financial improprieties, including fraud or suspected fraud, (regardless of the source or form and including without limitation, any allegations by "whistleblowers") which could result in a misstatement of the consolidated or council financial statements or otherwise affect the financial reporting of the Group or Council.

C. Compliance with Laws and Regulations

1. We have disclosed to you all identified or suspected non-compliance with laws and regulations whose effects should be considered when preparing the consolidated and council financial statements.

2. We are aware that we were not fully compliant with the Accounts and Audit Regulations 2015, in that the inspection period for the public did not cover the first ten working days of July. We have complied with all other requirements by allowing 30 working days for the public to inspect and object to the accounts. We can confirm that we have not had any correspondence from the public during this period.

D. Information Provided and Completeness of Information and Transactions

1. We have provided you with:

   - Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;

   - Additional information that you have requested from us for the purpose of the audit; and

   - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

2. All material transactions have been recorded in the accounting records and are reflected in the consolidated and council financial statements.

3. We have made available to you all minutes of the meetings of the Council, Cabinet and Audit Committees held through the year.

4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Group and Council's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the year ended, as well as related balances due to or from such parties at the year end. These transactions have been appropriately accounted for and disclosed in the consolidated and council financial statements.

5. We believe that the significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.

6. We have disclosed to you, and the Group and Council has complied with, all aspects of contractual agreements that could have a material effect on the consolidated and council financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

E. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the consolidated and council financial statements.

2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.

F. Subsequent Events

1. There have been no events subsequent to year end which require adjustment of or disclosure in the consolidated and council financial statements or notes thereto.

G. Reserves

1. We have properly recorded or disclosed in the consolidated and council financial statements the useable and unusable reserves.

H. Contingent Liabilities

1. We are unaware of any violations or possible violations of laws or regulations the effects of which should be considered for disclosure in the consolidated and council financial statements or as the basis of recording a contingent loss (other than those disclosed or accrued in the consolidated and council financial statements).

I. Use of the Work of a Specialist

1. We agree with the findings of the specialists that we engaged to evaluate the valuation of Property, Plant and Equipment, the valuation, IAS 19 actuarial valuations of pension fund liabilities and the estimation of the provision for NDR appeals and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the consolidated and council financial statements and the underlying accounting records. We did not give or cause any instructions to be given to the specialists with respect

to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.

J. Pensions Liability, PPE Valuations and NDR Appeals estimates

1. We believe that the measurement processes, including related assumptions and models, used to determine the accounting estimates have been consistently applied and are appropriate in the context *of* the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

2. We confirm that the significant assumptions used in making the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 appropriately reflect our intent and ability to carry out specific courses of action on behalf of the entity.

3. We confirm that the disclosures made in the consolidated and council financial statements with respect to the accounting estimate(s) are complete and made in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16

4. We confirm that no adjustments are required to the accounting estimates and disclosures in the consolidated and council financial statements due to subsequent events.

K. Retirement benefits

1. On the basis of the process established by us and having made appropriate enquiries, we are satisfied that the actuarial assumptions underlying the scheme liabilities are consistent with our knowledge of the business. All significant retirement benefits and all settlements and curtailments have been identified and properly accounted for.

Yours sincerely,

____

Director (responsible for finance)

____

Chair of the Audit Committee

Audit Committee
26 September 2016

INTERNAL AUDIT PROGRESS REPORT – SEPTEMBER 2016

1 Purpose

1.1 To receive the Internal Audit Progress Report of activity undertaken since March 2016.

2 Recommendations

2.1 The committee is recommended to note the progress report.

2.2 The committee is requested to approve the proposed changes to the annual internal audit plan.

3 Supporting Information

3.1 This report provides an update on the progress made against the 2016/17 Assurance Plan. Appendix A includes information on:

- Summary of internal audit reviews completed and in progress
- Overdue recommendations and follow up work
- Overview of Commercial AVDC and update on internal audit resources

3.2 The Committee requested that all internal audit reports are presented in full. Those issued since the previous meeting are included in Appendix 3.

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: Kate Mulhearn, Business Assurance Manager 01296 585724
Background papers: none

AYLESBURY VALE
DISTRICT COUNCIL

Internal Audit

Progress Report

September 2016

Contents

1. *Activity and progress*

The annual internal audit plan was approved by audit committee in March 2016. A summary of the planned is included in Appendix 1. We monitor progress against the plan during the year and advise the Audit Committee for any changes.

Final reports issued since the previous Committee meeting

Name of review	*Conclusion**	*Date of final report*	*No of recommendations made**			
			Critical	**High**	**Medium**	**Low**
2015/16 Reviews:						
Housing Benefits	Reasonable	Sept 16	-	-	2	1
2016/17 Reviews:						
-	-	-	-	-	-	-

** The basis for classifying internal audit findings and reports has been updated for 2016/17 (see Appendix 1). 2015/16 reports are classified according to the previous definitions.*

Only one review has been concluded since the July meeting. The full report is attached in Appendix 3 and summarised below:

Housing Benefits

Overall we found the controls and processes over housing benefits to be operating effectively to provide reasonable assurance over the accuracy and efficiency of claims handling. There are a number of areas where action is needed to improve the integrity of financial information and performance monitoring processes. There is also a need to consider the Council's level of overpayment and the approach to recovery.

Our key findings are summarised as follows:

- **Reconciliation of payments between iWorld and Technology One (M)** - There is a form of reconciliation in place whereby the totals of each weekly BACS payment run are entered into a spreadsheet and checked against the finance system.

  The benefit payment reconciliation process should include checks between iWorld and T1. This would ensure that the two systems match and any differences would be identified early on and as and when they arise, ensuring the accuracy of financial information.

- **Housing benefit overpayment recovery (M)** – Housing benefit overpayment has risen significantly in the last 2 years and currently stands at £6.3million (as at end June 2016). Approximately half of this is being recovered through ongoing benefit claims. This increase is consistent with the national picture and can in part be attributed to the introduction of better and quicker real time data matching.

Whilst recovery action is taking place, either through reduced ongoing payments or separate debt recovery, the current levels of recovery are not keeping up with new debt that is identified. The Council's strategy for managing this type of debt should be reviewed and consideration given to the level of return on any additional investment in recovery action.

- **Quality checks - monitoring performance (L)** – The processes for quality checking housing benefit claims are set out in the "'Revenues and Benefits Service – Checking Strategy". This includes a target level of 5% check of the overall claims processed. We identified areas where measures could be improved to enable better monitoring of performance against the strategy including monitoring the total level of checks and setting targets for the accuracy of processing.

Internal audit plan work in progress

As at the date of preparing this report, the following reviews are in progress:

Name of review	*Update on progress*
Debt Recovery	Work has commenced to identify the level of debt for each revenue stream, the ageing profile and establish the existing recovery processes. This includes Housing Benefits, Council Tax, Business Rates and all other income streams.
Safeguarding	Review is in progress. Sec11 arrangements to be agreed October 2016.
Information Governance Effectiveness	This review is on hold pending the outcome of a separate piece of work performed by IT security experts "Intel". It is intended the internal audit review will pick up on areas of risk or recommendations identified.

2. *Overdue recommendations and follow up work*

We monitor the implementation of actions and recommendations that we have raised from our Internal Audit Reviews to ensure that the control weaknesses identified have been satisfactorily addressed. We only report to the Audit Committee when more than 3 months has passed since the original agreed target date.

Update on financial systems – Accounts Payable & Accounts Receivable, General Ledger & Budgetary Control

The Commercial AVDC Financial Systems & Processes Review Board is continuing to monitor the implementation of actions identified in the 2015/16 Accounts Payable & Receivable and the General Ledger and Budgetary Control internal audit reports.

Progress has been made on mapping system interfaces and agreeing processes and responsibilities for key reconciliations. Payroll and Council Tax reconciliations are now being performed monthly and the suspense account is regularly cleared. Some further work is required to clear the old items in suspense relating to the migration to T1 but this is in-hand.

Delays have occurred in implementing actions relating to monitoring and reporting commitments. This is due to information and system limitations which allow contracts to be split across year-ends. Completion dates have been revised to allow the required work to be undertaken.

During Q3 and Q4 financial systems will be subject to internal audit review again. This will pick up on previous actions and provide assurance over the implementation and operation of financial controls.

Overdue recommendations

<u>Housing Allocations (January 2016) – Medium priority recommendation to be completed by 31 March 2016</u>

The Bucks Homes Choice Partnership Policy was adopted in May 2014 and is the common mechanism for allocating housing in Bucks. The Policy states that "the Partnership will monitor the outcomes of lettings through Bucks Home Choice to assess whether it is meeting its aims". It goes on to say that the reviews will be carried out annually. Since its adoption the Partnership has not yet carried out a formal review.

Management update - The Bucks Home Choice Allocation policy is still undergoing the review process and is currently with a senior Chiltern and South Bucks DC Housing Manager for comments. The aim is to complete the review in autumn 2016.

<u>Taxi Licensing (October 2015) – Medium priority recommendation to be completed by 31 March 2016</u>

There is no policy on document retention governing the licensing application process so there is a risk that personal data is being held for longer than appropriate. Management agreed to adopt a document retention policy that incorporates the whole licensing function.

Management update – A policy has been drafted and will be finalised along with the new document management storage solution for EH&L into which the data retention principles will be built prior to data migration from our existing system to the new Salesforce system. Implementation is expected to be complete by the end of December 2016.

3. *Update on Commercial AVDC and internal audit resources*

Commercial AVDC
As members will be aware, the Council is progressing through a fundamental restructure and business transformation programme - Commercial AVDC. The Business Assurance team, which includes Internal Audit is involved in a number of the "Business Reviews" and the annual internal audit plan has been focused to assist these across the Council.

The Business Assurance team is also involved in its own Business Review, considering how best to deliver these functions, set against the financial pressures that the Council faces, whilst at the same time also being aware that as we diversify and change our business models there may well be a changing type, style and need for these functions going forward.

The review that the Business Assurance team falls under is known as "Business Governance"' and covers the areas below. It is being overseen by the Business Strategy & Governance Sector Lead, Andy Barton:

- Audit & Risk
- Insurance
- Information Governance & Security
- Health & Safety
- Emergency Plan
- Business Resilience and Disaster Recovery

The outcome of the review will confirm the new structure, how the services will be delivered, this includes an assessment of internal, external and partner based provision of the functions, opportunities to improve automation of processes, and deliver a business plan for the functions going forward.

Internal audit resource
From October, Kate Mulhearn, who for the last 12 months has been engaged as Business Assurance Manager on a secondment basis from PwC, will take up a permanent position with the Council. The role will include the Head of Internal Audit responsibilities.

Over the summer, the one remaining Internal Audit Officer moved to a new role within the Council. We are in the process of engaging an external supplier of public sector internal audit services to support the delivery of the remainder of the 2016/17 internal audit plan, reporting to the Business Assurance Manager. The outcome of the business review will determine further resource requirements and the delivery model going forward.

Appendix 1: Internal audit opinion and classification definitions

Individual reviews - Basis of classifications

The overall report classification is determined by allocating points to each of the individual findings included in the report.

Findings rating	Points
Critical	40 points per finding
High	10 points per finding
Medium	3 points per finding
Low	1 point per finding

Report classification		Points
●	Critical risk	40 points and over
●	High risk	16– 39 points
●	Medium risk	7– 15 points
●	Low risk	6 points or less

Individual findings are considered against a number of criteria and given a risk rating based on the following:

Finding rating	Assessment rationale
Critical	A finding that could have a: • ***Critical*** impact on operational performance; or • ***Critical*** monetary or financial statement impact **[quantify if possible = materiality]**; or • ***Critical*** breach in laws and regulations that could result in material fines or consequences; or • ***Critical*** impact on the reputation or brand of the organisation which could threaten its future viability.
High	A finding that could have a: • ***Significant*** impact on operational performance; or • ***Significant*** monetary or financial statement impact **[quantify if possible]**; or • ***Significant*** breach in laws and regulations resulting in significant fines and consequences***; or*** • ***Significant*** impact on the reputation or brand of the organisation.
Medium	A finding that could have a: • ***Moderate*** impact on operational performance; or • ***Moderate*** monetary or financial statement impact **[quantify if possible]**; or • ***Moderate*** breach in laws and regulations resulting in fines and consequences; or • ***Moderate*** impact on the reputation or brand of the organisation.
Low	A finding that could have a: • ***Minor*** impact on the organisation's operational performance; or • ***Minor*** monetary or financial statement impact **[quantify if possible]**; or • ***Minor*** breach in laws and regulations with limited consequences; or • ***Minor*** impact on the reputation of the organisation.
Advisory	A finding that does not have a risk impact but has been raised to highlight areas of inefficiencies or good practice.

Appendix 2: Internal audit plan and progress tracker

The 2016/17 Annual Internal Audit Plan was approved by members of the Audit Committee in March 2016.

Review	Description	Status/Comment	Risk Rating
Finance • General Ledger • Debtors • Creditors • Payroll • Treasury • Fixed Assets	Ongoing input to Commercial AVDC Finance Review project (Q1&Q2) and assurance over implementation and effectiveness of processes (Q3 &Q4)	Reviews will start Q3	
HR - Recruitment	Review recruitment processes and controls	Processes are being assessed as part of Commercial AVDC reviews. Consider audit in 207/18.	Defer to 17/18
Electoral & Democratic Services	Deferred from 15/16. Roll out of ModGov – review processes post implementation	Implementation has gone wells so far but not yet using full functionality. This is being considered as part of the Business Review. IA to consider once review has concluded.	Defer to 17/18
Contract Management – Supplier Resilience	Deferred from 15/16. Assurance that key suppliers/contracts have adequate business continuity plans in place. Consider outcomes of Commercial AVDC review.		
Budget Management			
Information Governance	Information governance effectiveness review.	Scope of was work agreed. Now pending outcome of Intel report. Scope will be modified as needed.	
Health & Safety	Compliance with OHSAS18001; review of H&S Management System	New H&S provider from 1 Oct 16 will review management systems following departure of H&S officer. Work will be overseen by BAS Manager but not likely to require specific IA resource. Audit should be deferred until systems are in place.	Defer to 17/18
Safeguarding	Review pre Sec 11 audit. Also consider vulnerable adults.	Sec 11 plan of work has been released from BCC. Work is in progress.	
Debt Recovery	Council wide review of debt management and recovery processes, including council tax, business rates, HB overpayments and other income streams.	Work commenced July 2016 to support review of processes. This will be advisory work.	
My Account	Review security of payments, information and interfaces with other systems		

Good Governance Framework for Local Government	Review compliance with new CIPFA code and implications for AGS 16/17	CIPFA framework has been published. Review will commence in Q3.	
Risk Management	Continuous assurance over risk management process	Corporate risk register reviewed in Aug6 and reported to Audit C'ttee.	
Enterprise zones	Processes governing management of E Z partnerships	Not considered a key risk area for focus at this time.	Remove
Housing benefits			
Collection fund			
Estates – Service Charges	Basis for and calculation of service charges, collection processes		
Business Reviews	Ongoing	Internal audit has supported Commercial AVDC reviews: • Procurement & Contract Management • Business Intelligence • Financial Systems and Processes	
Vale Lottery	The review focussed on four areas identified as being key to ensuring that the lottery is being operated effectively and in compliance with the Gambling Act.	Complete	Low

Appendix 3: Internal audit reports

The Committee requested to see all internal audit reports in full. Those completed since the last meeting are attached below.

1. Housing Benefits

AYLESBURY VALE
DISTRICT COUNCIL

Business Assurance Services

Internal Audit Report

2015 / 16

Housing Benefits

Assurance Opinion

REASONABLE

FINAL 12 Sept 2016

Contents

Distribution List

For action	Janet Forsdike, Implementation Manager – Accelerated Review
	Noora Hassan, Contact Team Manager
	Deborah White, Group Manager
	Tony Skeggs, Finance Manager
For information	Sarah Rodda, Sector Lead
	Jeff Membery, Sector Lead
	Andrew Small, Director

Business Assurance Manager – Kate Mulhearn

1. Executive summary

*Report classification**	**Total number of findings**			
REASONABLE		High	Medium	Low
	Control design	-	1	1
	Operating effectiveness	-	1	-
	Total	**-**	**2**	1

*We only report by exception, which means that we only raise a finding / recommendation when we identify a potential weakness in the design or operating effectiveness of control that could put the objectives of the service at risk. The definition of finding ratings is set out in Appendix 1.

Summary of findings:

Overall we found the controls and processes over housing benefits to be operating effectively to provide reasonable assurance over the accuracy and efficiency of claims handling. There are a number of areas where action is needed to improve the integrity of financial information and performance monitoring processes. There is also a need to consider the Councils levels of overpayment and level of resources involved in the recovery process.

We also followed up recommendations made in the previous years review and found that all actions have been implemented.

Our key findings are summarised as follows:

Reconciliation of Payments between iWorld and Technology One (Medium) - There is a form of reconciliation in place whereby the Housing Benefits team update a manual spreadsheet with the totals of each weekly payment run once the payments have been dispersed by BACS. This spreadsheet is then forwarded to a Finance Officer who checks the Finance System (T1 from June 2015 onwards) to ensure that the ledger is updated with the correct figure. However, the spreadsheet is not the primary record, iWorld itself is. Because the reconciliation that is performed is only from a manual spreadsheet, rather than iWorld itself, the integrity of the reconciliation process is diminished and there is a risk of inaccurate financial information.

This will be addressed as part of the wider review of T1 system interfaces which has commenced following the General Ledger internal audit report.

Housing benefit overpayment recovery (Medium) – Housing benefit overpayment has risen significantly in the last 2 years and currently stands at

£6.3million (as at end June 2016). This is consistent with the national picture and can in part be attributed to the introduction of better and quicker real time data matching.

Whilst there is recovery action taking place, either through reduced payments ongoing or separate recovery action, the current levels of recovery are not keeping up with new debt that is identified. The nature of the debt and often the circumstances of the debtors mean that the ability to collect it in full is rare and any payment plan is a trickle effect. Writing off the debt has not been a Council strategy that has been adopted despite there being a 'Bad Debt Provision' in the accounts each year.

The Council's current strategy for managing this type of debt should be reviewed. A corporate wide 'Debt Management Review' is starting in July 2016 which will incorporate housing benefit overpayments recovery. If there is potential money which is recoverable that is not chased the Council could miss out on income, but there is likely to be additional resource incurred in attempting to recover outstanding debts so the return on investment must be considered.

Quality checks - monitoring performance (Low) – The processes for quality checking housing benefit claims are set out in the "'Revenues and Benefits Service – Checking Strategy". This includes a target level of 5% check of the overall claims processed. We identified areas where measures could be improved to enable better monitoring of performance against the strategy including monitoring the total level of checks and setting targets for the accuracy of processing.

The focus of checking should be on areas of greatest risk and the Council should consider trends and target arears with recurring issues regarding financial errors. Further monitoring of the level of financial error should be performed under the current testing regime and consideration given to monthly targets for financial accuracy.

Management comments

It has just been reported that: "*The latest figures on outstanding overpayments show "the total value of outstanding Housing Benefit overpayments continues to follow an increasing trend. At January 2016 (the beginning of quarter 4, 2015/16) the total value of overpayments was around £1.88 billion. This represents an increase of £295 million (19%) on this point the previous year*", illustrating that this is reflected across the country. (source: hbinfo Sept 2016).

2. Background and Scope

Background

This review of Housing Benefit forms part of the 2015/16 Audit Plan of work that was agreed by Members and Management.

The objective is to provide management with assurance that the controls relating to accuracy and efficiency of processing housing benefit claims, the integrity of the financial data within iWorld and the general leger, and recovery of overpayments are operating effectively.

Scope

The planned scope and methodology for this review is set out in Appendix 2.

The review covered the controls that were operating during 2015/16.

3. Detailed findings and action plan

1. Reconciliation of Payments between iWorld and Technology One (Control Design)

Finding

Payments are made to benefit claimants on a weekly basis. During 2015/16 over £45 million was paid out by the Council to Housing Benefit claimants.

Housing Benefit Officers create the payment file from the benefits systems, iWorld, and send it to the Payments team who transmit it through electronic bank transfer (BACS). The Benefits team maintain a spreadsheet detailing the total of each payment run and this is forwarded to a Finance Officer who checks the amounts are correctly reflected in Technology One (T1). We reviewed several payment run figures from the spreadsheet to the ledger and to the bank account and did not identify any differences. However, this is not a check of the payment figures directly from iWorld.

We obtained a report from iWorld of the amount paid out in benefit claims over the year and were unable to reconcile this back to the figure in T1. Because the reconciliation that is performed is only from a manual spreadsheet, rather than iWorld itself, the integrity of the reconciliation process is diminished and there is a risk of inaccurate financial information.

Risk

Payments recorded within iWorld may not be reflected in the Council's finance system. There is a risk of inaccurate financial information.

Action plan

Finding rating	*Agreed action*	*Responsible person / title*
Medium	The benefit payment reconciliation process should include checks between iWorld and T1. This would ensure that the two systems match and any differences would be identified early on and as and when they arise. This recommendation will be addressed as part of the wider review of T1 system interfaces which has commenced following the General Ledger internal audit report.	Janet Forsdyke (Housing Benefits) Tony Skeggs (Finance) *Target date* Work will commence July 2016 and progress monitored as part of the Commercial ADVC Financial Systems and Process action plan.

2. *Housing benefit overpayment recovery (Operating Effectiveness)*

Finding

At a national level, the total value of outstanding housing benefit overpayments continues to follow an increasing trend. The total value of HB overpayments outstanding at the beginning of July 2015 (quarter 2 of 2015/16) was around £1.70 billion; an increase of £253 million (18%) on this point the previous year.*

With developments in recent years of data matching claimant error is likely to continue to increase due to:

- The provision of DWP real time information (RTI) – the Council receives significant numbers of files each month from HMRC to investigate possible fraud or changes of circumstances.
- Fraud and Error Reduction Incentive Scheme (FERIS) - FERIS aims to encourage authorities to find as many changes of circumstances as possible which reduce housing benefit entitlement thereby reducing the monetary value of fraud and error. The Council will receive a financial incentive each quarter based on the results and saving identified.

The Revenues and Benefits team record the levels of overpayment raised and collected. As at the end of March 2016 the total level of outstanding overpayment was £6.1million (approx £3m of this is being recovered from ongoing benefit claims). This increased from the same date in 2015 by approximately 40% from £4.8million. Over the past 3 years the outstanding overpayment level has doubled.

As noted above, this increase can in part be attributed to greater detection of claimant error which means there is increased opportunity to recover overpayments due to fraud or failure to notify of change of circumstances. The total overpaid housing benefit identified through the work of the Compliance Team during the year 2015/2016 was £1.4million:

	£'000
FERIS	562
RTI	721
HBMS	65
NFI	32
Total 2015/16	**1,380**

New debt created in the year from 2015/16 rose by 18%. However, the levels of recovery have overall gone down slightly compared to previous years. Overall the recovery mechanisms are not keeping in step. The following charts show the trend over the period March 2013 to March 2015:

Chart 1: Doubling of outstanding overpayment

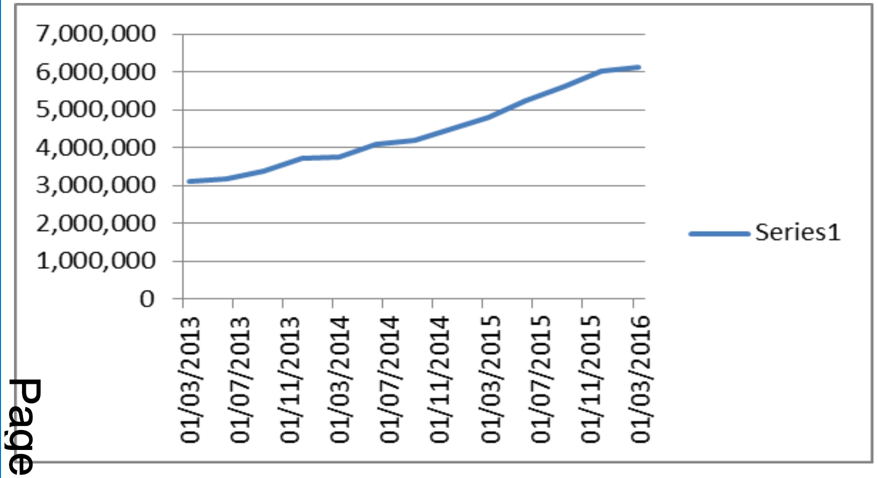
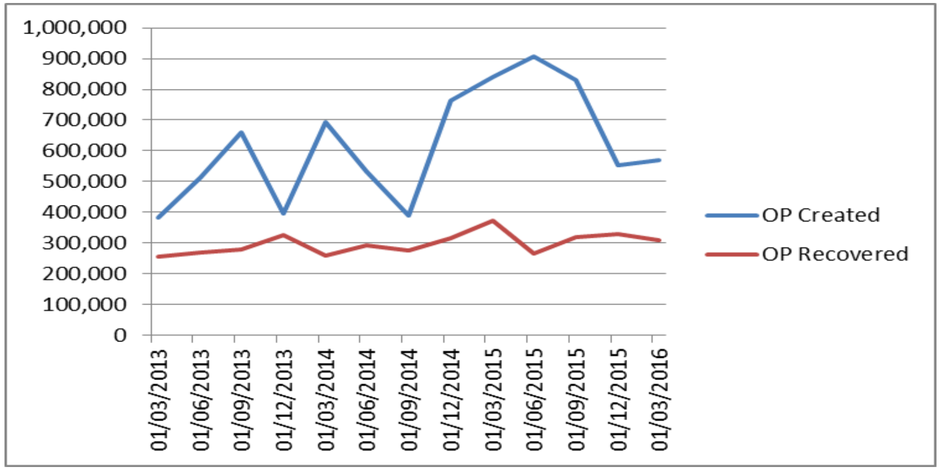


Chart 2: Overpayment created vs recovered



Processes for recovery of overpayment are different depending on the status of the claimant. If the claimant is still in receipt of benefits it will be deducted from ongoing benefit, amounts of deductions are set by legislation. This accounts for around £3million of the current total overpayments. If they are no longer in receipt of benefit, then the overpayment gets transferred to Finance who raise an invoice in T1 and recover in the same was as for sundry debt. The level of debt being recovered through T1 is £3.1million.

We selected the 10 highest overpayment debts, totalling £350k, being managed through T1 to establish whether there is current collection activity. All had activity during 2015/16. 7/10 had current payment arrangements that were being adhered to. The 3 others were in abeyance waiting for court proceedings. However, the payments were for £100 and below. So total monthly income for these 10 equate to around £500-600. For debts to be paid off at these rates it would take 20-30 years.

<u>Bad debt provision</u>

A provision has been made in the financial accounts to guard against the debts turning bad. This provision only relates to the £3.1million of overpayment debt that resides in T1 as sundry debtors. The level of debt was reviewed at the end of the 2015/16 financial year and the decision was made by the Finance Manager to increase the provision by £800,000, and is now £2.1million.

£2.3million of the overall debt is 8 months old or over and a provision of 75% of that has been set aside. In addition there are only collection arrangements in place for £400,000 of the £3.1million. On that basis it would appear that there is an inadequate provision for these types of debt.

Write offs of the debts that are not being collected from ongoing benefit have been rare during 2015/16.

Overpayment debt is significant and rising. Current recovery rates cannot match the levels at which new debt is added and so the outstanding amounts are likely to continue to increase, some debts are unlikely to ever be recovered in full. Housing benefit overpayments are particularly difficult to recover and require significant resource input.

Whilst the Council is not alone in facing the challenges of recovering housing benefit overpayments, consideration should be given to current levels of exposed debt, analysis of active vs static debt and the level of resource employed to collect it. Analysis of the return on investment of any additional resources deployed in this area should be undertaken.

** Data for Quarter 1 & 2 of 2015/16 (April 2015 to September 2015) Published: 23rd March 2016*

Risk

Significant write off of unrecoverable debt.

Potential money which is recoverable is not chased resulting in the Council not receiving all money that could have been recovered. But there is additional resource incurred in attempting to recover outstanding debts.

Action plan

Finding rating	*Agreed action*	*Responsible person / title*
Medium	A corporate debt review is due to commence in July 2016 and this will include a detailed review of processes and resources for debt recovery, including housing benefit overpayments. Adequacy of bad debt provision should be reviewed on a regular basis. Debts should be written off when recovery is deemed to be unlikely.	Sarah Rodda Jeff Membery Tony Skeggs
		Target date
		TBC – on completion of the Debt Management review (estimated 3rd / 4th Quarter)

3. *Quality Checks – Monitoring performance (Control Design)*

Finding

The processes for quality checking housing benefit claims are set out in the "'Revenues and Benefits Service – Checking Strategy". Key aspects of the Checking Strategy include:

- Processing Team - Supervisors will check 1 piece of work processed by each of their team members everyday
- New Staff – Supervisors will undertake 100% check on the work of all new staff
- This equates to a 5% check of the overall through put of work.

The responsibility for the application of the strategy lies with Supervisors. There were four Supervisors during 2015/16, each of which having responsibility for around 3 staff. A central record (spreadsheet) is kept with the results of quality checks. This is used as a monitoring record and to inform decisions on individual training needs. We reviewed the summary spreadsheet and note that the Supervisors carried out approximately 2000 checks in total across the year and this included all officers involved with processing. Any errors identified were noted on the spreadsheet along with the date when the error was corrected.

There are a number of areas where measures could be improved to enable better monitoring of performance against the strategy:

- Level of checks - The central spreadsheet of checks records total numbers of checks but there isn't a running total of volume of claims processed to identify whether the 5% target is achieved. Guidance set out in HB/CTB Circular A6/2005 Appendix B requires a "*minimum 4% sample across a range of decisions on new claims, changes of circumstance amendments and overpayment calculations…..New claims within the 4% sample would attract a full check, for changes in circumstances within the 4% sample, the check covers the last user action or is a full check, if on the basis of risk the LA decides it is necessary*."

- Accuracy - The Strategy doesn't specify any targets for accurate processing and the records that are held on the checks that occur are not collated into an overall accuracy statistic. We cannot determine whether the accuracy of processing for 2015/16 was at an acceptable level. Errors should be analysed between financial and procedural and error rates (i.e. number of errors per total checked) monitored. Financial errors pose the greatest risk as they could result in over or underpayment of benefit. In the checks performed to date.

  The focus of checking should be on areas of greatest risk and the Council should consider trends and target arears with recurring issues regarding financial errors. Further monitoring of the level of financial error should be performed under the current testing regime and consideration given to monthly targets for financial accuracy.

Risk
Assessors' work is inaccurate leading to inaccurate benefit claims and hence overpayment or underpayment of benefit.

Action plan		
Finding rating	*Agreed action*	*Responsible person / title*
Low	For the Strategy to be effective as a measure of the processing accuracy of the service as a whole it should contain an overall accuracy target, from which the outcomes from the checks can be measured against. The accuracy should be collated and recorded on a monthly basis for the checking to have any meaning. The strategy should be updated annually and factor in the areas of most concern that have been identified during the previous year. The volume of checking required (the 5%) should be monitored against the volumes that are actually being checked.	Janet Forsdike/Deborah White *Target date* End Dec 2016

Appendix 1. Finding ratings and overall assurance opinion

Findings and Recommendations are prioritised as follows:

High	An issue which requires urgent management decision and action without which there is a substantial risk to the achievement of key business/system objectives, to the reputation of the organisation, or to the regularity and propriety of public funds.
Medium	An issue which requires prompt attention, as failure to do so could lead to a more serious risk exposure
Low	Improvements that will enhance the existing control framework and/or represent best practice.

Assurance opinion definition:

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.

Appendix 2. Terms of Reference

Control Objectives

This review will consider the adequacy and effectiveness of the following controls.

- **Parameters** – System parameters are accurate and security is in place that prevents inappropriate changes being made.
- **Quality Checks –** The Assessors work is subject to regular checks to ensure accuracy of processing.
- **Errors** - Processes are in place to proactively identify, report and monitor Claimant and Local Authority errors.
- **Processing Speed** – the output of work is routinely monitored.
- **Financial Reconciliations –** Are performed and reviewed on a timely basis. Reconciliations include where there are significant transactions flowing in or out of iWorld.
- **Overpayments -** Housing Benefit overpayments are identified in a timely manner and recovery action is put in place and monitored effectively.
- **Follow Up -** The review will include follow up of any prior years agreed recommendations.

Methodology

- Obtain an understanding of the processes that have been operating throughout 2015/16 through discussions with key staff, review of systems documentation and testing of the processes;
- Identify the key risks relating to Housing Benefits;
- Evaluate the design of the controls in place to address the key risks and test, where appropriate, the operating effectiveness of the key controls;

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Audit Committee
26 September 2016

CORPORATE RISK REGISTER

1 Purpose

1.1 To brief the committee on the updated Corporate Risk Register.

2 Recommendations/for decision

2.1 To review the Corporate Risk Register Appendix 2 (confidential) and identify any issues for further consideration

3 Corporate Risk Register - Supporting information

3.1 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 Corporate Risk Register.

3.2 The Corporate Risk Register provides evidence of a risk aware and risk managed organisation. It reflects the risks that are on the current radar for Transition Board. Some of them are not dissimilar to those faced across other local authorities.

3.3 The Corporate risk register was reviewed by Transition Board on the 31 August 2016. The risks and ratings were reviewed and further consideration given to how effectively the risks are being managed and where further action is required.

3.4 The risk register is reviewed on a two monthly basis by Transition Board and reported to the Audit Committee.

3.5 The covering report and the Corporate Risk Register Update (Appendix 1) are in the open part of the agenda. However, the Corporate Risk Register (Appendix 2) contains information on some risks relating to commercially sensitive decisions and, as such, is in Part 2 section of the agenda.

4 Reasons for Recommendation

4.1 To allow members of the Audit Committee to review the Corporate Risk Register.

5 Resource implications

5.1 None

Contact Officer	Kate Mulhearn – Business Assurance Services Manager Tel: 01296 585724
Background Documents	None

Corporate Risk Register Update

The Corporate Risk Register (CRR) shows the key risks to the Council and the actions that are being taken to respond to these risks. The CRR is reviewed on a regular basis by Transition Board following detailed review and updating by the risk owners.

Responsibility for updating the CRR and ensuring actions are taken to mitigate risks is a corporate responsibility but operational responsibility for ensuring this happens rests with the Directors and the Business Assurance Manager.

The CRR was reviewed by Transition Board on 31 August 2016. Since the previous review in July 2016 one new high risk has been added to the register and the residual risk assessment for two risks has increased from moderate to high.

Risk Ref	Change	Comment
17) Unmanaged loss of key staff	New	Commercial AVDC consultation is underway and increasing uncertainty for staff about future positions. Need to manage service resilience and exit processes.
2) Approach to commercialisation does not generate desired levels of income	Increase M→H	Increase in residual risk relates to recognition of need for greater levels of control and improved governance arrangements over identification and progression of commercial opportunities
8) Health & Safety	Increase M→H	In-house H&S Officer is leaving end of September. External consultancy appointed but there is increase risk during transition period while new ways of working are embedded.

Impact of Brexit

We have considered the risks arising following the Brexit decision. At this stage there is too much uncertainty about the specific implications on the strategic objectives and day to day operations of the Council to put anything meaningful on the CRR. Management will review as information becomes available and update the CRR accordingly.

There are 17 risks on the corporate risk register. The Residual risk rating is summarised as follows:

Residual Risk Rating			
Low risk **3**	**Moderate risk** **5**	**High Risk** **7**	**Extreme risk** **2**
11) Safeguarding arrangements, internal policies and processes are not adequate to address concerns about /protect vulnerable adults & children. 14) Fraud, corruption, malpractice by internal or external threats. 15) Equalities is not considered in decisions resulting in Judicial Review and other litigation	6) Fail to manage and deliver major capital projects - Waterside North 7) Fail to Deliver the new Vale of Aylesbury Local Plan 9) Business Continuity - Major or large scale incident causes business interruption affecting the Council's resources and its ability to deliver critical services. 13) Failure to manage a major partnership or a significant council contractor. 16) Failure to manage and deliver the requirements of the SLA for HS2.	1) Commercial AVDC programme does not deliver the required savings and efficiency gains 2) The Council's approach to commercialisation does not produce the income needed. 3) Lack of organisational resilience. 8) Health & Safety - Non-compliance with Fire and Health and Safety legislation (excl. depot /waste services). 10) Information Governance - A significant data breach, Inappropriate access, corruption or loss of data 12) Business Intelligence (Customer insight & performance data) is not sufficiently robust to support effective decisions. 17) Unmanaged loss of key staff during time of change	4) Partnership with AVE fails to deliver or hinders the achievement of the Council's objectives 5) Depot & workshop development project fails to address H&S and Environmental concerns and achieve commercial objectives.

Risk Matrix

Impact	5	Catastrophic	**5**	**10**	**15**	**20**	**25**
	4	Major	**4**	**8**	**12**	**16**	**20**
	3	Moderate	**3**	**6**	**9**	**12**	**15**
	2	Minor	**2**	**4**	**6**	**8**	**10**
	1	Negligible	**1**	**2**	**3**	**4**	**5**
Score			Rare	Unlikely	Possible	Likely	Very Likely
			1	2	3	4	5
			Likelihood				

	1-3	Low Risk	Acceptable risk; No further action or additional controls are required; Risk at this level should be monitored and reassessed at appropriate intervals
	4 - 6	Moderate Risk	A risk at this level may be acceptable; If not acceptable, existing controls should be monitored or adjusted; No further action or additional controls are required.
	8 - 12	High Risk	Not normally acceptable; Efforts should be made to reduce the risk, provided this is not disproportionate; Determine the need for improved control measures.
	15 - 25	Extreme Risk	Unacceptable; Immediate action must be taken to manage the risk; A number of control measures may be required.

Risk Ratings - Impact

Score	Descriptor	Compliance	Finance	Health and safety	Internal Control	Political	Reputational	Staffing & Culture
1	Negligible	No or minimal impact or breach of guidance/ statutory duty	Small loss risk of claim remote	Minor injury; Cuts, bruises, etc.; Unlikely to result in sick leave	Control is in place with strong evidence to support	Parties work positively together with occasional differences; Members & executive work co-operatively	Rumors; Potential for public concern	Short-term low staffing level that temporarily reduces service quality (<1 day)
2	Minor	Breach of statutory legislation; Reduced performance rating from external/internal inspector	Loss of 0.1-0.25 per cent of budget; Claim less than £20k	Moderate injuries; Likely to result in 1-7 days sick leave	Control in place with tentative evidence	Parties have minor differences of opinion on key policies; Members and executive have minor issues	Local media coverage short term reduction in public confidence; Elements of public expectation not met	Low staffing level that reduces the service quality
3	Moderate	Single breach in statutory duty; Challenging external or internal recommendations or improvement notice	Loss of 0.25-0.5 per cent of budget; Claims between £20k - £150k.	Major injuries; More than 7 days sick leave – notifiable to HSE	Control in place with no evidence to support	Members begin to be ineffective in role; Members and Executive at times do not work positively together	Local media coverage – long term reduction in public confidence	Late delivery of key objective/service due to the lack of staff; Low staff morale; Poor staff attendance for mandatory/key training
4	Major	Enforcement action; Multiple breaches of statutory duty; Improvement notices; Low performance ratings	Uncertain delivery of key objectives/loss of 0.5 – 1.0 percent of budget; Claims between £150k to £1m	Death; Single fatality	Partial control in place with no evidence	Members raise questions to officers over and above that amount tolerable; Strained relationships between Executive and Members	National media coverage with key directorates performing well below reasonable public expectation	Uncertain delivery of key objective/service due to lack of staff; Unsafe staffing level or competence; Loss of key staff; Very low staff morale; No staff attending training
5	Catastrophic	Multiple breaches in statutory duty; Prosecution; Complete system changes required; Zero performance against key priorities and targets	Non delivery of key objective/loss of >1 percent of budget; Failure to meet specification/slippage; Loss of major income contract	Multiple deaths; More than one Fatality	No control in place	Internal issues within parties which prevent collaborative working; Que from members shift resources away from corporate priorities	National media coverage, public confidence eroded; Member intervention/action	Non-delivery of key objective/service due to lack of staff; Ongoing unsafe staffing levels or competence; Loss of several key staff; Staff not attending training on ongoing basis

Risk Rating – Likelihood

	Likelihood	Likelihood Descriptors	Numerical likelihood
1	**Rare**	May occur only in exceptional circumstances	Less than 10%
2	**Unlikely**	Do not expect it to happen/recur but it is possible it may do so	Less than 25%
3	**Possible**	Might happen or recur occasionally	Less than 50%
4	**Likely**	Will probably happen/recur but it is not a persisting issue	50% or more
5	**Very Likely**	Will undoubtedly happen/recur, possibly frequently	75% or more

Capacity to Manage

Capacity to Manage	Alert	Description
Full		Full – all reasonable steps have been taken to mitigate the risk and are operating effectively. The cost / benefit considerations on implementing additional controls have been considered and no additional actions are proposed.
Substantial		Substantial – there are sound arrangements to manage the risk with some scope for improvement. Arrangements have had a demonstrable impact in reducing either the likelihood or consequence of the risk.
Moderate		Moderate – there are a number of areas for improvement in arrangements that would help to demonstrate effective and consistent management of the risk.
Limited		Limited – there are significant areas for improvement in arrangements that would help to demonstrate effective and consistent management of the risk.
None		None – there are a lack of clear arrangements in mitigation of the risk.

Audit Committee
26 September 2016

STATEMENT OF ACCOUNTS 2015-16

1 Purpose

1.1 Following on from the report to the July meeting of the Audit Committee on the draft statement of accounts, this report updates the members on the audit process and advises the committee of the changes that have been made to the accounts in accordance with the auditor's recommendations.

1.2 If the committee is satisfied with the revised accounts and that the auditor's comments have been correctly responded to, they are required to authorise the Chairman to sign them on the Committee's behalf, together with the Director with Responsibility for Finance, in order to comply with the 30th September's statutory deadline.

2 Recommendations/for decision

2.1 Members of the committee are requested to consider the final Statement of Accounts for 2015-16 (Appendix A) and

2.2 If satisfied with the position they present, after considering the auditor's comments, they are recommended to authorise the Chairman to sign them on the Committee's behalf.

2.3 Delegate the authority to the Director with Responsibility for Finance, in consultation with the Chair or Vice Chair of the Committee, to make such changes as considered necessary to achieve sign off by the statutory 30 September deadline.

3 The Accounts Approval Process

3.1 The Accounts and Audit Regulations state that the members should only approve the accounts when they have been made aware of the findings of the audit and hence make a better informed decision.

3.2 The auditor's comments and findings arising from their audit work over the last three months are reported in the Audit Results Report, which appears prior to this report on the agenda.

3.3 If the auditors have still not completed their work by the date of the meeting it is requested that the Committee delegate to the Head of Finance, in consultation with the Chair or Vice Chair, the ability to make such changes to the accounts that are considered necessary in order to achieve the statutory 30th September deadline.

3.4 A couple of amendments have been made to the accounts to revise misstatements and to better explain the nature of certain financial transactions to the reader.

3.5 The changes made to the accounts between the draft submitted for audit and this version are reported in the next section.

4 Changes / Revisions to the Accounts

4.1 During the course of the audit it was identified that the current service pension costs had been charged to Non Distributed Costs rather than the individual service areas. The Statement of Accounts attached to this report has been amended to reflect the correct position.

4.2 Other minor changes have been made to Note 34.1 where there was a casting error and the prior year did not agree to the audited accounts from last year. Also, note 34.2 has been updated to reflect three exit packages that were agreed during 2015/16 but not due to be paid until 2016/17. These were originally omitted from the disclosure note.

4.3 The pensions note 38 has also had a couple of amendments to correctly reflect the actuary's report.

4.4 In the Related Party Transactions note of the draft statement of accounts submitted to the committee in July there were a number of members listed as having not returned their disclosure return. Since that meeting all but two of the current members have completed their disclosures. Completion of these disclosures is an audit requirement.

4.5 While the Council can choose whether it wishes to make amendments to its draft accounts for non-material errors or misstatements, the view this year has been that it will reflect all errors or misstatements in the accounts that are raised by external audit.

4.6 There is a requirement to report significant events that occur after the balance sheet date and before the sign off date. Since the committee in July, there have been no significant events that require reporting in the accounts.

5 Reasons for Recommendation

5.1 The Accounts and Audit Regulations require that the Statement of Accounts are formally signed off by the Chair of the Audit Committee and the Director responsible for Finance by the 30th September each year.

6 Resource implications

6.1 These are covered within the body of the report.

7 Response to Key Aims and Objectives

7.1 None directly, although proper financial reporting and management will help with the delivery of the Authority's Key Aims and Outcomes.

Contact Officer	Tony Skeggs 01296-585273
Background Documents	N/A

Aylesbury Vale District Council

Statement of Accounts for the Year Ended 31 March 2016

1. Introduction

I am pleased to be able to present to you the statement of accounts for the year 2015/16.

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 2015/16 the district general fund net underspend was £210,000. A summary of the financial position is shown below:

General Fund Revenue	2015/16 Budget £000	2015/16 Actual £000
Expenditure	88,564	88,528
Income	(69,311)	(67,623)
Net Cost of Services	19,253	20,905
Cost of Borrowing	2,191	906
Other Costs	(5,722)	(1,363)
Investment Interest	(2,024)	(2,804)
Income from Grants	(4,443)	(8,599)
Net Expenditure	9,255	9,045
Local Taxpayers	(9,255)	(9,255)
Net Balance	-	(210)

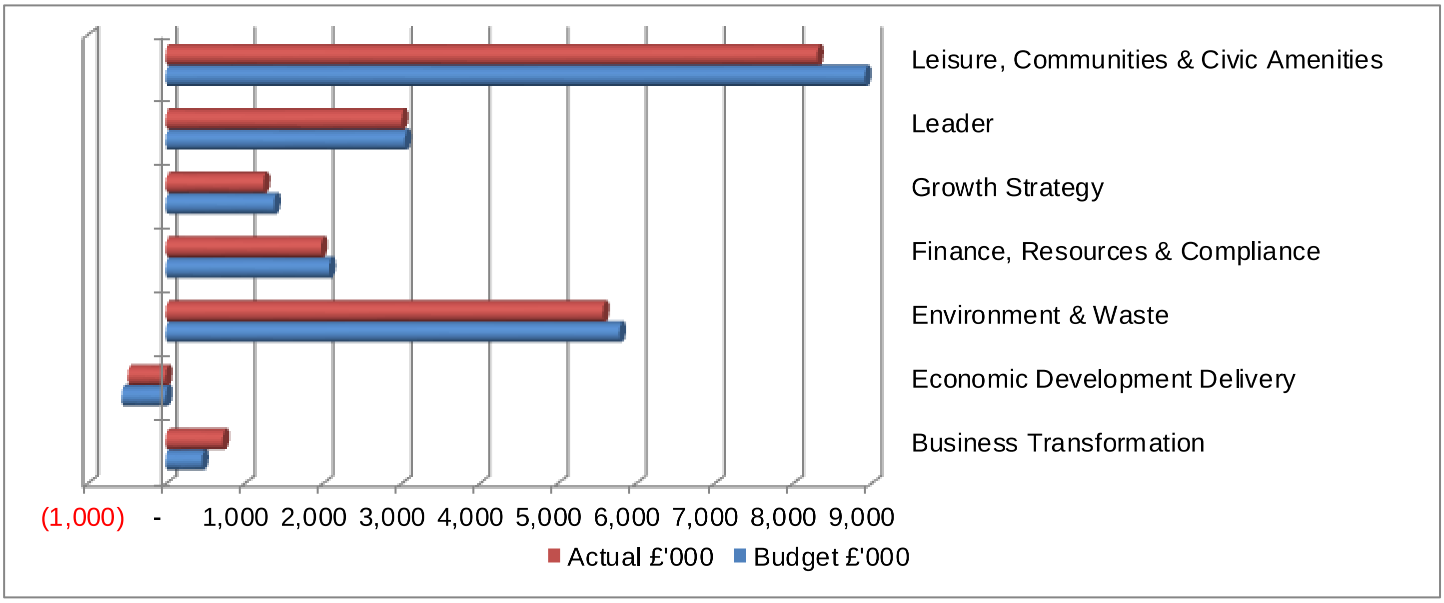
General Fund Balances	2015/16 Budget £000	2015/16 Actual £000
Balance 1st April	(3,332)	(3,765)
Net Balance from Fund	-	(210)
Balance 31st March	(3,332)	(3,975)

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.

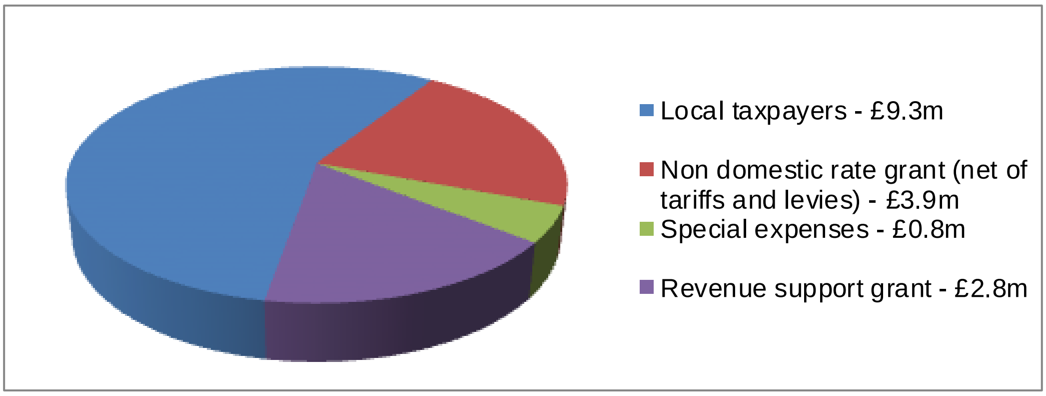
The main areas where variances from budget have been reported through the year in the Quarterly Financial Digest can be summarised as follows:

	Actual Outturn £	Forecast Outturn £	
Top 5 Under Budget			
Domestic Refuse	(435,127)	(300,000)	Salary and fuel savings plus increased sale of bins income
Housing Benefits	(323,648)	-	Increased overpaid benefit recovered less increased rent allowance payments
Car Park Management	(222,062)	(233,000)	Increased service charge and P&D income
Leisure Administration & Management	(107,248)	(103,800)	Salary savings
Communications & Marketing	(84,597)	(20,000)	Savings in market research and strategy costs
Top 5 Over Budget			
Legal Services	242,333	-	Agency staff costs, pension strain costs and increased consultancy fees
Engine Room	218,528	-	Initial investment in Salix energy schemes
Information Technology	205,241	60,000	Costs relating to Commercial AVDC plus loss of income from local authorities
Industrial Estates and Town Centre Properties	145,351	(94,200)	Costs associated with Exchange Street North
Environment & Health Admin	77,114	(30,000)	Pension strain costs

The graph below shows the net spend by portfolio.



The pie chart below shows how the £16.8 million the Council receives from the local taxpayer and from Government is apportioned.



In 2015/16 the Council used £3,367,000 of earmarked reserves in support of revenue spend and transferred £8,106,000 into reserves, £5,074,000 of which was committed but unspent new homes bonus.

4. Capital spending

In 2015/16 the Council spent £8,494,000 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 £5,998,000 (71%), whilst the refurbishment of Swan Pool accounted for £2,412,000 (28%). The remaining expenditure, £84,000, covered works on the Canal Society Clubhouse, renovations of the public realm and refurbishment of the depot.

In 2015/16 the Council received non-asset backed capital receipts of £2,429,000, £2,310,000 of which was from house sales as part of the stock transfer agreement. In addition, the Council received £119,000 from the sale of land. The Council's capital expenditure in 2015/16 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 2015/16 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.

The Council partly or wholly owns a number of companies, all of which have the common goal of producing overall benefits for the residents and businesses of the vale. This may be through investment, commercial opportunity or simply by generating cash for the Council through dividend payments funded from profit. This may also be through the purchasing or reselling elements of Council services which may result in an overall better position for the Council.

The companies in which the Council have an interest are set out in the following table:

Company Name	Council Share	Company Status	Purpose
Aylesbury Vale Estates LLP	50%	Joint Venture	Managing our commercial estate
Aylesbury Vale Broadband Ltd	95%	Subsidiary	Delivering broadband in our more rural areas
Novae Consulting Ltd	100%	Subsidiary	Delivering our commercial consultancy work
Vale Commerce Ltd	100%	Subsidiary	Delivering the commercial ambitions of the Council under the brands of Incgen and Limecart

:
The statements are intended to present financial information about the parent (the Council) and the companies in which it has an interest by bringing together their results in a unified set of accounts.

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 2016. The current valuation shows a deficit on the fund of £82,933,000 (£90,307,000 at 31 March 2015) 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 2016, with the next formal revaluation due as at 31st March 2019. 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 2015/16 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 2016/17. Despite continuing to receive a much lower level of formula grant, the Council limited the increase of its element of the council tax for 2016/17 to 1.99%. This reflected a government policy objective.

10. EU Referendum and the implications of Brexit

Following the result of the EU referendum and the decision to leave the European Union, there are potential implications on the Council. Although it is early days, the only noticeable impact is the reduction in interest rates which will affect the return we will get on our investments. As the process of Brexit gets underway AVDC will monitor the implications on the Council and will report the consequences to the appropriate authority.

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 2016 has been prepared and I confirm that these accounts were approved by the audit committee at its meeting on 26 September 2016.

Councillor Kevin Hewson
Chairman of Audit Committee
26 September 2016

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 2015/16* - 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 2016.

Andrew Small
Director (with responsibility for finance)
30 June 2016

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. This is 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.

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Council	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 2014	**(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)	1,295	-	-	-	1,295	-	1,295
Other comprehensive income and expenditure	-	-	-	-	-	11,611	11,611
Total comprehensive income and expenditure	**1,295**	**-**	**-**	**-**	**1,295**	**11,611**	**12,906**
Adjustments between accounting basis & funding basis under regulations (Note 6.2)	(4,991)	-	(5,793)	(675)	(11,459)	11,459	-
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)**
Movement in reserves during 2015/16							
Surplus on provision of services (accounting basis)	(4,619)	-	-	-	(4,619)	-	(4,619)
Other comprehensive income and expenditure	-	-	-	-	-	(11,387)	(11,387)
Total comprehensive income and expenditure	**(4,619)**	**-**	**-**	**-**	**(4,619)**	**(11,387)**	**(16,006)**
Adjustments between accounting basis & funding basis under regulations (Note 6.2)	71	-	3,247	(683)	2,635	(2,635)	-
Net (increase)/decrease before transfers to earmarked reserves	(4,548)	-	3,247	(683)	(1,984)	(14,022)	(16,006)
Transfers to/(from) earmarked reserves (Note 7)	4,338	(4,338)	-	-	-	-	-
(Increase)/decrease in year	**(210)**	**(4,338)**	**3,247**	**(683)**	**(1,984)**	**(14,022)**	**(16,006)**
Balance at 31 March 2016	**(3,975)**	**(32,104)**	**(6,362)**	**(1,950)**	**(44,391)**	**(47,139)**	**(91,530)**

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 and subidiaries	Total reserves
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 1 April 2014	**(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)	893	-	-	-	893	-	893	-	893
Other comprehensive income and expenditure	-	-	-	-	-	11,611	11,611	(1,500)	10,111
Total comprehensive income and expenditure	**893**	**-**	**-**	**-**	**893**	**11,611**	**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)	(4,991)	-	(5,793)	(675)	(11,459)	11,459	-	-	-
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)**
Movement in reserves during 2015/16									
Surplus on provision of services (accounting basis)	(4,560)	-	-	-	(4,560)	-	(4,560)	(10)	(4,570)
Other comprehensive income and expenditure	-	-	-	-	-	(11,387)	(11,387)	(385)	(11,772)
Total comprehensive income and expenditure	**(4,560)**	**-**	**-**	**-**	**(4,560)**	**(11,387)**	**(15,947)**	**(395)**	**(16,342)**
Adjustments between group accounts and authority accounts (Note 6.1)	18	-	-	-	18		18	(18)	-
Adjustments between accounting basis & funding basis under regulations (Note 6.2)	71	-	3,247	(683)	2,635	(2,635)	-	-	-
Net (increase)/decrease before transfers to earmarked reserves	**(4,471)**	**-**	**3,247**	**(683)**	**(1,907)**	**(14,022)**	**(15,929)**	**(413)**	**(16,342)**
Transfers to/(from) earmarked reserves (Note 7)	4,338	(4,338)	-	-	-	-	-	-	-
(Increase)/decrease in year	**(133)**	**(4,338)**	**3,247**	**(683)**	**(1,907)**	**(14,022)**	**(15,929)**	**(413)**	**(16,342)**
Balance at 31 March 2016	**(2,085)**	**(32,104)**	**(6,362)**	**(1,950)**	**(42,501)**	**(47,139)**	**(89,640)**	**(3,687)**	**(93,327)**

Reconciliation of movement in reserves statement to balance sheet

31 March 2015 Group only		31 March 2016 Group only
£000		£000
(76,985)	Total reserves in the movement in reserves statement	(93,327)
-	Minority interest share of reserves of subsidiaries	10
(76,985)	**Total reserves in the balance sheet**	**(93,317)**

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.

2014/15								2015/16					
Council			Group					Council			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
2,166	(1,353)	813	2,166	(1,353)	813	Central services to the public		2,463	(1,596)	867	2,463	(1,596)	867
7,380	(2,652)	4,728	7,380	(2,652)	4,728	Cultural & related services		6,842	(2,142)	4,700	6,842	(2,142)	4,700
11,627	(4,707)	6,920	11,627	(4,707)	6,920	Environment & regulatory services		11,844	(4,294)	7,550	11,844	(4,294)	7,550
7,305	(4,737)	2,568	7,305	(4,737)	2,568	Planning services		6,894	(6,475)	419	6,894	(6,475)	419
2,932	(7,424)	(4,492)	2,932	(7,424)	(4,492)	Highways, roads & transport		2,979	(3,368)	(389)	2,979	(3,368)	(389)
57,234	(49,553)	7,681	57,234	(49,553)	7,681	Housing services		53,965	(49,747)	4,218	53,965	(49,747)	4,218
3,231	(3)	3,228	3,231	(3)	3,228	Corporate & democratic core		3,014	(1)	3,013	3,014	(1)	3,013
1,910	-	1,910	1,910	-	1,910	Non distributed costs		527	-	527	527	-	527
93,785	**(70,429)**	**23,356**	**93,785**	**(70,429)**	**23,356**	**Cost of services**	31	**88,528**	**(67,623)**	**20,905**	**88,528**	**(67,623)**	**20,905**
		4,943			4,943	Other operating income and expenditure	8			2,922			2,922
		1,338			936	Financing and investment income and expenditure	9			1,004			1,063
		(28,342)			(28,342)	Taxation and non-specific grant income	10			(29,450)			(29,450)
		1,295			**893**	**Deficit/(Surplus) on provision of services**				**(4,619)**			**(4,560)**
		(2,593)			(4,093)	Surplus on revaluation of property, plant and equipment assets	25.1			(557)			(942)
		51			51	Deficit on revaluation of available for sale financial assets	25.2			-			-
		14,153			14,153	Remeasurement of net defined benefit	25.5			(10,830)			(10,830)
		11,611			**10,111**	**Other comprehensive income and expenditure**				**(11,387)**			**(11,772)**
		12,906			**11,004**	**Total comprehensive income and expenditure**				**(16,006)**			**(16,332)**

Analysis of the minority interest shares in the group comprehensive income and expenditure statement

Council	Minority interest	Total		Council	Minority interest	Total
£000	£000	£000		£000	£000	£000
893	-	893	Deficit/(surplus) on provision of services	(4,570)	10	(4,560)
10,111	-	10,111	Other comprehensive income and expenditure	(11,772)	-	(11,772)
11,004	**-**	**11,004**	**Total comprehensive income and expenditure**	**(16,342)**	**10**	**(16,332)**

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 2015				31 March 2016	
Council	Group			Council	Group
£000	£000		note	£000	£000
		Property, plant & equipment			
108,554	108,554	Other land and buildings	11.7	108,919	108,919
1,887	1,887	Vehicles, plant and equipment	11.7	1,349	1,349
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
10,131	10,131	Assets under construction	11.7	85	85
130,540	**130,540**	**Total property, plant & equipment**		**120,321**	**120,321**
415	415	Investment property	12	415	415
1,285	1	Long term investments	13	1,284	-
-	2,745	Investment in joint venture	14	-	3,254
28,315	28,315	Long term debtors	15,36	43,652	43,471
160,555	**162,016**	**Long term assets**		**165,672**	**167,461**
451	451	Assets held for resale	16	428	428
34,132	34,132	Short term investments	17	32,569	32,569
3	3	Inventories		3	3
12,584	12,584	Short term debtors	17,18	11,264	11,291
4,286	4,286	Short term loans	17,19	4,387	4,387
7,965	7,965	Cash and cash equivalents	17,20	9,074	9,095
59,421	**59,421**	**Current assets**		**57,725**	**57,773**
(5,017)	(5,017)	Short term borrowing	17	-	-
(13,552)	(13,552)	Short term creditors	17,21	(10,935)	(10,985)
(1,629)	(1,629)	Provisions	22	(1,744)	(1,744)
(20,198)	**(20,198)**	**Current liabilities**		**(12,679)**	**(12,729)**
(187)	(187)	Provisions	22	(187)	(187)
(100,306)	(100,306)	Other long term liabilities	23	(95,408)	(95,408)
(23,761)	(23,761)	Long term borrowing	17	(23,593)	(23,593)
(124,254)	**(124,254)**	**Long term liabilities**		**(119,188)**	**(119,188)**
75,524	**76,985**	**Net assets**		**91,530**	**93,317**
(42,407)	(39,971)	Usable reserves	MiRS, 24	(44,391)	(41,906)
(33,117)	(37,014)	Unusable reserves	MiRS, 25	(47,139)	(51,411)
(75,524)	**(76,985)**	**Total reserves**		**(91,530)**	**(93,317)**

These financial statements replace the unaudited financial statements approved at the meeting of the audit committee on 25 July 2016.

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.

2014/15				2015/16	
Council	**Group**			**Council**	**Group**
£000	£000		note	£000	£000
(1,295)	(893)	Net (deficit)/surplus on the provision of services		4,619	4,560
9,958	9,556	Adjustment to (deficit)/surplus on the provision of services for non cash movements	26.1	23,412	23,492
(8,364)	(8,364)	Adjustments for items included in the net (deficit)/surplus on the provision of services that are investing and financing activities	26.2	(21,397)	(21,397)
299	299	Net cash flows from operating activities		6,634	6,655
(10,035)	(10,035)	Net cash flows from investing activities	27	(394)	(394)
12,586	12,586	Net cash flows from financing activities	28	(5,131)	(5,131)
2,850	2,850	Net increase in cash and cash equivalents		1,109	1,130
5,115	5,115	Cash and cash equivalents at the beginning of the reporting period		7,965	7,965
7,965	**7,965**	**Cash and cash equivalents at the end of the reporting period**		**9,074**	**9,095**

1. Accounting Policies

1.1 General principles

The statement of accounts summarises the Council's transactions for the 2015/16 financial year and its position at 31 March 2016. 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 2015/16 and Service Reporting Code of Practice 2015/16, 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 2015/16 – 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 2016/17 Code:

- IAS1 Presentation of Financial Statements - This standard provides guidance on the form of the financial statements. The 'Telling the Story' review of the presentation of the local authority financial statements as well as the December 2014 changes to IAS1 under the International Accounting Standards Board (IASB) Disclosure Initiative will result in changes to the format of the accounts in 2016/17. The format of the comprehensive income and expenditure statement and the movement in reserves statement will change and introduce a new expenditure and funding analysis.
- Other minor changes due to the Annual Improvement to IFRSs cycles, IFRS11 Joint Arrangements, IAS16 Property, Plant & Equipment, and IAS19 Employee Benefits are minor and are not expected to have a material impact on the statement of accounts.

The Code requires implementation from 1 April 2016 and there is therefore no impact on the 2015/16 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 2016 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 2016. 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 2016.

- 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 2016, the Council had a balance of sundry debtors for £11,772,000. A review of significant balances suggested that an impairment for doubtful debts of 23% (£2,752,000) 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 2015/16, 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 £79,200 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 26 September 2016. 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 2016, 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

2014/15 Group		2015/16 Group
£000		£000
663	Share of AVE LLP loss/(profit) for the year	(201)
-	Aylesbury Vale Broadband Ltd loss for the year	190
	Novae Ltd profit for the year	(7)
663		**(18)**

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	2015/16			
	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	(3,071)	-	-	3,071
Revenue expenditure funded from capital under statute	(385)	-	-	385
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	(16,222)	-	-	16,222
Insertion of items not debited or credited to the comprehensive income and expenditure statement				
Statutory provision for the financing of capital investment	1,536	-	-	(1,536)
Adjustments primarily involving the capital grants unapplied account				
Capital grants and contributions unapplied credited to the comprehensive income and expenditure statement	3,722	-	(3,722)	-
Application of grants to capital financing transferred to the capital adjustment account	-	-	3,039	(3,039)
Adjustments primarily involving the capital receipts reserve				
Use of the capital receipts reserve to finance new capital expenditure	-	5,785	-	(5,785)
In-year capital receipts	2,429	(2,429)	-	-
Transfer from deferred capital receipts reserve upon receipt of cash	-	(109)	-	109
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	15,302	-	-	(15,302)
Adjustments primarily involving the pensions reserve				
Reversal of items relating to retirement benefits debited or credited to the comprehensive income and expenditure statement	(7,310)	-	-	7,310
Employer's contributions and direct payments to pensioners payable in year	3,854	-	-	(3,854)
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	212	-	-	(212)
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	4	-	-	(4)
Total adjustments	**71**	**3,247**	**(683)**	**(2,635)**

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	(4,130)	-	-	4,130
Revaluation increases/(decreases) recognised in the (surplus)/deficit on the provision of services	4,363			(4,363)
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	**(4,991)**	**(5,793)**	**(675)**	**11,459**

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 2014/15 and 2015/16.

Council and group	Balance 1 April 2014	Transfers out 2014/15	Transfers in 2014/15	Balance 31 March 2015	Transfers out 2015/16	Transfers in 2015/16	Balance 31 March 2016
	£000	£000	£000	£000	£000	£000	£000
Capital purposes							
Amenity areas	(2,424)	-	(82)	(2,506)	-	(242)	(2,748)
Property sinking	(2,812)	500	-	(2,312)	500	-	(1,812)
Information technology	(1,214)	282	(297)	(1,229)	78	(297)	(1,448)
Property strategy	(436)	-	(104)	(540)	-	-	(540)
Future vehicle costs	(19)	15	-	(4)	-	-	(4)
	(6,905)	**797**	**(483)**	**(6,591)**	**578**	**(539)**	**(6,552)**
Revenue purposes							
New homes bonus	(3,551)	-	(3,450)	(7,001)	1,454	(5,074)	(10,621)
Interest equalisation	(3,452)	657	-	(2,795)	619	(658)	(2,834)
Planning fees	(753)	405	(842)	(1,190)	-	(1,156)	(2,346)
Business rates	(1,680)	-	(321)	(2,001)	-	-	(2,001)
Superannuation	(1,837)	277	-	(1,560)	277	-	(1,283)
Repairs & renewals	(1,055)	401	(254)	(908)	97	(384)	(1,195)
Fairford Leys riverine	(412)	-	(438)	(850)	-	(12)	(862)
LABGI	(907)	100	(50)	(857)	-	-	(857)
Benefit subsidy	(1,534)	-	-	(1,534)	727	-	(807)
Self insurance	(539)	-	(38)	(577)	-	-	(577)
Aylesbury special expenses	(471)	-	(48)	(519)	15	-	(504)
Recycling & composting	(151)	-	(48)	(199)	-	(107)	(306)
Car parking	(192)	-	-	(192)	-	(15)	(207)
District elections	(141)	35	(54)	(160)	-	(39)	(199)
Health licensing income	(51)	-	-	(51)	-	(120)	(171)
Leisure Activities	-	-	(156)	(156)	-	(2)	(158)
Historic buildings	(136)	-	(5)	(141)	-	-	(141)
Housing needs & s106	(107)	-	-	(107)	-	-	(107)
Business support fund	-	-	(102)	(102)	-	-	(102)
Business transformation	(150)	61	-	(89)	-	-	(89)
Rent guarantee scheme	(71)	-	-	(71)	-	-	(71)
Market research	(32)	-	(15)	(47)	-	-	(47)
Playgrounds	(40)	-	-	(40)	-	-	(40)
Land registry fees	(11)	-	-	(11)	-	-	(11)
Other	(9)	-	-	(9)	1	-	(8)
Corporate improvement	(8)	-	-	(8)	-	-	(8)
	(17,290)	**1,936**	**(5,821)**	**(21,175)**	**3,190**	**(7,567)**	**(25,552)**
	(24,195)	**2,733**	**(6,304)**	**(27,766)**	**3,768**	**(8,106)**	**(32,104)**

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) Planning reserves

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

(g) 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.

(h) Superannuation reserve

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

(i) 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.

(j) 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.

(k) 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.

8. Other operating income and expenditure

2014/15 Council and Group		2015/16 Council and Group
£000		£000
4,272	Parish precepts	4,552
1	Payments to the government housing capital receipts pool	-
(2,793)	Post stock transfer capital receipts	(2,310)
(82)	Commuted sum income	(242)
(246)	Other operating (income)/costs	121
3,791	Loss on disposal of non-current assets	801
4,943		**2,922**

9. Financing and investment income and expenditure

2014/15 Council	2014/15 Group		2015/16 Council	2015/16 Group
£000	£000		£000	£000
829	829	Interest payable and similar charges	906	906
3,138	3,138	Net interest on the net defined liability	2,931	2,931
(2,601)	(2,601)	Interest receivable and similar income	(2,804)	(2,804)
-	-	Losses attributable to subsidiary companies	-	183
-	(506)	Share of profits attributable to joint venture	-	(201)
(104)	-	Distribution attributable to joint venture (note 29)	(77)	-
76	76	Other investment costs (note 12)	48	48
1,338	**936**		**1,004**	**1,063**

10. Taxation and non-specific grant income

2014/15 Council and Group		2015/16 Council and Group
£000		£000
(14,060)	Council tax income	(15,031)
(3,697)	Non domestic rates	(3,543)
(9,157)	Non-ringfenced government grants (note 30)	(8,599)
(1,428)	Capital grants and contributions	(2,277)
(28,342)		**(29,450)**

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
Waste Bins	7 years
Equipment	5 years
Vehicles	3 years

11.4 Capital commitments

The Council had no outstanding capital commitments at 31 March 2016.

The Council had no construction contracts in effect at 31 March 2016.

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 £79,200 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 University Campus Aylesbury Vale and Swan Pool were carried out by Mark Aldis BSc(Hons) M.R.I.C.S. of Wilks, Head and Eve as at 31 March 2016.

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	2015/16						
	Other land & buildings	Vehicles, plant & equipment	Community assets	Surplus assets	Heritage assets	PP&E under construction	Total PP&E
	£000	£000	£000	£000	£000	£000	£000
Cost or valuation							
At 1 April 2015	112,892	6,108	19	9,729	220	10,131	139,099
Additions	2,411	-	-	-	-	6,083	8,494
Revaluation increases/(decreases) recognised in the revaluation reserve	557	-	-	-	-	-	557
Derecognition - disposals	(16,222)	-	-	-	-	-	(16,222)
Other movements in cost or valuation	16,129	-	-	-	-	(16,129)	-
At 31 March 2016	**115,767**	**6,108**	**19**	**9,729**	**220**	**85**	**131,928**
Accumulated depreciation							
At 1 April 2015	(4,338)	(4,221)	-	-	-	-	(8,559)
Depreciation charge	(2,547)	(538)	-	-	-	-	(3,085)
Derecognition - disposals	37	-	-	-	-	-	37
At 31 March 2016	**(6,848)**	**(4,759)**	**-**	**-**	**-**	**-**	**(11,607)**
Net book value							
At 31 March 2016	**108,919**	**1,349**	**19**	**9,729**	**220**	**85**	**120,321**
At 1 April 2015	**108,554**	**1,887**	**19**	**9,729**	**220**	**10,131**	**130,540**

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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	2,337	-	-	-	-	-	2,337
Revaluation increases/(decreases) recognised in the (surplus)/deficit on the provision of services	4,363	-	-	-	-	-	4,363
Impairment losses/reversals recognised in the (surplus)/deficit on the provision of services	-	-	(1,362)	-	-	-	(1,362)
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**

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:

2014/15 Council and group £000		2015/16 Council and group £000
(2)	Rental income from investment property	(6)
78	Direct operating expenses arising from investment property	54
76		**48**

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 2015 Council and group £000		31 March 2016 Council and group £000
415	Balance at 1 April	415
415	**Balance at 31 March**	**415**

13. Long term investments

31 March 2015			31 March 2016	
Council	Group		Council	Group
£000	£000		£000	£000
1,284	-	Aylesbury Vale Estates LLP	1,284	-
1	1	Other	-	-
1,285	**1**		**1,284**	**-**

14. Investment in joint venture

31 March 2015 Group £000		31 March 2016 Group £000
1,308	Investment at cost	1,308
(24)	Capital repayments and distributions	(24)
(1,813)	Distributions	(1,890)
(623)	AVDC share of accumulated losses	(422)
3,897	AVDC share of accumulated revaluation gains	4,282
2,745		**3,254**

15. Long term debtors

1 April 2014	31 March 2015		31 March 2016	
Council and group	Council and group		Council	Group
£000	£000		£000	
28,648	28,264	Aylesbury Vale Estates LLP	27,856	27,856
-	-	Finance leases	15,577	15,577
-	-	Aylesbury Vale Broadband Ltd	171	-
-	-	Novae Consulting Letd	10	-
79	51	Car purchase loans	38	38
28,727	**28,315**		**43,652**	**43,471**

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 £428,000.

31 March 2015		31 March 2016
Council and group		Council and group
£000		£000
	Elmhurst Community Centre	
-	Balance as at 1 April	451
451	Additions	-
-	Revaluation - Impairment	(23)
451	Balance as at 31 March	428
	Circus Fields	
1,800	Balance as at 1 April	-
(1,800)	Disposals	-
-	Balance as at 31 March	-
451		**428**

17. Financial instruments

17.1 Categories of financial instruments

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

31 March 2015			31 March 2016			
Council and group			Council		Group	
Long term	Current		Long term	Current	Long term	Current
£000	£000		£000	£000	£000	£000
		Investments				
-	34,132	Loans and receivables	-	32,569	-	32,569
-	**34,132**	**Total investments**	**-**	**32,569**	**-**	**32,569**
		Debtors				
28,727	7,736	Loans and receivables	43,652	4,387	43,471	4,387
-	8,833	Financial assets carried at contract amounts	-	7,905	-	7,932
28,727	**16,569**	**Total debtors**	**43,652**	**12,292**	**43,471**	**12,319**
		Cash and cash equivalents				
-	5,115	Financial assets carried at contract amount	-	9,074	-	9,095
-	**5,115**	**Total cash and cash equivalents**	**-**	**9,074**	**-**	**9,095**
		Borrowings				
(15,139)	(5,009)	Financial liabilities at amortised cost	(23,593)	-	(23,593)	-
(15,139)	**(5,009)**	**Total borrowings**	**(23,593)**	**-**	**(23,593)**	**-**
		Creditors				
-	(6,037)	Financial liabilities carried at contract amount	-	(7,665)	-	(7,715)
-	**(6,037)**	**Total creditors**	**-**	**(7,665)**	**-**	**(7,715)**

17.2 Income, expense, gains and losses

2014/15 Council and group				2015/16 Council and group		
Financial assets: loans and receivables	Assets and liabilities at fair value through profit and loss	Total		Financial assets: loans and receivables	Assets and liabilities at fair value through profit and loss	Total
£000	£000	£000		£000	£000	£000
-	829	829	Interest expense	-	906	906
-	**829**	**829**	**Total expense in deficit on the provision of services**	**-**	**906**	**906**
(2,601)	-	(2,601)	Interest income	(2,804)	-	(2,804)
(2,601)	**-**	**(2,601)**	**Total income in deficit on the provision of services**	**(2,804)**	**-**	**(2,804)**
51	-	51	Amounts recycled to the surplus or deficit on the provision of services after impairment	-		-
51	**-**	**51**	**Deficit arising on revaluation of financial assets in other comprehensive income and expenditure**	**-**	**-**	**-**
(2,550)	**829**	**(1,721)**		**(2,804)**	**906**	**(1,898)**

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 2015			31 March 2016			
Council and group			Council		Group	
Carrying amount	Fair value		Carrying amount	Fair value	Carrying amount	Fair value
£000	£000		£000	£000	£000	£000
		Financial assets				
28,315	28,315	Long term debtors	43,652	43,652	43,471	43,471
34,132	34,097	Short term investments	32,569	33,106	32,569	33,106
7,965	7,965	Cash and cash equivalents	9,074	9,074	9,095	9,095
70,412	**70,377**		**85,295**	**85,832**	**85,135**	**85,672**
		Financial liabilities				
(9,999)	(9,999)	Long term creditors	(12,475)	(12,475)	(12,475)	(12,475)
(5,017)	(5,017)	Short term borrowing	-	-	-	-
(23,761)	(26,823)	Long term borrowing	(23,593)	(26,685)	(23,593)	(26,685)
(38,777)	**(41,839)**		**(36,068)**	**(39,160)**	**(36,068)**	**(39,160)**

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

18. Short term debtors

31 March 2015 Council and group		31 March 2016 Council	31 March 2016 Group
£000		£000	£000
3,721	Central government bodies	1,576	1,576
748	Other local authorities	497	497
200	NHS bodies	113	113
193	Amounts owed by joint venture	193	193
9,735	Other entities and individuals	11,637	11,664
14,597		14,016	14,043
(2,013)	Provision for impairment of bad debts	(2,752)	(2,752)
12,584		**11,264**	**11,291**

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 dividends receivable in respect of 2014/15 of £104,000 and 2015/16 of £77,000 were also converted into short term loans.

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

31 March 2015 Council and group		31 March 2016 Council and group
£000		£000
2,900	Hale Leys LLP	2,900
1,386	Aylesbury Vale Estates LLP	1,487
4,286		**4,387**

20. Cash and cash equivalents

31 March 2015 Council and group		31 March 2016 Council	31 March 2016 Group
£000		£000	£000
1	Cash	1	1
1,022	Bank current accounts	2,493	2,514
7,540	Short term deposits	6,580	6,580
7,965		**9,074**	**9,095**

21. Short term creditors

31 March 2015 Council and group		31 March 2016 Council	31 March 2016 Group
£000		£000	£000
(2,347)	Central government bodies	(2,939)	(2,939)
(4,258)	Other local authorities	(2,872)	(2,714)
-	NHS bodies	(95)	(95)
(6,947)	Other entities and individuals	(5,029)	(5,237)
(13,552)		**(10,935)**	**(10,985)**

22. Provisions

	Council and group Short term NNDR appeals	Council and group Long term Refundable bonds
	£000	£000
Balance at 1 April 2014	**(1,629)**	**(183)**
Additional provisions made in 2014/15	-	(4)
Balance at 31 March 2015	**(1,629)**	**(187)**
Additional provisions made in 2015/16	(115)	-
Balance at 31 March 2016	**(1,744)**	**(187)**

23. Other long term liabilities

31 March 2015 Council and group		31 March 2016 Council and group
£000		£000
(90,307)	Pension liability	(82,933)
(9,999)	Developer contributions	(12,475)
(100,306)		**(95,408)**

24. Usable reserves

Movement in usable reserves are summarised below:

Council	Balance 1 April 2014	Movements Debits	Movements Credits	Balance 31 March 2015	Movements Debits	Movements Credits	Balance 31 March 2016
	£000	£000	£000	£000	£000	£000	£000
General fund balance	(3,640)	127,456	(127,581)	(3,765)	129,163	(129,373)	(3,975)
Capital receipts reserve	(3,816)	4,164	(9,957)	(9,609)	5,785	(2,538)	(6,362)
Capital grants unapplied	(592)	1,253	(1,928)	(1,267)	3,039	(3,722)	(1,950)
Earmarked reserves	(24,195)	2,733	(6,304)	(27,766)	3,768	(8,106)	(32,104)
	(32,243)	**135,606**	**(145,770)**	**(42,407)**	**141,755**	**(143,739)**	**(44,391)**

Group	Balance 1 April 2014	Movements Debits	Movements Credits	Balance 31 March 2015	Movements Debits	Movements Credits	Balance 31 March 2016
	£000	£000	£000	£000	£000	£000	£000
General fund balance	(1,931)	127,456	(127,477)	(1,952)	129,163	(129,296)	(2,085)
Capital receipts reserve	(3,816)	4,164	(9,957)	(9,609)	5,785	(2,538)	(6,362)
Capital grants unapplied	(592)	1,253	(1,928)	(1,267)	3,039	(3,722)	(1,950)
Earmarked reserves	(24,195)	2,733	(6,304)	(27,766)	3,768	(8,106)	(32,104)
Joint venture profit and loss reserves	1,129	-	(506)	623	-	(201)	422
Subsidiary profit and loss reserves	-	-	-	-	186	(13)	173
	(29,405)	**135,606**	**(146,172)**	**(39,971)**	**141,941**	**(143,876)**	**(41,906)**

25. Unusable reserves

Movement in unusable reserves are summarised below:

Council only	Balance 1 April 2014	Movements Debits	Movements Credits	Balance 31 March 2015	Movements Debits	Movements Credits	Balance 31 March 2016
	£000	£000	£000	£000	£000	£000	£000
Revaluation reserve	(10,961)	-	(2,593)	(13,554)	-	(557)	(14,111)
Available for sale financial instruments reserve	(51)	51	-	-	-	-	-
Capital adjustment account	(86,824)	16,152	(11,100)	(81,772)	19,678	(10,360)	(72,454)
Deferred capital receipts	(32,708)	3,939	-	(28,769)	109	(15,302)	(43,962)
Pensions reserve	73,064	28,423	(11,180)	90,307	(4,915)	(2,459)	82,933
Collection fund adjustment account	1,204	-	(607)	597	-	(212)	385
Accumulated absences account	89	74	(89)	74	70	(74)	70
	(56,187)	**48,639**	**(25,569)**	**(33,117)**	**14,942**	**(28,964)**	**(47,139)**

Group	Balance 1 April 2014	Movements Debits	Movements Credits	Balance 31 March 2015	Movements Debits	Movements Credits	Balance 31 March 2016
	£000	£000	£000	£000	£000	£000	£000
Revaluation reserve	(13,358)	141	(4,234)	(17,451)	-	(942)	(18,393)
Available for sale financial instruments reserve	(51)	51	-	-	-	-	-
Capital adjustment account	(86,824)	16,152	(11,100)	(81,772)	19,678	(10,360)	(72,454)
Deferred capital receipts	(32,708)	3,939	-	(28,769)	109	(15,302)	(43,962)
Pensions reserve	73,064	28,423	(11,180)	90,307	(4,915)	(2,459)	82,933
Collection fund adjustment account	1,204	-	(607)	597	-	(212)	385
Accumulated absences account	89	74	(89)	74	70	(74)	70
Minority interests	-	-	-	-	10	-	10
	(58,584)	**48,780**	**(27,210)**	**(37,014)**	**14,952**	**(29,349)**	**(51,411)**

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.

2014/15 Council	2014/15 Group		2015/16 Council	2015/16 Group
£000	£000		£000	£000
(10,961)	(13,358)	Balance at 1 April	(13,554)	(17,451)
(2,337)	(3,978)	Upward revaluation of assets	(557)	(942)
(256)	(256)	Depreciation written back to revaluation reserve	-	-
-	141	Downward revaluation of assets and impairment losses not charged to the deficit on the provision of services	-	-
(2,593)	**(4,093)**	**Surplus on revaluation of non-current assets not posted to the deficit on the provision of services**	**(557)**	**(942)**
(13,554)	**(17,451)**	**Balance at 31 March**	**(14,111)**	**(18,393)**

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.

2014/15 Council and group		2015/16 Council and group
£000		£000
(51)	Balance at 1 April	-
51	Downward revaluation of investments	-
-	**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.

2014/15 Council and group £000	2014/15 Council and group £000		2015/16 Council and group £000	2015/16 Council and group £000
	(86,824)	Balance at 1 April		(81,772)
		Reversal of items relating to capital expenditure debited to the comprehensive income and expenditure statement		
4,130		● Charges for depreciation and impairment of non-current assets	3,071	
(4,363)		● Revaluation increases/(decreases) recognised in the (surplus)/deficit on the provision of services	-	
4,588		● Revenue expenditure funded from capital under statute	385	
7,434		● 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	16,222	
	11,789	Net written out amount of the non-current assets consumed in the year		19,678
		Capital financing applied in the year		
	(4,164)	● Use of the capital receipts reserve to finance new capital expenditure		(5,785)
	(1,253)	● Application of grants to capital financing from the capital grants unapplied account and earmarked reserves		(3,039)
	(1,320)	● Statutory provision for the financing of capital investment charged against the general fund		(1,536)
	(81,772)	**Balance at 31 March**		**(72,454)**

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.

2014/15 Council and group £000		2015/16 Council and group £000
(32,708)	Balance at 1 April	(28,769)
-	Transfer of deferred sales proceeds credited as part of the loss on disposal to the comprehensive income and expenditure statement	(15,302)
-	Amount written off to the capital adjustment account	-
3,939	Transfer to the capital receipts reserve upon receipt of cash	109
(28,769)	**Balance at 31 March**	**(43,962)**

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.

2014/15 Council and group £000	£000		2015/16 Council and group £000	£000
	73,064	Balance at 1 April		90,307
(7,406)		Return on plan assets in excess of interest	1,401	
21,591		Change in financial assumptions	(12,225)	
(32)		Experience gain on defined benefit obligation	(6)	
	14,153	Remeasurement of net defined benefit		(10,830)
	6,832	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		7,310
	(3,742)	Employer's pensions contributions and direct payments to pensioners payable in the year		(3,854)
	90,307	**Balance at 31 March**		**82,933**

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.

2014/15 Council and group £000		2015/16 Council and group £000
1,204	Balance at 1 April	597
(607)	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	(212)
597	**Balance at 31 March**	**385**

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.

2014/15 Council and group £000	£000		2015/16 Council and group £000	£000
	89	Balance at 1 April		74
(89)		Settlement or cancellation of accrual made at the end of the preceding year	(74)	
74		Amount accrued at the end of the current year	70	
	(15)	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		(4)
	74	**Balance at 31 March**		**70**

26. Cash flow statement

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

2014/15 Council	2014/15 Group		2015/16 Council	2015/16 Group
£000	£000		£000	£000
7,092	7,092	Depreciation and impairment losses	3,071	3,071
(7,325)	(7,325)	Upward revaluations	-	-
(563)	(563)	Increase in creditors	(256)	(206)
155	259	Increase in debtors	800	1,031
20	20	(Increase)/Decrease in inventories	-	-
3,090	3,090	Pension liability	3,456	3,456
7,434	7,434	Carrying amount of non-current assets sold	16,222	16,222
-	(506)	Share of losses attributable to joint venture	-	(201)
55	55	Other non-cash items charged to the net surplus or deficit on the provision of services	119	119
9,958	**9,556**		**23,412**	**23,492**

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

2014/15 Council and group		2015/16 Council and group
£000		£000
(6,436)	Proceeds from the sale of property plant and equipment, investment property and intangible assets	(17,731)
(1,928)	Any other items for which the cash effects are investing or financing cash flows	(3,666)
(8,364)		**(21,397)**

26.3 Operating activities

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

2014/15 Council and group		2015/16 Council and group
£000		£000
2,600	Interest received	2,817
(566)	Interest paid	(923)

27. Cash flow statement - investing activities

2014/15 Council and group		2015/16 Council and group
£000		£000
(8,593)	Purchase of property, plant and equipment, investment property and intangible assets	(8,494)
(66,000)	Purchase of short term and long term investments	(72,505)
-	Other payments for investing activities	(180)
10,375	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	2,538
53,000	Proceeds from the sale of short term and long term investments	74,000
1,183	Other receipts from investing activities	4,247
(10,035)		**(394)**

28. Cash flow statement - financing activities

2014/15 Council and group £000		2015/16 Council and group £000
13,500	Cash receipts of short and long term borrowing	-
4,168	Other receipts from financing activities	-
-	Other payments for financing activities	37
(5,082)	Repayment of short and long term borrowing	(5,168)
12,586		**(5,131)**

29. Distribution attributable to joint venture

2014/15 Council £000		2015/16 Council £000
(104)	Distribution attributable to joint venture for the year	(77)
(104)		**(77)**

30. Grant income

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

2014/15 Council and group £000		2015/16 Council and group £000
	Credited to taxation and non specific grant income	
(3,917)	Revenue support grant	(2,705)
(4,370)	New homes bonus	(5,743)
(870)	Other grants	(150)
(9,157)		**(8,598)**
	Credited to services	
(35)	Planning delivery	(289)
(340)	Renovation grants	(417)
(224)	Council tax/NNDR collection grant	(227)
-	Land Searches	(142)
-	Individual Elector Registration	(45)
(53)	Homelessness	-
90	Other	-
(562)		**(1,120)**

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 with respect to the Right Here, Right Now project 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.

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

	2015/16 Council and group							
	Business Transformation	Economic Development Delivery	Environment & Waste	Finance, Resources & Compliance	Growth Strategy	Leader	Leisure, Communities & Civic Amenities	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Fees, charges & other service income	89	(2,608)	(4,287)	(49,025)	(4,587)	(372)	(5,734)	(66,524)
Government grants	-	(142)	(417)	(227)	(289)	(45)	-	(1,120)
Total income	**89**	**(2,750)**	**(4,704)**	**(49,252)**	**(4,876)**	**(417)**	**(5,734)**	**(67,644)**
Employee expenses	298	841	5,657	5,486	3,313	1,388	4,085	21,068
Other service expenses	282	1,979	3,391	48,545	2,063	655	7,119	64,034
Support service recharges	57	(1,021)	737	(2,803)	746	1,379	736	(169)
Depreciation & impairment	-	467	499	-	-	-	2,105	3,071
Total expenditure	**637**	**2,266**	**10,284**	**51,228**	**6,122**	**3,422**	**14,045**	**88,004**
Net expenditure	**726**	**(484)**	**5,580**	**1,976**	**1,246**	**3,005**	**8,311**	**20,360**

	2014/15 Council and group									
	Civic Amenities	Community Matters	Economic Development	Environment & Health	Leader	Leisure	Planned Development	Resources	Strategic Planning	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Fees, charges & other service income	(3,017)	(585)	(1,839)	(4,583)	(992)	(2,525)	(2,853)	(48,666)	(444)	(65,504)
Government grants	-	(69)	-	(340)	-	-	(26)	(93)	(35)	(563)
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	(4,055)	-	1,863	318	-	1,641	-	-	-	(233)
Total expenditure	**(1,137)**	**3,506**	**3,055**	**10,888**	**4,492**	**8,623**	**3,872**	**50,241**	**1,204**	**84,744**
Net expenditure	**(4,154)**	**2,852**	**1,216**	**5,965**	**3,500**	**6,098**	**993**	**1,482**	**725**	**18,677**

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.

2014/15 Council and group		2015/16 Council and group
£000		£000
18,677	Net expenditure in the quarterly digest for the end of March	20,360
4,694	Amounts in the comprehensive income and expenditure statement not reported to management in the analysis	(48)
(15)	Amounts included in the analysis not included in the comprehensive income and expenditure statement	593
23,356	**Cost of services in the comprehensive income and expenditure statement**	**20,905**

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						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
2015/16								
Fees, charges & other service income	(66,524)	6	15	(66,503)	-	(66,503)	-	(66,503)
Interest and investment income	-	-	-	-	(2,756)	(2,756)	-	(2,756)
Income from council tax	-	-	-	-	(15,031)	(15,031)	-	(15,031)
Income from non domestic rates	-	-	-	-	(3,543)	(3,543)	-	(3,543)
Post stock transfer capital receipts	-	-	-	-	(2,310)	(2,310)	-	(2,310)
Government grants and contributions	(1,120)	-	-	(1,120)	(10,876)	(11,996)	-	(11,996)
Dividends receivable	-	-	-	-	(77)	(77)	77	-
Other operating income	-	-	-	-	(242)	(242)	-	(242)
Total income	**(67,644)**	**6**	**15**	**(67,623)**	**(34,835)**	**(102,458)**	**77**	**(102,381)**
Employee expenses	21,068	-	244	21,312	-	21,312	-	21,312
Other service expenses	64,034	(21)	450	64,463	-	64,463	-	64,463
Support service recharges	(169)	(33)	(116)	(318)	-	(318)	-	(318)
Depreciation & impairment	3,071	-	-	3,071	-	3,071	-	3,071
Interest payments	-	-	-	-	3,837	3,837	-	3,837
Precepts & levies	-	-	-	-	4,552	4,552	-	4,552
Payments to housing capital receipts pool	-	-	-	-	-	-	-	-
Gain on disposal of fixed assets	-	-	-	-	801	801	-	801
Share of profits attributable to joint venture	-	-	-	-	-	-	(201)	(201)
Losses attributable to subsidiary companies	-	-	-	-	-	-	183	183
Other operating costs	-	-	-	-	121	121	-	121
Total expenditure	**88,004**	**(54)**	**578**	**88,528**	**9,311**	**97,839**	**(18)**	**97,821**
Deficit/(surplus) on the provision of services	**20,360**	**(48)**	**593**	**20,905**	**(25,524)**	**(4,619)**	**59**	**(4,560)**

	Council						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	(65,504)	(3)	2	(65,505)	-	(65,505)	-	(65,505)
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	(563)	-	-	(563)	(10,585)	(11,148)	-	(11,148)
Dividends receivable	-	-	-	-	(104)	(104)	104	-
Other operating income	-	(4,361)	-	(4,361)	(82)	(4,443)	-	(4,443)
Total income	**(66,067)**	**(4,364)**	**2**	**(70,429)**	**(33,846)**	**(104,275)**	**104**	**(104,171)**
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	(233)	-	-	(233)	-	(233)	-	(233)
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
Loss on disposal of fixed assets	-	-	-	-	3,791	3,791	-	3,791
Share of profits attributable to joint venture	-	-	-	-	-	-	(506)	(506)
Other operating costs	-	8,919	-	8,919	(246)	8,673	-	8,673
Total expenditure	**84,744**	**9,058**	**(17)**	**93,785**	**11,785**	**105,570**	**(506)**	**105,064**
Deficit/(surplus) on the provision of services	**18,677**	**4,694**	**(15)**	**23,356**	**(22,061)**	**1,295**	**(402)**	**893**

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.

2014/15 Council and group			2015/16 Council and group	
Turnover	(Surplus)/ deficit		Turnover	(Surplus)/ deficit
£000	£000		£000	£000
(978)	(136)	Trade waste	(1,027)	(79)
(629)	(31)	Garden waste	(726)	(135)
(2,833)	(277)	Car parks	(3,230)	(716)
(483)	7	Building control - chargeable	(479)	(16)
(91)	30	Market management	(87)	4
(367)	(90)	Land charges	(529)	(84)
(5,381)	**(497)**		**(6,078)**	**(1,026)**

33. Members' allowances

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

2014/15 Council and group £000		2015/16 Council and group £000
316	Salaries	322
130	Allowances	123
11	Travel and other allowances	10
457		**455**

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:

		2015/16 Council and group		
	Identifier	Salary (including fees & allowances)	Pension contributions	Total remuneration including pension contributions
		£000	£000	£000
Chief Executive - A Grant	1	143	33	176
Corporate Director	2	82	19	101
Sector Lead - Commercial AVDC	3	68	16	84
Sector Lead - Commercial Property	4	68	16	84
Corporate Director	5	67	15	82
Sector Lead - Customer Fulfilment	6	62	14	76
Sector Lead - BusinessStrategy & Governance	7	60	14	74
Sector Lead - Community Fulfilment	8	58	13	71
Sector Lead - Commercial People/IP	9	54	12	66
Sector Lead - Business Support Development & Enablement	10	41	9	50
Deputy Chief Executive - Resigned	11	27	6	33
		730	**167**	**897**

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

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:

2014/15 Council and group Number of employees		2015/16 Council and group Number of employees
16	£50,000 - £54,999	12
8	£55,000 - £59,999	-
-	£60,000 - £64,999	4
2	£65,000 - £69,999	-
-	£75,000 - £79,999	1
26		**17**

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	
	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16
	Council and group		Council and group		Council and group	
					£000	£000
£0 - £20,000	17	10	17	10	217	110
£20,001 - £40,000	8	6	8	6	233	182
£40,001 - £60,000	6	3	6	3	295	140
£60,001 - £80,000	1	-	1	-	75	-
£80,001 - £100,000	2	-	2	-	169	-
	34	**19**	**34**	**19**	**989**	**432**

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:

2014/15 Council and group £000		2015/16 Council and group £000
76	Fees payable to the appointed auditor with regard to external audit services	58
(1)	Fees payable to the Audit Commission in respect of statutory inspection	-
17	Fees payable to the appointed auditor for the certification of grant claims and returns for the year	11
92		**69**

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 2015 Council and group £000		31 March 2016 Council and group £000
6,480	Other land and buildings	6,274
6,480		**6,274**

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:

2014/15 Council and group £000		2015/16 Council and group £000
842	Not later than one year	864
1,677	Later than one year and not later than five years	836
2,519		**1,700**

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:

2014/15 Council and group £000		2015/16 Council and group £000
865	Minimum lease payments	841
865		**841**

Council as lessor

36.3 Finance leases

The Council has leased out University Campus Aylesbury Vale to Buckinghamshire New University (BNU) on a finance lease with a remaining term of 35 years.

The Council has a gross investment in the lease, made up of the minimum lease payments expected to be received over the remaining term. At the end of the lease term ownership of the property transfers to BNU.

The minimum lease payments comprise settlement of the long term debtor for the interest in the property acquired by BNU and finance income that will be earned by the Council in future years whilst the debtor remains outstanding. The gross investment is made up of the following amounts:

31 March 2015 Council and group		31 March 2016 Council and group
£000		£000
	Finance lease debtor (net present value of minimum lease payments):	
	● Current	209
-	● Non current	15,368
-	Unearned finance income	14,405
-		29,982

The gross investment in the lease and the minimum lease payments will be received over the following periods:

31 March 2015 Council and group			31 March 2016 Council and group	
Gross investment in lease	Minimum lease payments		Gross investment in lease	Minimum lease payments
£000	£000		£000	£000
-	-	Not later than one year	(879)	(209)
-	-	Later than one year and not later than five years	(3,517)	(930)
-	-	Later than five years	(25,586)	(14,438)
-	-		(29,982)	(15,577)

36.4 Operating leases

The Council leases out property 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:

2014/15 Council and group		2015/16 Council and group
£000		£000
(1,000)	Not later than one year	(1,367)
(4,836)	Later than one year and not later than five years	(6,117)
(7,199)	Later than five years	(11,857)
(13,035)		**(19,341)**

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into.

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.

2014/15 Council and group		2015/16 Council and group
£000		£000
30,976	**Opening capital financing requirement**	37,365
	Capital investment	
60	Property, plant and equipment	2,411
8,533	Assets under construction	6,083
-	Long term investments	(1)
4,588	Revenue expenditure funded from capital under statute	385
	Sources of finance	
(4,164)	Capital receipts	(5,785)
(1,253)	Government grants and other contributions	(3,039)
(55)	Other	-
	Sums set aside from revenue:	
(1,320)	Minimum revenue provision	(1,536)
37,365	**Closing capital financing requirement**	**35,883**
	Explanation of movements in year	
6,389	Increase in underlying need to borrow (unsupported by government financial assistance)	(1,482)
6,389	**Increase in capital financing requirement**	**(1,482)**

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	
	2014/15	2015/16	2014/15	2015/16
	Council and group		Council and group	
	£000	£000	£000	£000
Cost of services:				
• service cost	3,616	4,301	-	-
Financing and investment income and expenditure				
• net interest on the defined liability	3,138	2,931	-	-
Administration expenses	78	78	-	-
Total post employment benefit charged to the comprehensive income and expenditure statement	**6,832**	**7,310**	**-**	**-**
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	(6,832)	(7,310)	-	-
Actual amount charged against the general fund balance for pensions in the year:				
• employers' contributions payable to scheme	3,379	3,510	-	-
• retirement benefits payable to pensioners	-	-	363	344

The cumulative amount of actuarial gains and losses recognised in the comprehensive income and expenditure statement during 2015/16 is a loss of £24,063,000 (a loss of £34,893,000 during 2014/15).

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	
	2014/15	2015/16	2014/15	2015/16
	Council and group		Council and group	
	£000	£000	£000	£000
Opening balance at 1 April	171,170	197,718	(3,992)	(4,162)
Adjustment	-	-	-	
Revised opening balance at 1 April	171,170	197,718	(3,992)	(4,162)
Current service cost	3,423	3,774	-	-
Interest cost	7,229	6,307	-	-
Change in financial assumptions	21,511	(12,751)	80	526
Experience loss/(gain) on defined benefit obligation	(32)	(6)	-	-
Estimated benefits paid net of transfers in	(6,814)	(6,478)	-	-
Past service costs including curtailments	193	527	-	-
Contributions by scheme participants	1,038	953	-	-
Unfunded pension payments	-	-	(250)	(248)
Closing balance at 31 March	**197,718**	**190,044**	**(4,162)**	**(3,884)**

Reconciliation of the fair value of the scheme assets:

	Funded liabilities 2014/15	Funded liabilities 2015/16
	Council and group	
	£000	£000
Opening balance at 1 April	(94,114)	(103,249)
Interest on assets	(4,091)	(3,376)
Return on assets less interest	(7,406)	1,401
Administration expenses	78	78
Contributions by employer including unfunded	(3,742)	(3,854)
Contributions by scheme participants	(1,038)	(953)
Estimated benefits paid plus unfunded net of transfers in	7,064	6,726
Closing balance at 31 March	**(103,249)**	**(103,227)**

Pension scheme assets comprised:

	31 March 2015				31 March 2016			
	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	12,870	-	12,870	12%	12,641	-	12,641	12%
UK equities	11,564	-	11,564	11%	10,944	-	10,944	11%
Overseas equities	38,099	-	38,099	37%	37,789	-	37,789	37%
Private equity	-	6,722	6,722	7%	-	6,516	6,516	6%
Other bonds	13,371	-	13,371	13%	12,583	-	12,583	12%
Property	8,029	823	8,852	9%	8,293	1,502	9,795	9%
Cash	2,009	-	2,009	2%	2,643	-	2,643	3%
Hedge funds	-	3,888	3,888	4%	-	4,318	4,318	4%
Absolute return portfolio	-	4,352	4,352	4%	-	4,592	4,592	5%
Alternative Assets	-	1,522	1,522	1%	-	1,406	1,406	1%
	85,942	**17,307**	**103,249**		**84,893**	**18,334**	**103,227**	

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 2016.

The significant assumptions used by the actuary have been:

2014/15 Council and group		2015/16 Council and group
	Mortality assumptions	
	Longevity at 65 for current pensioners:	
23.7	Men	23.8
26.1	Women	26.2
	Longevity at 65 for future pensioners:	
26.0	Men	26.1
28.4	Women	28.5
2.4%	Rate of Inflation	2.3%
4.2%	Rate of increase in salaries	4.1%
2.4%	Rate of increase in pensions	2.3%
3.3%	Rate for discounting scheme liabilities	3.6%

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 0.1%)	(3,279)	3,341
Rate of increase in salaries (increase or decrease by 0.1%)	344	(342)
Rate of increase in pensions (increase or decrease by 0.1%)	3,036	(2,981)
Longevity (increase or decrease by 1 year)	5,871	(5,687)

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 £82,933,000 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 2017 is £3,635,000.

38.6 Scheme history

	2011/12	2012/13	2013/14	2014/15	2015/16
	Council and group				
	£000	£000	£000	£000	£000
Present value of liabilities					
Local government pension scheme	148,598	162,752	171,170	197,718	190,044
Discretionary benefits	(673)	(924)	(3,992)	(4,162)	(3,884)
Fair value of assets in the local government pension scheme	(79,498)	(94,107)	(94,114)	(103,249)	(103,227)
(Surplus)/deficit in the scheme:					
● local government pension scheme	69,100	68,645	77,056	94,469	86,817
● discretionary benefits	(673)	(924)	(3,992)	(4,162)	(3,884)
Total	68,427	67,721	73,064	90,307	82,933

38.7 History of experience gains and losses

The actuarial gains identified as movements on the pensions reserve in 2015/16 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2016:

	2011/12	2012/13	2013/14	2014/15	2015/16
	Council and group				
	%	%	%	%	%
Differences between the expected and actual return on assets	(10.72)	11.75	2.61	11.14	1.91
Experience gains and losses on liabilities	-	(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 £32,569,000 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 2016 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 2016	**Historial experience of default**	**Historial experience adjusted for market conditions at 31 March 2016**	**Estimated maximum exposure to default and uncollectability at 31 March 2016**	**Estimated maximum exposure at 31 March 2015**	**Estimated maximum exposure at 1 April 2014**
	£000	%	%	£000	£000	£000
Counterparty Rating	A	B	C	(A*C)		
AA-	2,505	0.001	0.001	-	0	0
A	13,035	0.017	0.017	2.2	2.5	2.4
A-	-	-	-	-	1.4	-
BBB+	2,003	0.031	0.031	0.6	-	-
BBB	3,005	0.031	0.031	0.9	0.7	-
BBB-	3,007	0.008	0.008	0.2	2.3	-
BB+	3,006	0.414	0.414	12.5	5.8	20.2
B+	3,004	1.741	1.741	52.3	-	-
B	-	-	-	-	8.8	50.2
Other rated	3,004	-	-	-	12.5	18.8
Customers	5,060	5.000	5.000	253.0	144.0	139.3
	37,629			**321.7**	**178.0**	**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 £4,505,000 of the £5,060,000 balance is past its due date for payment. The past due but not impaired amount can be analysed by age as follows:

31 March 2015 Council and group		31 March 2016 Council and group
£000		£000
495	Less than three months	670
223	Three to six months	917
206	Six months to one year	888
1,077	More than one year	2,030
2,001		**4,505**

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	1,532
Increase in interest receivable on variable rate investments	28
Impact on surplus or deficit on the provision of services	**1,560**
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 2016.

- 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 2016, 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 2016 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 2015/16 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 Michael Collins, Tuffail Hussain, Roger King, Edward Sims and Mark Winn have failed to make a return. 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.

Subsidiaries
The Council partly or wholly owns a number of companies, all of which have the common goal of producing overall benefits for the residents and businesses of the vale.

The companies in which the Council have an interest are set out in the following table:

Company Name	Council Share	Company Status	Purpose
Aylesbury Vale Estates LLP	50%	Joint Venture	Managing our commercial estate
Aylesbury Vale Broadband Ltd	95%	Subsidiary	Delivering broadband in our more rural areas
Novae Consulting Ltd	100%	Subsidiary	Delivering our commercial consultancy work
Vale Commerce Ltd	100%	Subsidiary	Delivering the commercial ambitions of the Council under the brands of Incgen and Limecart

The accounts of the subsidiaries 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.

2014/15 Council tax	2014/15 NNDR	2014/15 Total		note	2015/16 Council tax	2015/16 NNDR	2015/16 Total
£000	£000	£000			£000	£000	£000
			Income				
(102,577)	-	(102,577)	Income from council tax	C2	(106,963)	-	(106,963)
-	(49,613)	(49,613)	Income collectable from business ratepayers	C3	-	(50,519)	(50,519)
(102,577)	**(49,613)**	**(152,190)**			**(106,963)**	**(50,519)**	**(157,482)**
			Expenditure				
			Precepts and demands				
72,037	-	72,037	• Buckinghamshire County Council		75,756	-	75,756
10,570	-	10,570	• Thames Valley Police Authority		11,115	-	11,115
3,894	-	3,894	• Bucks & Milton Keynes Fire Authority		3,975	-	3,975
13,815	-	13,815	• Aylesbury Vale District Council		14,469	-	14,469
			Business rates:				
-	23,381	23,381	• Payment to government	C3	-	24,183	24,183
-	4,676	4,676	• Payment to preceptors	C3	-	4,837	4,837
-	18,678	18,678	• Retained by Aylesbury Vale District Council	C3	-	19,347	19,347
-	224	224	• Cost of Collection		-	227	227
-	257	257	• Transitional Protection Payment		-	568	568
-	12	12	• Interest payable		-	-	-
			Bad and doubtful debts				
(201)	82	(119)	• Write offs		(331)	127	(204)
670	-	670	• Increase in provision		634	-	634
-	-	-	• Provision for appeals		-	288	288
			Contributions				
4,048	-	4,048	• Towards previous year's surplus	C4	2,552	-	2,552
104,833	47,310	152,143			108,170	49,577	157,747
2,256	**(2,303)**	**(47)**	**(Surplus)/deficit for the year**		**1,207**	**(942)**	**265**
(5,100)	4,770	(330)	Accumulated (surplus)/deficit b/fwd		(2,844)	2,467	(377)
2,256	(2,303)	(47)	(Surplus)/deficit for the Year		1,207	(942)	265
(2,844)	**2,467**	**(377)**	**Accumulated (surplus)/deficit c/fwd**		**(1,637)**	**1,525**	**(112)**

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 2015/16 was 67,902 (2014/15: 65,853). The tax base was approved under delegated authority by the Cabinet Member for Resources and was calculated as follows:

2014/15				2015/16		
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**
6	5/9	3	A*	7	5/9	4
2,456	6/9	1,637	A	2,577	6/9	1,718
10,428	7/9	8,111	B	10,903	7/9	8,480
19,541	8/9	17,370	C	20,116	8/9	17,881
11,807	9/9	11,807	D	12,231	9/9	12,231
9,945	11/9	12,155	E	10,154	11/9	12,410
7,106	13/9	10,264	F	7,170	13/9	10,357
5,626	15/9	9,377	G	5,666	15/9	9,443
363	18/9	726	H	359	18/9	718
67,278		71,450		69,183		73,242
		(717)	Allowance for non-collection			(1,172)
		(4,880)	Council tax support scheme			(4,168)
		65,853	**Council tax base**			67,902

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 2015/16 were estimated before the start of the financial year as £24,183,000 to central government, £4,353,000 to BCC, £484,000 to BMKFRA and £19,347,000 to Aylesbury Vale District Council. These sums have been paid in 2015/16 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 £16,022,000 from the general fund in 2015/16.

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 2016. 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 2015/16 has been calculated as £288,000 (2014/15: £0).

The total non-domestic rateable value at 31 March 2016 was £130,075,176 (31 March 2015: £130,470,959). The national non-domestic rate multiplier for the year was 48.0p for small businesses (2014/15: 47.1p) and 49.3p for all other businesses (2014/15: 48.2p).

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 2015 it was estimated that the collection fund would have a surplus of £2,552,000, which was payable during 2015/16.

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.

AYLESBURY VALE
DISTRICT COUNCIL

ANNUAL GOVERNANCE STATEMENT

APRIL 2015 – MARCH 2016

1. Scope of Responsibility

Aylesbury Vale District Council (AVDC) 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.

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.

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.

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, which requires all relevant bodies to prepare an annual governance statement in accordance with proper practices in relation to internal control.

2. The Purpose of the Governance Framework

The governance framework comprises the systems, processes, 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.

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 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

The governance framework has been in place at Aylesbury Vale District Council for the year ended 31 March 2016 and up to the date of approval of the Annual Governance Report and Statement of Accounts.

3.1. Identifying, Communicating and Reviewing the Council's Vision

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

> *"To secure the economic, social and environmental wellbeing of the people and businesses in the area."*

To enable the Council to realise this vision, the focus is on working:

- To enable essential infrastructure for growth and sustainability of the area be it physical or social
- To ensure fair and speedy access to essential services and their referral to partners
- To provide a healthy and dynamic institution for making effective decisions about the area, to which everyone can contribute
- To stimulate, innovate and enable economic growth of the area, its regeneration and the attraction of inward investment
- To provide or commission services and products that customers and businesses have agreed add value to their lives

The Council has an ambitious agenda to meet the financial pressures facing the public sector and is committed to supporting the local economy and transforming the district through its Commercial AVDC programme. Key Plans include:

- Medium Term Financial Plan 2015/16-2019/20
- Commercial AVDC Business Transformation Programme
- Capital Programme
- Housing and Homeless Strategy 2014-2017
- Vale of Aylesbury Local Plan (under development)

3.2. Ensuring Effective Management of Change and Transformation

The approach adopted to achieve organisational change is through the Commercial AVDC programme. 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.

The work being undertaken within the Commercial AVDC programme is being overseen and directed by the Cabinet member for Business Transformation and is being subjected to scrutiny by Finance and Services Scrutiny Committee. To ensure greater accountability, a separate Programme Board has been established and meets regularly.

3.3. Measuring the Quality of Services for Users and Value for Money

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 by increasing its income, the top strategic priority. The extent of the reduction in available funding is predicted to be such that this will fundamentally reshape the size and structure of the organisation. The Council is currently undertaking a review of Business Intelligence and Performance Management systems to ensure they are aligned to the changing organisational structure and priorities.

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.

Managers and budget holders are able to access financial reports through the finance system. 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.

To promote best practice and value for money in procurement, the Council has entered into a joint arrangement with Improvement and Efficiency Social Enterprise' (iESE). iESE is 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. Roles and Responsibilities of Members and Officers

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 responsible for determining the scheme of delegation for executive functions which is included in the Constitution.

The Cabinet structure and the membership of the committees was reviewed following the May 2015 elections having regard to the political balance rules and some changes were made. The effect of which was to consolidate some of the portfolios resulting in a reduction of Cabinet Members from eight to seven. The Leader intends to keep the individual workloads under review, but at present is satisfied with the current arrangements.

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 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 and Strategic Development Management Committee are now webcast.

The Constitution sets out how the public can access the decision making process. Cabinet publishes a plan 28 days before each meeting setting out key decisions to be taken at the meeting. 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.

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.

The Transition Board which comprises the Corporate Team and senior managers 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. All managers are involved in Manager Group meetings which receive information on corporate issues and projects. The series of "Let's Get Talking" sessions continued in 2015/16 where Directors and Cabinet members meet with staff across the Council to discuss current issues and give staff the opportunity to ask questions.

3.5. The Standards of Behaviour for Members and Staff

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.

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.

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

There is a three stage procedure for dealing with complaints that Members have broken the code of conduct. 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 and dealing with matters such as accepting gifts and hospitality.

3.6 Financial Regulations and Schemes of Delegation

The Financial Regulations and Procedures, including the scheme of delegation, provide the framework for managing the authority's financial affairs. They apply to every member and officer of the authority and anyone acting on its behalf. They are linked to the other regulatory governance documents forming part of the Council's Constitution, for example, Contracts Procedure Rules.

The Council's Financial Regulations and detailed Financial Procedures were reviewed and updated during February/March 2016 to ensure alignment with best practice and to reflect the authority's commercial approach to financial management. They set out clear roles and responsibilities for members, the Section 151 Officer and senior managers within a modern financial control environment. The Contract Procedure Rules have also been revised during the year. The revised Financial Regulations will be taken to Cabinet for approval in July 2016.

Compliance with financial procedures is assessed as part of internal audits.

3.7 Role of the Chief Financial Officer

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. For this purpose the Chief Financial Officer is the Director with responsibility for Finance (Section 151 Officer).

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

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. 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.

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.

3.8 Role of the Audit Committee, Scrutiny Committees and Standards Committee

The Audit Committee is a key component of the Council's governance framework providing independent assurance to the members of the adequacy of the Council's governance, risk management and internal control frameworks. The Committee receives regular internal and external audit reports and is effective in contributing to improving the internal control environment of the Council. The Audit Committee terms of reference comply with CIPFA's guide.

The Audit Committee's Annual Report, including the annual assessment of the effectiveness of the committee, will be discussed at their meeting in July 2016. It will be 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.

An annual report on the work of the Scrutiny Committees is presented to Council each year and for 2016 will be considered by full Council on 18 May 2016. The annual report will summarise the issues considered by the Scrutiny Committees during the course of 2015/16 and will continue to provide opportunities for members of the public and the wider Council membership to suggest possible topics for review.

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.

The Annual Report of the Standards Committee for 2015/16 will be submitted to the full Council on 18 May 2016. This sets 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.

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

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

- 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

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

Business Assurance Services (internal audit) develops a risk based annual audit plan which includes consideration of compliance across all areas of AVDC. Reports are produced for management, recommendations for improvements agreed and implementation monitored through to completion. Internal and external audit updates and reviews are reported to the Audit Committee.

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 2015/16.

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 2015/16 financial year.

3.10 Risk Management Arrangements

The Council has in place a 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. Strategic risks for the Council have been identified and monitoring arrangements in place through quarterly review with the Transition Board.

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

As a result of the Commercial AVDC programme and the substantial changes facing the Council the risk management arrangements are being reviewed to ensure they are appropriate going forward.

3.11 Whistle-blowing and Complaints Procedures

The Whistleblowing Policy and reporting procedures are available on the Council's website. This forms part of the Anti Fraud and Corruption Policy Strategy. There have been no whistle-blowing reports in 2015/16. There has been no use of the Regulation of Investigatory Powers Act during 2015/16.

There is a Customer Comment, Compliments and Complaints Policy which includes a public document explaining 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.

In 2014/15 the Council maintained the British Standards Institute Complaints Standard. However it was decided not to continue with this certification in 2015/16 due to the cost. The process for complaints, however, remains the same as when the council had the certification.

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. There were no complaints against councillors which lead to a full investigation in 2015/16.

3.12 Anti Fraud and Corruption

Business Assurance Service and the Director responsible for Finance are responsible for developing and maintaining the Council's anti-fraud and corruption strategies.

CIPFA's "Code of Practice on managing the risk of fraud and corruption" supports organisations seeking to ensure they have the right governance and operational arrangements in place to counter fraud and corruption. During the year Business Assurance Services performed a fraud benchmarking assessment of the current state of the Council's fraud governance structures and processes against the CIFPA code.

The Council has reached a basic level of performance against the CIPFA Code of Practice on Managing the Risk of Fraud and Corruption. This includes having adequate arrangements in place against most of the performance criteria that are fundamental to the management of fraud and corruption risks. There remain a number of areas where performance should be improved before a good standard of performance can be evidenced. Having considered all principles set out in the CIPFA code and the gaps, a high level action plan has been developed to strengthen the Council's position in manging the risk of fraud. Progress on implementation of actions, which include a review of the Councils Anti Fraud and Corruption Policy in 2016/17, is reported to the Audit Committee.

3.13 Member and Officer Development Needs

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. The MDSG has continued its work, with some changes in membership, following the 2015 District Council elections. A Member Induction Programme was successfully delivered to newly elected Councillors following the 2015 elections. This included training on the Code of Conduct and ethical standards.

The MDSG undertook surveys of Members in July-August 2015 asking them to identify their future development and support needs. The survey results have been used to put together a Member Development Programme (MDP) which covers 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, housing matters and safeguarding.

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.

As part of the Commercial AVDC programme the Council is developing a new behavioural framework for officers and will be reviewing the processes for annual performance review in 2016/17.

The Council operates a joint coaching scheme with Buckinghamshire County Council (BCC). 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.

The apprenticeship programme has been further developed offering training opportunities to young people. Nine teams have employed apprentices during 2015/16.

3.14 Communication and Consultation with the Public and Other Stakeholders

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.

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. Social media including text messaging, Twitter, Facebook and web casting are being used proactively.

AVDC launched its new website in August 2015. The website is clear, easy to use and available on any device at any time. The website was developed in consultation with residents, customers and council services to ensure the site provides what is needed in this advancing digital environment.

3.15 Information Governance Arrangements

Information governance is overseen by the Information Governance Group (IGG) which is chaired by the Director with responsibility for Finance 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

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.

The significant partnerships are:

- 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 (50% share) is the delivery arm of the Buckinghamshire Thames Valley Local Enterprise Partnership's (BTVLEP). It also develops a number of separate capital projects and infrastructure investment. It is currently working closely with Aylesbury Vale District Council and the Buckinghamshire County Council, on the Aylesbury Woodlands scheme. Woodlands is an extensive site to the east of Aylesbury, and includes commercial premises, leisure facilities, road infrastructure and housing. An outline planning application for the scheme was submitted in March 2016.

- Shared Procurement Partnership with Improvement and Efficiency Social Enterprise' (iESE). A special purpose vehicle established to deliver savings through improved procurement.

- Aylesbury Vale Estates (AVE) (50% share). 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 commercial estate and support the local economy, whilst maintaining a future income for the Council.

- Aylesbury Vale Broadband (95% share). Its aim is to develop a future proof fibre network to deliver superfast broadband in hard to reach, rural areas of Aylesbury Vale.

- Vale Commerce (100% share) is a limited liability company wholly owned by Aylesbury Vale District Council which aims to:
    - generate a substantial income stream for the Council
    - support improvement in the local economy
    - help foster an enterprise management perspective within the Council
    - showcase the Council's determination to become more self-sufficient

  Vale Commerce will market and deliver services under two distinct customer brands; Limecart for consumers and Incgen for businesses.

- Novae Consulting (100% share) delivering the Council's commercial consultancy work.

During the spring of 2016, a guide to working with our companies was approved by Cabinet. This clearly sets out the working arrangements between the Council and the companies in which it owns or holds shares, including for example, processes for company set up, how directors should be appointed and how Council staff should work with the companies.

4. Review of Effectiveness

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 (internal audit) annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

The governance framework described above facilitates the identification of any areas of the Council's activities where there are significant weaknesses in the financial controls, governance arrangements or the management of risk. The annual review of effectiveness has considered the following areas:

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

4.1 Internal Audit

The Council's internal audit (known as Business Assurance Service) operates under regulation 6 of the Accounts and Audit Regulations and in accordance with the CIPFA Public Sector Internal Audit Standards.
The Head of Internal Audit (Business Assurance Services Manager) is required to deliver an annual internal audit opinion and report that can be used by the organisation to inform its 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 (i.e. the Council's system of internal control).

This is achieved through the completion of a risk-based plan of work, agreed with management and approved by the Audit Committee, which is designed to provide a reasonable level of assurance. The opinion does not imply that Internal Audit has reviewed all risks relating to the organisation.

Where recommendations for the improvement of controls or systems are made at the end of an internal audit 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 reports.

Based on the results of the work undertaken during the year, the Head of Internal Audit's overall opinion is that governance, risk management and control in relation to business critical areas is generally satisfactory. However, there are some weaknesses in the framework of governance, risk management and control which potentially put the achievement of the Councils objectives at risk. Improvements are required in those areas to enhance the adequacy and effectiveness of governance, risk management and control.

The weaknesses identified relate to design and operation of financial controls following the implementation of a new financial system during the year. Action is being taken to address the weaknesses and improve the Council's financial control environment.

5. Significant Governance Issues and Action Plan

During 2015 the Council implemented a new finance system. The objective was to improve automated work-flow and establish a system which was widely used by budget managers across the Authority. The system went live in June 2015.

Internal audit work highlighted a number of weaknesses relating to the design of financial controls and processes and the way they were operating within the new financial system. Some of the issues identified were relevant to the overall financial control environment. Weaknesses were also identified in the reconciliation processes between the corporate finance and other systems, such as the revenues and benefits system.

A detailed plan has been developed to address the weaknesses identified and prompt action has been taken by management. Progress is being monitored by the Financial Review Programme Board and is reported to the Audit Committee.

6. Approval of the Annual Governance Statement

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 systems in place.

Signed:…………………………………………………………………………………

Leader

Signed:…………………………………………………………………………………

Chief Executive

On behalf of Aylesbury Vale District Council

AUDIT COMMITTEE WORK PROGRAMME

1 Purpose

1.1 To discuss, amend and approve the future work programme for 2016/17 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 Business Assurance Plan to support the work of the Audit Committee. There are no additional direct resource requirements arising from this report.

Contact Officer	Kate Mulhearn - Business Assurance Services Manager Tel: 01296 585724
Background Documents	None

Appendix 1

AUDIT COMMITTEE WORK PROGRAMME 2016-17

Item	Contact Officer	25 July 2016	26 Sep 2016	14 Nov 2016	23 Jan 2017	27 Mar 2017
Audit Committee Work Programme	Kate Mulhearn	X	X	X	X	X
Member Training / Briefing Sessions	Kate Mulhearn		X	X	X	
Audit Committee Annual Report	Kate Mulhearn	X				
Audit Committee Review of Effectiveness	Kate Mulhearn	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	
Annual Internal Audit Strategy and Plan	Kate Mulhearn					X
Internal Audit Progress Report	Kate Mulhearn	X	X	X	X	X
Risk Management Report	Kate Mulhearn	X	X	X	X	X
Fraud Report	Kate Mulhearn	X		X		
Internal Audit Annual Report	Kate Mulhearn	X				
CIPFA Good Governance Framework	Kate Mulhearn			X		
Draft Annual Governance Statement	Kate Mulhearn					X
Annual Governance Statement	Kate Mulhearn	X				
Statement of Accounts	Tony Skeggs	X				
Post Audit Statement of Accounts	Tony Skeggs		X			
Working Balances	Tony Skeggs					X

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