

2016/17 DRAFT STATEMENT OF ACCOUNTS AND YEAR END POSITION

1 Purpose

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

2 Recommendations/for decision

- | | |
|-----|--|
| 2.1 | Members of the Committee are requested to note the current position in relation to the Statutory Accounts preparation and the outturn. |
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3 The Accounts Approval Process

- 3.1 The statutory code for the production and authorisation of the Accounts is set out within the Accounts and Audit Regulations.
- 3.2 The Regulations state that the members should only approve the Accounts in September when they have been made aware of the findings of the audit and, hence, can make an informed decision on their accuracy.
- 3.3 The Chief Financial Officer is required to certify the draft Accounts by the 30th June and arrange for them to be published on the Council's website by that date.
- 3.4 Whilst there is no requirement to do so, the guidance to the Accounts and Audit Regulations suggests it would be best practice to give members an early notification of the financial outcome of the previous year and to this end the draft Statement of Accounts is presented as part of this report.

4 2016/17 Year End Position

- 4.1 Whilst not forming part of the Statutory Accounts, the Quarterly Financial Digest sits behind the formal accounts and provides members with a more understandable guide to the financial events which took place in the year for the provision of the Council's services.
- 4.2 The year end position within the Statutory Accounts contains transactions which are required by the Accounting Regulations. These transactions are intended to provide the reader with a complete picture of the Authority's financial affairs during the course of the year, but not all of them impact upon the cost of services to the Council Tax payer.
- 4.3 For this reason it is difficult to reconcile the statutory accounts with the figures included within the Quarterly Financial Digest.
- 4.4 The Digest represents Management Information and is designed to explain in an understandable way the significant financial events which occurred during the year by comparing them with the expected or budgeted equivalent figures.
- 4.5 The Statutory Accounts only present actual expenditure and income, without reference to budgeted levels. Therefore, whilst the accounts present the definitive position on the Authority by way of its financial resources, it does not inform the reader as to whether this was the planned or expected position.
- 4.6 The main financial events of 2016/17 are explained in the Digest but the key issues are highlighted below.

Main Points Contained Within the Digest

- 4.7 The outturn position for the year shown in the Digest reflects a reduction of General Fund Balances of £0.726 million. This is mainly attributable to the use of balances approved by the Council for the AVDC Commercial Programme (£0.145 million) and the Web and E-Commerce projects (£0.424 million).
- 4.8 The December 2016 Quarterly Digest forecast an underspend at the end of 2016/17 of £0.596 million, compared to the final outturn position being a slight overspend of £21,857, representing a variance between the two reports of £0.618 million. This variation is made up of a number of ups and downs against individual services, some of which were reported in earlier issues of the Quarterly Digest and some of which relate to year end adjustments. The main variance between the December 2016 Quarterly Digest and The March 2017 document relates to £0.618 million of redundancy and pension strain costs which were charged to service budgets in 2016/17 resulting from the on-going organisation restructuring.
- 4.9 Budget variances reported throughout the year contributing to the final outturn position were savings/extra income from Increased Planning Fee income, Refuse and Recycling reduced vehicle fuel and maintenance costs, renegotiated contract with Waterside Theatre and Car Parking service charge income, reductions in utility & running expense costs. Factors that went the other way include consultancy / agency / redundancy costs associated with Information Technology & Facilities Management, reduced rental income from UCAV & lower service charges from Waterside properties.
- 4.10 The main service based variances are detailed in the Digest but the key areas are summarised in the table below.

| | Actual Outturn £ | Forecast Outturn £ | |
|--|---------------------|-----------------------|--|
| Top 5 Over Budget | | | |
| Information Technology | 467,287 | 335,900 | High employee costs following redundancies, agency staff costs & income shortfalls |
| Industrial Estates and Town Centre Props | 354,235 | 227,900 | Reduced rental income from UCAV & lower service charges from Waterside properties |
| Housing Benefits Administration | 235,753 | (12,500) | High employee costs following redundancies, agency staff & salesforce costs |
| Facilities Management | 181,818 | (35,100) | High employee costs following redundancies & agency staff costs |
| Accountancy | 157,359 | 146,700 | Increased costs from Finance service review |
| Top 5 Under Budget | | | |
| Housing Benefits | (322,867) | 0 | Recovery of Housing benefits overpayment |
| Development Control | (265,202) | 0 | Increased planning fee income |
| Domestic Refuse | (164,927) | (213,700) | Lower vehicle fuel & maintenance costs |
| Car Park Management | (150,190) | (146,000) | Waitrose service charge income, reductions in utility costs & running expenses |
| Waterside Theatre | (139,300) | (78,000) | Savings from the renegotiated contract, lower TUPE & buildings costs |

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

| GENERAL FUND STATEMENT OF BALANCES | ORIGINAL 2016/17 £'000 | ACTUAL 2016/17 £'000 | VARIANCE 2016/17 £'000 |
|---|---------------------------------------|-------------------------------------|---------------------------------------|
| Brought Forward 1st April | (4,191) | (3,975) | 216 |
| Planned Contribution to Balances | 91 | 91 | 0 |
| Less General Underspend Assumption | 0 | (69) | (69) |
| Contribution to the HS2 Fund | 0 | 10 | 10 |
| Web & E-Commerce Project | 0 | 424 | 424 |
| Commercial AVDC Change Programme | 600 | 745 | 145 |
| | | | |
| Net Draw on Balances | 691 | 1,201 | 510 |
| Working Balance Carried Forward | (3,500) | (2,774) | 726 |

Transfers To and From Reserves

- 4.11 During 2016/17, the Council continued to use its earmarked reserves to meet revenue spend and also to provide sufficient funds for the future. In total £7.7 million was transferred out of reserves, whilst £8.5 million was transferred in, making a net increase in reserves of £0.8 million.
- 4.12 The largest use of reserves was from the new homes bonus reserve, where £5 million was used to fund reduction in Superannuation Scheme Deficit. This is an internal borrowing arrangement and the New Homes Bonus Reserve will be repaid over a number of years.
- 4.13 The other sizeable movement was spending of £0.95 million from the NNDR Appeals provision, which was as a result of successful appeals submitted from Local Businesses.
- 4.14 Other significant movements out were £0.277 million from the Superannuation reserve to fund pension costs, £0.248 million from the Repair and Renewals fund to meet the costs of planned operational building repairs and £0.396 million from the Planning Reserve to fund Planning Appeals & VALP.
- 4.15 There were two sizeable contributions to reserves and one was £7.05 million of New Homes Bonus into the New Homes Bonus reserve. This gives a year end balance of £11.5 million, of which £1.8m is earmarked for parish initiatives.
- 4.16 Whilst the reserves are showing a net increase for the year, this is solely due to the contribution to the New Homes Bonus. However, this reserve has committed £5 million to the Council's East / West rail contribution (Council 17 July 2013). The commitment is spread over a number of years. Other commitments include £3 million towards Waterside North project, £2 million for Silverstone Heritage Centre, £0.986 million for the Pembroke Road depot, £0.69 million ring-fenced for housing and £0.582 million for parish initiatives. Without this contribution in the total amount held in reserves would have fallen to £25.9 million.
- 4.17 A review of reserves will be carried out in advance of the 2018/19 budget setting process.
- 4.18 The full list of reserves and provisions is shown in appendix B.

5 Capital Spend and Income

- 5.1 The Council had an approved capital programme for 2016/17 of £14.2 million, of which £4.1 million was for the Waterside North Phase 1 project and £9.2 million for the purchase and upgrade of the Pembroke Road depot.
- 5.2 The actual spend was £4.7 million, of which the key area of significant spend of £3.6 million was for the purchase and upgrade of the Pembroke Road depot.
- 5.3 The spend was £9.5 million less than expected due to delays relating to the refurbishment of the depot, timing on the Waterside North Phase 1 project and there were no refuse vehicle replacements made in the year.
- 5.4 The Council is still in the position that it cannot generate significant sums of capital receipts as it has disposed of the majority of its assets. During 2016/17, the Council received non-asset backed capital receipts of £3.177 million from house sales as part of the stock transfer agreement. It also received £405,000 from the sale of Elmhurst community centre.
- 5.5 During 2016/17 no new long term borrowing was taken out. This takes the total borrowing at the end of the year to £23.5 million.
- 5.6 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 the 31 March was £41.5 million.

6 Main Points Contained within the Draft Financial Statements

- 6.1 The Statement of Accounts, which will include all the notes and the group position, will be presented for approval to the September Audit Committee at the conclusion of the audit.
- 6.2 The Statement of Accounts is showing the group position along side the Council's position. This makes comparison of the two positions easier and, also, helps to reduce the number of pages in the Statement.
- 6.3 The key statements for members' attention are the Comprehensive Income and Expenditure Statement (CIES) and the Balance Sheet. The CIES contains the same spend and income as contained in the Digest but it is presented in a different way to comply with the Statement of Recommended Practice (SORP).
- 6.4 There have not been any accounting changes that have been incorporated in the accounts this year.
- 6.5 There were no significant issues that were required to be reflected in this year's accounts. But below are some points for information.
 - i) Fixed Assets – the only assets revalued at the end of the year were the public toilets, leisure buildings, pavilions and surface car parks.
 - ii) Companies – the accounts include the Council's new companies, AV Broadband (AVB) and Vale Commerce and reflect material interest in Aylesbury Vale Estates LLP (AVE).
- 6.6 With the group account, the year end position is that AVE owes the Council £37.1 million. This is held in the form of deferred receipts £27.8 million, Hale Leys loan £7.9 million and a debtor of £1.4 million.
- 6.7 During the course of the year the deferred receipts balance reduced by £0.408 million, with AVE making repayments against one remaining loan.
- 6.8 The provisional year end position of the AVE group was that they made a £0.094 million profit. AVE LLP itself made a small loss of £0.575 million, whilst

Hale Leys LLP made a £0.669 million profit. The group profit was after realising a profit of £1.075 million on the sale of investment properties. However, AVE group accounts are prepared under UK Gaap regulations whilst AVDC accounts are prepared under IFRS regulations so the above figures are reflected differently within our accounts.

7 Reasons for Recommendation

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

8 Resource implications

- 8.1 These are covered within the body of the report.

| | |
|----------------------|-------------------------------|
| Contact Name | Simon Wasteney (01296) 585164 |
| Background Documents | n/a |

Aylesbury Vale District Council

Statement of Accounts for the Year Ended
31 March 2017

SUBJECT TO AUDIT

SUBJECT TO AUDIT

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SUBJECT TO AUDIT

1. Introduction

I am pleased to be able to present to you the statement of accounts for the year 2016/17.

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.

The Council's strategic vision is 'to secure economic, social and environmental wellbeing of the Vale', confirming what we are working to achieve and forms the foundation for everything we do. Key drivers to enable the vision are:

- 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

By developing the Council's strategy and service delivery in line with the vision statement, we ensure that we continue to adapt and grow, whilst keeping the wellbeing of our residents and businesses at the centre of everything we do.

The Medium Term Financial Plan is a key element used to drive development and delivery of services that meet the vision and translate strategy into wider outcomes. Change is delivered through a range of programmes and projects, including the Commercial AVDC programme, which aims to develop the Council's commercial readiness and corporate capability and the Connected Knowledge Digital Transformation programme, which aims to improve access for citizens through automation and self service outside of usual office hours, utilising Artificial Intelligence.

The Council's annual governance statement, provides more detailed insight into its vision strategy and corporate direction.

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**

Expenditure and funding analysis – shows how the annual expenditure is used and funded from resources (government grants, council tax and business rates) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the Council's portfolios. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the comprehensive income and expenditure statement.

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.

Movement in reserves statement - shows the movement from the start of the year to the end 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 'unusable reserves'. The statement shows how the movements in year of the Council's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax for the year. The net (increase)/decrease line shows the statutory general fund balance movements in the year following those adjustments.

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 (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 those 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 2016/17 the district general fund net overspend was £22,000. A summary of the financial position is shown below:

| General Fund Revenue | 2016/17 | 2016/17 | General Fund Balances | 2016/17 | 2016/17 |
|-----------------------------|----------|----------|---------------------------------|----------------|----------------|
| | Budget | Actual | | Budget | Actual |
| | £000 | £000 | | £000 | £000 |
| Expenditure | 89,264 | 86,242 | Balance 1st April | (4,191) | (3,975) |
| Income | (70,653) | (67,802) | Net Balance from Fund | 91 | 22 |
| Net Cost of Services | 18,611 | 18,440 | Special application of balances | 600 | 1,179 |
| Cost of Borrowing | 2,366 | 818 | Balance 31st March | (3,500) | (2,774) |
| Other Costs | (1,416) | 2,847 | | | |
| Investment Interest | (2,028) | (2,182) | | | |
| Income from Grants | (7,881) | (10,249) | | | |
| Net Expenditure | 9,652 | 9,674 | | | |
| Local Taxpayers | (9,652) | (9,652) | | | |
| Net Balance | 91 | 22 | | | |

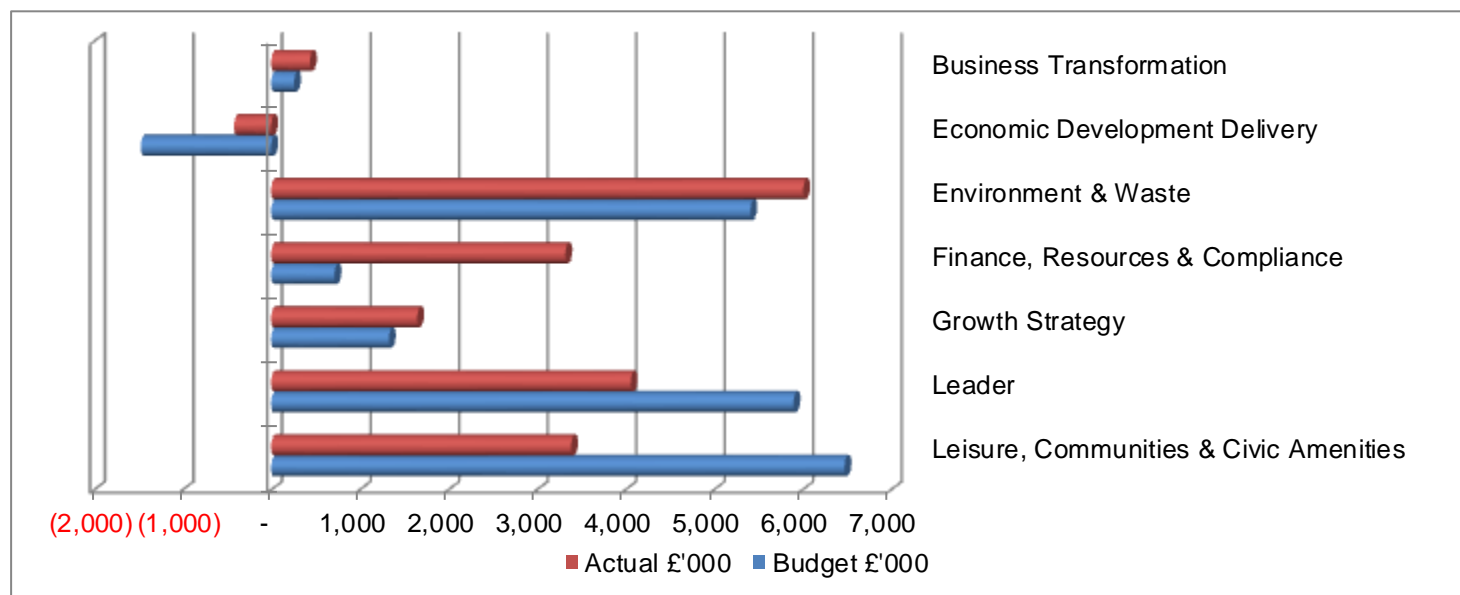
The actual figures presented in the table above significantly vary from the budget for the year due to the year end accounting entries that are required covering IAS19, depreciation, impairment (see 5. Brief note of significant items in the core financial statements), revenue expenditure funded from 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 Council has undertaken a significant corporate restructuring exercise, incurring redundancy costs as headcount is reduced. This strategy aims to achieve financial sustainability for the Council through reductions in operating costs and increased commercial revenues to offset reductions in government grant over time.

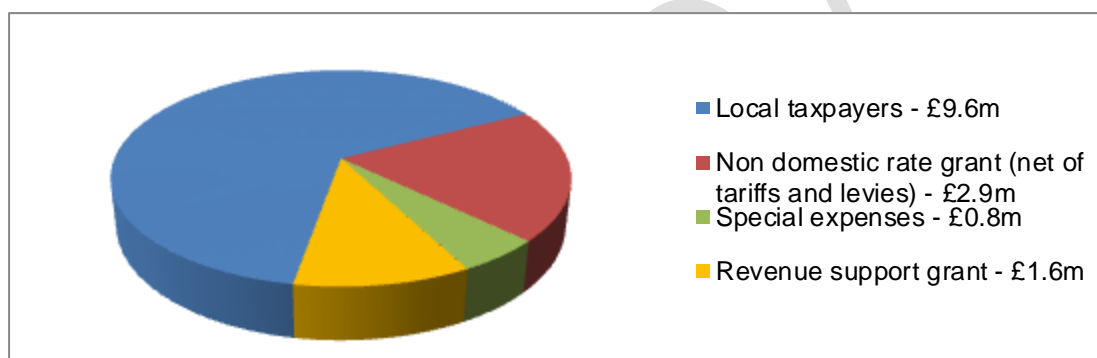
The main areas where variances from budget have been reported through the year in the Quarterly Financial Digest can be summarised as follows:

| | Actual Outturn | Forecast Outturn | |
|--|-------------------|---------------------|---|
| | £ | £ | |
| Top 5 Under Budget | | | |
| Housing Benefits | (322,867) | | - Recovery of housing benefit overpayments |
| Development Control | (265,202) | | - Increased planning fee income |
| Domestic Refuse | (164,927) | (213,700) | Lower vehicle fuel & maintenance costs |
| Car Park Management | (150,190) | (146,000) | Service charge income, reductions in utility costs & running expenses |
| Waterside Theatre | (139,300) | (78,000) | Savings from the renegotiated contract, lower TUPE & buildings costs |
| Top 5 Over Budget | | | |
| Information Technology | 467,287 | 335,900 | High employee costs following redundancies, agency staff costs & income shortfalls |
| Industrial Estates and Town Centre Props | 354,235 | 227,900 | Reduced rental income from tenant & lower service charges from Waterside properties |
| Housing Benefits Administration | 235,753 | (12,500) | High employee costs following redundancies, agency staff & salesforce costs |
| Facilities Management | 181,818 | (35,100) | High employee costs following redundancies & agency staff costs |
| Accountancy | 157,359 | 146,700 | Increased costs from Finance service review |

The graph below shows the net spend by portfolio:



The pie chart below shows how the £14.9 million the Council receives from the local taxpayer and from Government is apportioned:



In 2016/17 the Council used £7,737,000 of earmarked reserves in support of revenue spend and transferred £8,570,000 into reserves, £7,052,000 of which was committed but unspent new homes bonus.

4. Capital spending

In 2016/17 the Council spent £4,725,000 on capital projects. The bulk of the expenditure during the year was spent on the purchase of the Pembroke Road site which amounted to £3,682,000 (78%), whilst the development of Waterside North accounted for £777,000 (16%). The remaining expenditure, £266,000, covered residual works at University Campus Aylesbury Vale and the refurbishment of Swan Pool.

In 2016/17 the Council received non-asset backed capital receipts of £3,177,000 from house sales as part of the stock transfer agreement. It also received £405,000 from the sale of Elmhurst community centre. The Council's capital expenditure in 2016/17 was financed from two sources, capital reserves and capital receipts. 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 2016/17 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 |
| 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 2017. The current valuation shows a deficit on the fund of £105,972,000 (£82,933,000 at 31 March 2016) 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 2016/17 there was no need for additional long term borrowing.

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 2017/18. Despite continuing to receive a much lower level of formula grant, the Council had limited the increases of its element of the council tax for previous years. For 2017/18, the Council has increased the annual council tax by the maximum permissible £5 at band D for district councils.

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 2017 has been prepared and I confirm that these accounts were approved by the audit committee at its meeting on 25 September 2017.

Councillor Kevin Hewson
Chairman of Audit Committee
25 September 2017

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 2016/17* - 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 2017.



Andrew Small
Director (with responsibility for finance)
30 June 2017

Expenditure and funding analysis

This analysis shows how annual expenditure is used and funded from resources (government grants, council tax and business rates) by the Council in comparison with those resources consumed or earned by the Council in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the Council's portfolios. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the comprehensive income and expenditure statement.

| 2015/16 | | | | | | 2016/17 | | | | | |
|--|--|---|--|--|---|--|--|---|--|--|---|
| Council | | | Group | | | Council | | | Group | | |
| Net expenditure chargeable to the general fund | Adjustments between the funding and accounting basis | Net expenditure in the comprehensive income and expenditure statement | Net expenditure chargeable to the general fund | Adjustments between the funding & accounting basis | Net expenditure in the comprehensive income and expenditure statement | Net expenditure chargeable to the general fund | Adjustments between the funding & accounting basis | Net expenditure in the comprehensive income and expenditure statement | Net expenditure chargeable to the general fund | Adjustments between the funding & accounting basis | Net expenditure in the comprehensive income and expenditure statement |
| £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| 726 | (45) | 681 | 726 | (45) | 681 | 436 | (17) | 419 | 436 | (17) | 419 |
| (484) | (580) | (1,064) | (484) | (580) | (1,064) | (420) | (810) | (1,230) | (420) | (810) | (1,230) |
| 5,580 | (1,291) | 4,289 | 5,580 | (1,291) | 4,289 | 6,009 | (1,021) | 4,988 | 6,009 | (1,021) | 4,988 |
| 2,417 | (699) | 1,718 | 2,417 | (699) | 1,718 | 3,322 | (577) | 2,745 | 3,322 | (577) | 2,745 |
| 1,246 | (458) | 788 | 1,246 | (458) | 788 | 1,648 | (354) | 1,294 | 1,648 | (354) | 1,294 |
| 3,072 | 2,134 | 5,206 | 3,072 | 2,134 | 5,206 | 4,061 | 1,884 | 5,945 | 4,061 | 1,884 | 5,945 |
| 8,311 | (3,043) | 5,268 | 8,311 | (3,043) | 5,268 | 3,384 | 1,691 | 5,075 | 3,384 | 1,691 | 5,075 |
| 20,868 | (3,982) | 16,886 | 20,868 | (3,982) | 16,886 | 18,440 | 796 | 19,236 | 18,440 | 796 | 19,236 |
| (25,487) | 4,053 | (21,434) | (25,405) | 4,048 | (21,357) | (29,068) | 10,200 | (18,868) | (28,309) | 10,063 | (18,246) |
| | | (4,548) | | | (4,471) | | | 368 | | | 990 |
| | | (31,531) | | | (29,721) | | | (36,079) | | | (34,192) |
| | | (4,548) | | | (4,471) | | | 368 | | | 990 |
| | | (36,079) | | | (34,192) | | | (35,711) | | | (33,202) |
| | | | | | Net cost of services | | | | | | |
| | | | | | Other income and expenditure | | | | | | |
| | | | | | Opening general fund balance at 1 April | | | | | | |
| | | | | | (Surplus)/deficit for the year | | | | | | |
| | | | | | Closing general fund balance at 31 March | | | | | | |

Movement in reserves statement

This statement shows the movement from the start of the year to the end 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 'unusable reserves'. The statement shows how the movements in year of the Council's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax for the year. The net (increase)/decrease line shows the statutory general fund balance movements in the year following those adjustments.

| Council | General fund balance | Capital receipts reserves | Capital grants unapplied | Total usable reserves | Unusable reserves | Total Council reserves |
|---|----------------------|---------------------------|--------------------------|-----------------------|-------------------|------------------------|
| | £000 | £000 | £000 | £000 | £000 | £000 |
| Balance at 1 April 2015 | (31,531) | (9,609) | (1,267) | (42,407) | (33,117) | (75,524) |
| Movement in reserves during 2015/16 | | | | | | |
| Total comprehensive income and expenditure | (4,619) | - | - | (4,619) | (11,387) | (16,006) |
| Adjustments between accounting basis & funding basis under regulations (Note 8.2) | 71 | 3,247 | (683) | 2,635 | (2,635) | - |
| (Increase)/decrease in 2015/16 | (4,548) | 3,247 | (683) | (1,984) | (14,022) | (16,006) |
| Balance at 31 March 2016 | (36,079) | (6,362) | (1,950) | (44,391) | (47,139) | (91,530) |
| Movement in reserves during 2016/17 | | | | | | |
| Total comprehensive income and expenditure | (10,628) | - | - | (10,628) | 16,255 | 5,627 |
| Adjustments between accounting basis & funding basis under regulations (Note 8.2) | 10,996 | (447) | (993) | 9,556 | (9,556) | - |
| (Increase)/decrease in 2016/17 | 368 | (447) | (993) | (1,072) | 6,699 | 5,627 |
| Balance at 31 March 2017 | (35,711) | (6,809) | (2,943) | (45,463) | (40,440) | (85,903) |

| Group | General fund balance £000 | Capital receipts reserves £000 | Capital grants unapplied £000 | Total usable reserves £000 | Unusable reserves £000 | Total Council reserves £000 | Council's share of reserves of joint venture and subsidiaries £000 | Total reserves £000 |
|---|------------------------------|-----------------------------------|----------------------------------|-------------------------------|---------------------------|--------------------------------|---|------------------------|
| Balance at 1 April 2015 | (29,721) | (9,609) | (1,267) | (40,597) | (33,117) | (73,714) | (2,784) | (76,498) |
| Movement in reserves during 2015/16 | | | | | | | | |
| Total comprehensive income and expenditure | (4,537) | - | - | (4,537) | (11,387) | (15,924) | (394) | (16,318) |
| Adjustments between group accounts and authority accounts (Note 8.1) | (5) | - | - | (5) | - | (5) | 5 | - |
| Adjustments between accounting basis & funding basis under regulations (Note 8.2) | 71 | 3,247 | (683) | 2,635 | (2,635) | - | - | - |
| (Increase)/decrease in 2015/16 | (4,471) | 3,247 | (683) | (1,907) | (14,022) | (15,929) | (389) | (16,318) |
| Balance at 31 March 2016 | (34,192) | (6,362) | (1,950) | (42,504) | (47,139) | (89,643) | (3,173) | (92,816) |
| Movement in reserves during 2016/17 | | | | | | | | |
| Total comprehensive income and expenditure | (9,869) | - | - | (9,869) | 16,255 | 6,386 | (731) | 5,655 |
| Adjustments between group accounts and authority accounts (Note 8.1) | (137) | - | - | (137) | - | (137) | 137 | - |
| Adjustments between accounting basis & funding basis under regulations (Note 8.2) | 10,996 | (447) | (993) | 9,556 | (9,556) | - | - | - |
| (Increase)/decrease in 2016/17 | 990 | (447) | (993) | (450) | 6,699 | 6,249 | (594) | 5,655 |
| Balance at 31 March 2017 | (33,202) | (6,809) | (2,943) | (42,954) | (40,440) | (83,394) | (3,767) | (87,161) |

Analysis of the general fund balance

| 2015/16 | | | 2016/17 | |
|-----------------|-----------------|----------------------------|-----------------|-----------------|
| Council | Group | | Council | Group |
| £000 | £000 | | £000 | £000 |
| (32,104) | (32,104) | Amounts earmarked (note 9) | (32,937) | (32,937) |
| (3,975) | (2,088) | Amounts uncommitted | (2,774) | (265) |
| (36,079) | (34,192) | | (35,711) | (33,202) |

Reconciliation of movement in reserves statement to balance sheet

| 31 March 2016 | | 31 March 2017 |
|------------------|--|------------------|
| Group only | | Group only |
| £000 | | £000 |
| (92,816) | Total reserves in the movement in reserves statement | (87,161) |
| 10 | Minority interest share of reserves of subsidiaries | 26 |
| (92,806) | Total reserves in the balance sheet | (87,135) |

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. This category of reserves includes reserves that hold unrealised gains and losses (e.g. 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'.

| 31 March 2016 | | | 31 March 2017 | |
|------------------|------------------|--|---------------|------------------|
| Council | Group | | Council | Group |
| £000 | £000 | note | £000 | £000 |
| | | Property, plant & equipment | | |
| 108,919 | 108,919 | Other land and buildings | 13.7 | 122,697 |
| 1,349 | 1,349 | Vehicles, plant and equipment | 13.7 | 1,314 |
| 19 | 19 | Community assets | 13.7 | 19 |
| 9,729 | 9,729 | Surplus assets not held for sale | 13.7 | 9,729 |
| 220 | 220 | Heritage assets | 13.7 | 220 |
| 85 | 85 | Assets under construction | 13.7 | 1,118 |
| 120,321 | 120,321 | Total property, plant & equipment | | 135,097 |
| 415 | 415 | Investment property | 14 | 415 |
| 1,284 | - | Long term investments | 15 | 1,284 |
| - | 2,743 | Investment in joint venture | 16 | - |
| 43,652 | 43,471 | Long term debtors | 17,37 | 49,039 |
| 165,672 | 166,950 | Long term assets | | 185,835 |
| 428 | 428 | Assets held for resale | 18 | - |
| 32,569 | 32,569 | Short term investments | 19 | 38,081 |
| 3 | 3 | Inventories | | 3 |
| 11,264 | 11,291 | Short term debtors | 19,20 | 11,533 |
| 4,387 | 4,387 | Short term loans | 19,21 | 4,496 |
| 9,074 | 9,095 | Cash and cash equivalents | 19,22 | 4,695 |
| 57,725 | 57,773 | Current assets | | 58,808 |
| (10,935) | (10,985) | Short term creditors | 19,23 | (13,934) |
| (1,744) | (1,744) | Provisions | 24 | (797) |
| (12,679) | (12,729) | Current liabilities | | (14,731) |
| (187) | (187) | Provisions | 24 | (166) |
| (95,408) | (95,408) | Other long term liabilities | 25 | (120,433) |
| (23,593) | (23,593) | Long term borrowing | 19 | (23,410) |
| (119,188) | (119,188) | Long term liabilities | | (144,009) |
| 91,530 | 92,806 | Net assets | | 85,903 |
| (44,391) | (41,336) | Usable reserves | MiRS, 26 | (45,463) |
| (47,139) | (51,470) | Unusable reserves | MiRS, 27 | (40,440) |
| (91,530) | (92,806) | Total reserves | | (85,903) |

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.

| 2015/16 | | | 2016/17 | |
|--------------|--------------|------|--------------|--------------|
| Council | Group | | Council | Group |
| £000 | £000 | note | £000 | £000 |
| 4,619 | 4,537 | | 10,628 | 9,869 |
| | | | | |
| 23,412 | 23,515 | 28.1 | 776 | 2,047 |
| | | | | |
| (21,397) | (21,397) | 28.2 | (5,549) | (5,549) |
| 6,634 | 6,655 | | 5,855 | 6,367 |
| (394) | (394) | 29 | (10,963) | (11,466) |
| (5,131) | (5,131) | 30 | 729 | 729 |
| 1,109 | 1,130 | | (4,379) | (4,370) |
| 7,965 | 7,965 | | 9,074 | 9,095 |
| 9,074 | 9,095 | | 4,695 | 4,725 |

1. Accounting Policies

1.1 General principles

The statement of accounts summarises the Council's transactions for the 2016/17 financial year and its position at 31 March 2017. 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 2016/17 and Service Reporting Code of Practice 2016/17, 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 Council tax and non-domestic rates

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

1.6 Employee benefits

1.6.1 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.

1.6.2 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.

1.6.3 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.

1.6.4 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.

1.7 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.

1.8 Financial instruments

1.8.1 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.

1.8.2 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.

1.8.2.1 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.

1.8.2.2 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.

1.9 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.

1.9.1 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

1.10 Interests in companies and other entities

The Council has a material interest in Aylesbury Vale Estates LLP (AVE), Aylesbury Vale Broadband (AVB) and Vale Commerce (VC), 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.

1.11 Inventories and long-term contracts

Inventories 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.

1.12 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.

1.13 Leases

1.13.1 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.

1.13.2 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.

1.14 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 2016/17 – 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.

1.15 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.

1.16 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.

1.16.1 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.

1.16.2 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.

1.16.3 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.

1.16.4 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. 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.

1.16.5 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.

1.16.6 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.

1.17 Provisions, contingent liabilities and contingent assets**1.17.1 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.

1.17.2 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.

1.17.3 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.

1.18 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.

1.19 Revenue expenditure funded from capital under statute

Expenditure incurred during the year that may be capitalised under statutory provisions that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the comprehensive income and expenditure statement in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the movement in reserves statement from the general fund balance to the capital adjustment account then reverses out the amounts charged so that there is no impact on the level of council tax.

1.20 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 2016/17 (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 2017/18 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 2017 and there is therefore no impact on the 2016/17 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.

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.

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 2017 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 2017. 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 2017.
- 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 2017, the Council had a balance of sundry debtors for £10,805,000. A review of significant balances suggested that an impairment for doubtful debts of 26% (£2,802,000) 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 2016/17, 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 £210,453 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 25 September 2017. 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 2017, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

6. Note to the expenditure and funding analysis

Adjustments from the general fund to arrive at the comprehensive income and expenditure statement amounts

| | 2016/17 | | | | 2016/17 | | | |
|--|-----------------------------|-------------------|--------------|-------------------|----------------------------------|-----------------------------|-------------------|-------------------|
| | Council | | | | Group | | | |
| | Net change | | | Total Adjustments | Net change | | | Total Adjustments |
| Adjustments for capital purposes | for the pensions adjustment | Other Differences | | | Adjustments for capital purposes | for the pensions adjustment | Other Differences | |
| (note 1) | (note 2) | (note 3) | | (note 1) | (note 2) | (note 3) | | |
| £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | |
| Business transformation | - | (17) | - | (17) | - | (17) | - | (17) |
| Economic development delivery | (702) | (108) | - | (810) | (702) | (108) | - | (810) |
| Environment and waste | (348) | (673) | - | (1,021) | (348) | (673) | - | (1,021) |
| Finance, resources and compliance | - | (577) | - | (577) | - | (577) | - | (577) |
| Growth strategy | - | (354) | - | (354) | - | (354) | - | (354) |
| Leader | - | 1,884 | - | 1,884 | - | 1,884 | - | 1,884 |
| Leisure, communities and civic amenities | 2,126 | (435) | - | 1,691 | 2,126 | (435) | - | 1,691 |
| Net cost of services | 1,076 | (280) | - | 796 | 1,076 | (280) | - | 796 |
| Financing items | 6,846 | 2,165 | 1,189 | 10,200 | 6,846 | 2,165 | 1,189 | 10,200 |
| Share of subsidiary and joint venture reserves | - | - | - | - | - | - | (137) | (137) |
| Other income and expenditure | 6,846 | 2,165 | 1,189 | 10,200 | 6,846 | 2,165 | 1,052 | 10,063 |

| | 2015/16 Council | | | | 2015/16 Group | | | |
|--|--|---|--|------------------------------|--|---|--|------------------------------|
| | Adjustments for capital purposes (note 1) £000 | Net change for the pensions adjustment (note 2) £000 | Other Differences (note 3) £000 | Total Adjustments £000 | Adjustments for capital purposes (note 1) £000 | Net change for the pensions adjustment (note 2) £000 | Other Differences (note 3) £000 | Total Adjustments £000 |
| Business transformation | - | (45) | - | (45) | - | (45) | - | (45) |
| Economic development delivery | (467) | (113) | - | (580) | (467) | (113) | - | (580) |
| Environment and waste | (499) | (792) | - | (1,291) | (499) | (792) | - | (1,291) |
| Finance, resources and compliance | - | (699) | - | (699) | - | (699) | - | (699) |
| Growth strategy | - | (458) | - | (458) | - | (458) | - | (458) |
| Leader | - | 2,134 | - | 2,134 | - | 2,134 | - | 2,134 |
| Leisure, communities and civic amenities | (2,490) | (553) | - | (3,043) | (2,490) | (553) | - | (3,043) |
| | (3,456) | (526) | - | (3,982) | (3,456) | (526) | - | (3,982) |
| Financing items | 6,767 | (2,930) | 216 | 4,053 | 6,767 | (2,930) | 216 | 4,053 |
| Share of subsidiary and joint venture reserves | - | - | - | - | - | - | (5) | (5) |
| Other income and expenditure | 6,767 | (2,930) | 216 | 4,053 | 6,767 | (2,930) | 211 | 4,048 |

1. Adjustments for capital purposes

This column adds in depreciation and impairment and revaluation gains and losses in the services line and for:

- **Other operating expenditure** - adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.
- **Financing and investment income and expenditure** - the statutory charges for capital financing, i.e. minimum revenue provision, and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.
- **Taxation and non-specific grant income and expenditure** – capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year. The taxation and non-specific grant income and expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

2. Net change for the pensions adjustment

Net change for the removal of pension contributions and the addition of IAS19 employee benefits pension related expenditure and income:

- For **services** this represents the removal of the employer pension contributions made by the Council as allowed by statute and the replacement with current service costs and past service costs.
- For **financing and investment income and expenditure** – the net interest on the defined benefit liability is charged to the comprehensive income and expenditure statement.

3. Other differences

Other differences between amounts debited/(credited) to the comprehensive income and expenditure statement and amounts payable/(receivable) to be recognised under statute:

- For **financing and investment income and expenditure** the other difference column recognises adjustments to the general fund for the timing differences for premiums and discounts.
- The charge under **taxation and non-specific grant income and expenditure** represents the difference between what is chargeable under statutory regulations for council tax and non domestic rates that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the code. This is a timing difference as any difference will be brought forward in future (surpluses) or deficits on the collection fund.

7. Expenditure and income analysed by nature

The Council's expenditure and income is analysed as follows:

| 2015/16 | | | 2016/17 | |
|--------------------|------------------|--|------------------|------------------|
| Council | Group | | Council | Group |
| £000 | £000 | | £000 | £000 |
| Expenditure | | | | |
| 21,312 | 21,312 | Employee benefits expenses | 23,356 | 23,356 |
| 64,262 | 64,262 | Other service expenses | 64,308 | 64,308 |
| (135) | (135) | Support service recharges | (39) | (39) |
| 3,071 | 3,071 | Depreciation & impairment | (1,383) | (1,383) |
| 3,837 | 3,837 | Interest payments | 3,653 | 3,653 |
| 4,552 | 4,552 | Precepts & levies | 5,057 | 5,057 |
| - | - | Payments to housing capital receipts pool | 1 | 1 |
| 801 | 801 | Loss/(gain) on disposal of fixed assets | 23 | 23 |
| - | (178) | Share of profits attributable to joint venture | - | (264) |
| - | 183 | Losses attributable to subsidiary companies | - | 401 |
| 211 | 211 | Other expenditure | 433 | 433 |
| 97,911 | 97,916 | Total expenditure | 95,409 | 95,546 |
| Income | | | | |
| (66,522) | (66,522) | Fees, charges & other service income | (67,802) | (67,802) |
| (2,804) | (2,804) | Interest and investment income | (2,182) | (2,182) |
| (18,574) | (18,574) | Income from council tax & non-domestic rates | (21,095) | (21,095) |
| (2,310) | (2,310) | Post stock transfer capital receipts | (3,177) | (3,177) |
| (11,996) | (11,996) | Government grants and contributions | (10,877) | (10,877) |
| (77) | - | Dividends receivable | (622) | - |
| (247) | (247) | Other income | (282) | (282) |
| (102,530) | (102,453) | Total income | (106,037) | (105,415) |

8. Adjustments

8.1 Adjustments between group accounts and Council accounts

| 2015/16 | 2016/17 |
|--|------------|
| Group | Group |
| £000 | £000 |
| (178) Share of AVE LLP profit for the year | (264) |
| 190 Aylesbury Vale Broadband Ltd loss for the year | 357 |
| - Vale Commerce Ltd loss for the year | 37 |
| (7) Novae Ltd (profit)/loss for the year | 7 |
| <u>5</u> | <u>137</u> |

8.2 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 | 2016/17 | | |
|---|----------------------|--------------------------|--------------------------|
| | Usable reserves | | |
| | General fund balance | Capital receipts reserve | Capital grants unapplied |
| | £000 | £000 | £000 |
| Adjustments to the revenue resources | | | |
| Amounts by which the income and expenditure included in the comprehensive income and expenditure statement are difference from revenue for the year calculated in accordance with statutory requirements: | | | |
| • Pensions costs (transferred to/(from) the pensions reserve) | 1,885 | - | - |
| • Financial instruments (transferred to/(from) the financial instruments adjustments reserve) | | | |
| • Council tax and NNDR (transfers to or from the collection fund adjustment account) | 1,314 | - | - |
| • Holiday pay (transferred to/(from) the accumulated absences reserve) | (102) | - | - |
| • Reversal of entries included in the surplus or deficit on the provision of services in relation to capital expenditure (these items are charged to the capital adjustment account) | 2,615 | - | (1,967) |
| Total adjustments to the revenue resources | 5,712 | - | (1,967) |
| Adjustments between revenue and capital resources | | | |
| Transfer of non-current asset sale proceeds from revenue to the capital receipts reserve | 3,582 | (3,582) | - |
| Statutory provision for the repayment of debt (transfer from the capital adjustment account) | 1,702 | - | - |
| Total adjustments between revenue and capital resources | 5,284 | (3,582) | - |
| Adjustments to capital resources | | | |
| Use of the capital receipts reserve to finance capital expenditure | - | 3,753 | - |
| Application of capital grants to finance capital expenditure | - | - | 974 |
| Cash payments in relation to deferred capital receipts | - | (618) | - |
| Total adjustments to capital resources | - | 3,135 | 974 |
| Total adjustments | 10,996 | (447) | (993) |

| Council and group | 2015/16 | | |
|---|----------------------|--------------------------|--------------------------|
| | Usable reserves | | |
| | General fund balance | Capital receipts reserve | Capital grants unapplied |
| | £000 | £000 | £000 |
| Adjustments to the revenue resources | | | |
| Amounts by which the income and expenditure included in the comprehensive income and expenditure statement are difference from revenue for the year calculated in accordance with statutory requirements: | | | |
| • Pensions costs (transferred to/(from) the pensions reserve) | (3,456) | - | - |
| • Financial instruments (transferred to/(from) the financial instruments adjustments reserve) | | | |
| • Council tax and NNDR (transfers to or from the collection fund adjustment account) | 212 | - | - |
| • Holiday pay (transferred to/(from) the accumulated absences reserve) | 4 | - | - |
| • Reversal of entries included in the surplus or deficit on the provision of services in relation to capital expenditure (these items are charged to the capital adjustment account) | (654) | - | (3,722) |
| Total adjustments to the revenue resources | (3,894) | - | (3,722) |
| Adjustments between revenue and capital resources | | | |
| Transfer of non-current asset sale proceeds from revenue to the capital receipts reserve | 2,429 | (2,429) | - |
| Statutory provision for the repayment of debt (transfer from the capital adjustment account) | 1,536 | - | - |
| Total adjustments between revenue and capital resources | 3,965 | (2,429) | - |
| Adjustments to capital resources | | | |
| Use of the capital receipts reserve to finance capital expenditure | | 5,785 | |
| Application of capital grants to finance capital expenditure | | | 3,039 |
| Cash payments in relation to deferred capital receipts | | (109) | |
| Total adjustments to capital resources | - | 5,676 | 3,039 |
| Total adjustments | 71 | 3,247 | (683) |

9. Movements in 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 2015/16 and 2016/17.

| Council and group | Balance 1 April 2015 | Transfers out 2015/16 | Transfers in 2015/16 | Balance 31 March 2016 | Transfers out 2016/17 | Transfers in 2016/17 | Balance 31 March 2017 |
|----------------------------|-------------------------|-----------------------------|-------------------------|-----------------------------|-----------------------------|-------------------------|-----------------------------|
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Capital purposes | | | | | | | |
| Amenity areas | (2,506) | - | (242) | (2,748) | - | (172) | (2,920) |
| Property sinking | (2,312) | 500 | - | (1,812) | - | - | (1,812) |
| Information technology | (1,229) | 78 | (297) | (1,448) | 176 | (297) | (1,569) |
| Property strategy | (540) | - | - | (540) | - | - | (540) |
| Future vehicle costs | (4) | - | - | (4) | - | (135) | (139) |
| | (6,591) | 578 | (539) | (6,552) | 176 | (604) | (6,980) |
| Revenue purposes | | | | | | | |
| New homes bonus | (7,001) | 1,454 | (5,074) | (10,621) | 6,176 | (7,052) | (11,497) |
| Interest equalisation | (2,795) | 619 | (658) | (2,834) | 167 | (230) | (2,897) |
| Business rates | (2,001) | - | - | (2,001) | - | - | (2,001) |
| Planning fees | (1,190) | - | (1,156) | (2,346) | 396 | - | (1,950) |
| Repairs & renewals | (908) | 97 | (384) | (1,195) | 248 | (151) | (1,098) |
| Superannuation | (1,560) | 277 | - | (1,283) | 277 | - | (1,006) |
| Fairford Leys riverine | (850) | - | (12) | (862) | - | (8) | (870) |
| LABGI | (857) | - | - | (857) | - | - | (857) |
| Benefit subsidy | (1,534) | 727 | - | (807) | - | - | (807) |
| Aylesbury special expenses | (519) | 15 | - | (504) | - | (48) | (552) |
| Self insurance | (577) | - | - | (577) | 36 | - | (541) |
| Health licensing income | (51) | - | (120) | (171) | - | (240) | (411) |
| Leisure Activities | (156) | - | (2) | (158) | 8 | (109) | (259) |
| District elections | (160) | - | (39) | (199) | - | (45) | (244) |
| Recycling & composting | (199) | - | (107) | (306) | 160 | (77) | (223) |
| Car parking | (192) | - | (15) | (207) | - | - | (207) |
| Historic buildings | (141) | - | - | (141) | 6 | (6) | (141) |
| Housing needs & s106 | (107) | - | - | (107) | - | - | (107) |
| Business support fund | (102) | - | - | (102) | - | - | (102) |
| Rent guarantee scheme | (71) | - | - | (71) | - | - | (71) |
| Market research | (47) | - | - | (47) | - | - | (47) |
| Playgrounds | (40) | - | - | (40) | - | - | (40) |
| Business transformation | (89) | - | - | (89) | 60 | - | (29) |
| Land registry fees | (11) | - | - | (11) | 11 | - | - |
| Other | (9) | 1 | - | (8) | 8 | - | - |
| Corporate improvement | (8) | - | - | (8) | 8 | - | - |
| | (21,175) | 3,190 | (7,567) | (25,552) | 7,561 | (7,966) | (25,957) |
| | (27,766) | 3,768 | (8,106) | (32,104) | 7,737 | (8,570) | (32,937) |

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

(a) Amenity areas

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

(b) Property sinking reserve

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

(c) Information technology

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

(d) New homes bonus

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

(e) Interest equalisation reserve

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

(f) Business rates reserve

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

(g) Planning reserves

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

(h) 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.

(i) Superannuation reserve

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

(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.

10. Other operating income and expenditure

| 2015/16 | | 2016/17 |
|-------------------|--|-------------------|
| Council and Group | | Council and Group |
| £000 | | £000 |
| 4,552 | Parish precepts | 5,057 |
| - | - Payments to the government housing capital receipts pool | 1 |
| (2,310) | Post stock transfer capital receipts | (3,177) |
| (242) | Commutated sum income | (275) |
| 206 | Other operating (income)/costs | 426 |
| 801 | Loss on disposal of non-current assets | 23 |
| 3,007 | | 2,055 |

11. Financing and investment income and expenditure

| 2015/16 | | | 2016/17 | |
|------------|--------------|--|------------|--------------|
| Council | Group | | Council | Group |
| £000 | £000 | | £000 | £000 |
| 906 | 906 | Interest payable and similar charges | 818 | 818 |
| 2,931 | 2,931 | Net interest on the net defined liability | 2,835 | 2,835 |
| (2,804) | (2,804) | Interest receivable and similar income | (2,182) | (2,182) |
| - | 183 | Losses attributable to subsidiary companies | - | 401 |
| - | (178) | Share of profits attributable to joint venture | - | (264) |
| (77) | - | Distribution attributable to joint venture (note 29) | (622) | - |
| 956 | 1,038 | | 849 | 1,608 |

12. Taxation and non-specific grant income

| 2015/16 | | 2016/17 |
|-------------------|--|-------------------|
| Council and Group | | Council and Group |
| £000 | | £000 |
| (15,031) | Council tax income | (15,604) |
| (3,543) | Non domestic rates | (5,491) |
| (8,599) | Non-ringfenced government grants (note 30) | (10,249) |
| (2,277) | Capital grants and contributions | (628) |
| (29,450) | | (31,972) |

13. Property, plant and equipment**13.1 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.

13.2 Depreciation methods used

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

13.3 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:

| <u>Class type</u> | <u>Useful life</u> |
|------------------------|--------------------|
| 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 |

13.4 Capital commitments

The Council had no outstanding capital commitments at 31 March 2017.

The Council had no construction contracts in effect at 31 March 2017.

13.5 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 £210,453 for every year that useful lives had to be reduced.

13.6 Revaluations

The Council carries out a rolling programme that ensures that all property, plant and equipment required to be measured at fair value is revalued at least once every five years. Valuations of land and buildings are carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. Valuations of all public conveniences, community centres, leisure buildings and open air car parks were carried out by Mark Aldis BSc(Hons) M.R.I.C.S. of Wilks, Head and Eve as at 31 March 2017.

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.

13.7 Movement on property, plant and equipment

| Council | 2016/17 | | | | | | |
|--|-----------------------------------|---|-----------------------------|---------------------------|----------------------------|------------------------------------|--------------------|
| | 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 2016 | 115,767 | 6,108 | 19 | 9,729 | 220 | 85 | 131,928 |
| Additions | 3,480 | - | - | - | - | 1,245 | 4,725 |
| Revaluation increases/(decreases) recognised in the revaluation reserve | 6,984 | 314 | - | - | - | - | 7,298 |
| Revaluation increases/(decreases) recognised in the (surplus)/deficit on the provision of services | 2,086 | - | - | - | - | - | 2,086 |
| Impairment written out to the (surplus)/deficit on the provision of services | - | - | - | - | - | (212) | (212) |
| At 31 March 2017 | 128,317 | 6,422 | 19 | 9,729 | 220 | 1,118 | 145,825 |
| Accumulated depreciation | | | | | | | |
| At 1 April 2016 | (6,848) | (4,759) | - | - | - | - | (11,607) |
| Depreciation charge | (143) | (349) | - | - | - | - | (492) |
| Depreciation written out to the revaluation reserve | 1,371 | - | - | - | - | - | 1,371 |
| Derecognition - disposals | - | - | - | - | - | - | - |
| Other movements | - | - | - | - | - | - | - |
| At 31 March 2017 | (5,620) | (5,108) | - | - | - | - | (10,728) |
| Net book value | | | | | | | |
| At 31 March 2017 | 122,697 | 1,314 | 19 | 9,729 | 220 | 1,118 | 135,097 |
| At 1 April 2016 | 108,919 | 1,349 | 19 | 9,729 | 220 | 85 | 120,321 |

| Group | 2016/17 | | | | | | |
|--|------------------------------|-----------------------------------|------------------------|----------------------|-----------------------|-------------------------------|------------------|
| | Other land & buildings £0 | Vehicles, plant & equipment £0 | Community assets £0 | Surplus assets £0 | Heritage assets £0 | PP&E under construction £0 | Total PP&E £0 |
| Cost or valuation | | | | | | | |
| At 1 April 2016 | 115,767 | 6,108 | 19 | 9,729 | 220 | 85 | 131,928 |
| Additions | 3,480 | 503 | - | - | - | 1,245 | 5,228 |
| Revaluation increases/(decreases) recognised in the revaluation reserve | 6,984 | 314 | - | - | - | - | 7,298 |
| Revaluation increases/(decreases) recognised in the (surplus)/deficit on the provision of services | 2,086 | - | - | - | - | - | 2,086 |
| Impairment written out to the (surplus)/deficit on the provision of services | - | - | - | - | - | (212) | (212) |
| At 31 March 2017 | 128,317 | 6,925 | 19 | 9,729 | 220 | 1,118 | 146,328 |
| Accumulated depreciation | | | | | | | |
| At 1 April 2016 | (6,848) | (4,759) | - | - | - | - | (11,607) |
| Depreciation charge | (143) | (349) | - | - | - | - | (492) |
| Depreciation written out to the revaluation reserve | 1,371 | - | - | - | - | - | 1,371 |
| At 31 March 2017 | (5,620) | (5,108) | - | - | - | - | (10,728) |
| Net book value | | | | | | | |
| At 31 March 2017 | 122,697 | 1,817 | 19 | 9,729 | 220 | 1,118 | 135,600 |
| At 1 April 2016 | 108,919 | 1,349 | 19 | 9,729 | 220 | 85 | 120,321 |

| Council and group | 2015/16 | | | | | | |
|---|-----------------------------------|---|-----------------------------|---------------------------|----------------------------|------------------------------------|--------------------|
| | 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 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 |

14. Investment properties

The following items of income and expense have been accounted for in the economic development delivery line in the comprehensive income and expenditure statement:

| 2015/16 | 2016/17 |
|---|--------------------------|
| Council and group | Council and group |
| £000 | £000 |
| (6) Rental income from investment property | (9) |
| 54 Direct operating expenses arising from investment property | 110 |
| 48 | 101 |

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 2016 | 31 March 2017 |
|--------------------------------|--------------------------|
| Council and group | Council and group |
| £000 | £000 |
| 415 Balance at 1 April | 415 |
| 415 Balance at 31 March | 415 |

15. Long term investments

| 31 March 2016 | 31 March 2017 |
|----------------------------------|----------------|
| Council | Council |
| £000 | £000 |
| 1,284 Aylesbury Vale Estates LLP | 1,284 |
| 1,284 | 1,284 |

16. Investment in joint venture

| 31 March 2016 | 31 March 2017 |
|---|---------------|
| Group | Group |
| £000 | £000 |
| 1,308 Investment at cost | 1,308 |
| (24) Capital repayments and distributions | (24) |
| (1,887) Distributions | (2,509) |
| (995) AVDC share of accumulated (losses)/profits | (731) |
| 4,341 AVDC share of accumulated revaluation gains | 5,056 |
| 2,743 | 3,100 |

17. Long term debtors

| 31 March 2016 | | | 31 March 2017 | | |
|---------------|---------------|--------------------------------|---------------|---------------|--|
| Council | Group | | Council | Group | |
| £000 | | | £000 | | |
| 27,856 | 27,856 | Aylesbury Vale Estates LLP | 27,422 | 27,422 | |
| 15,577 | 15,577 | Finance leases | 15,150 | 15,150 | |
| - | - | - Hale Leys LLP | 4,912 | 4,912 | |
| 171 | - | - Aylesbury Vale Broadband Ltd | 986 | - | |
| - | - | - Bucks Advantage | 500 | 500 | |
| 10 | - | - Vale Commerce Ltd | 50 | - | |
| 38 | 38 | Car purchase loans | 19 | 19 | |
| 43,652 | 43,471 | | 49,039 | 48,003 | |

18. Assets held for resale

| 31 March 2016 | | 31 March 2017 | |
|----------------------------------|-------------------------------|-------------------|--|
| Council and group | | Council and group | |
| £000 | | £000 | |
| Elmhurst Community Centre | | | |
| 451 | Balance as at 1 April | 428 | |
| - | - Disposals | (428) | |
| (23) | Revaluation - Impairment | - | |
| 428 | Balance as at 31 March | - | |

19. Financial instruments

19.1 Categories of financial instruments

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

| 31 March 2016 | | | | 31 March 2017 | | | |
|----------------------------------|----------------|-----------------|----------------|-----------------|----------------|-----------------|----------------|
| Council | | Group | | Council | | Group | |
| Long term | Current | Long term | Current | Long term | Current | Long term | Current |
| £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Investments | | | | | | | |
| - | 32,569 | - | 32,569 | - | 38,081 | - | 38,081 |
| - | 32,569 | - | 32,569 | - | 38,081 | - | 38,081 |
| Debtors | | | | | | | |
| 43,652 | 4,387 | 43,471 | 4,387 | 49,039 | 4,496 | 48,003 | 4,496 |
| - | 7,905 | - | 7,932 | - | 8,616 | - | 8,712 |
| 43,652 | 12,292 | 43,471 | 12,319 | 49,039 | 13,112 | 48,003 | 13,208 |
| Cash and cash equivalents | | | | | | | |
| - | 9,074 | - | 9,095 | - | 4,695 | - | 4,725 |
| - | 9,074 | - | 9,095 | - | 4,695 | - | 4,725 |
| Borrowings | | | | | | | |
| (23,593) | - | (23,593) | - | (23,410) | - | (23,410) | - |
| (23,593) | - | (23,593) | - | (23,410) | - | (23,410) | - |
| Creditors | | | | | | | |
| - | (7,665) | - | (7,715) | - | (8,667) | - | (8,844) |
| - | (7,665) | - | (7,715) | - | (8,667) | - | (8,844) |

19.3 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 2016 | | | |
|------------------------------|-----------------|-----------------|-----------------|
| Council | | Group | |
| Carrying amount | Fair value | Carrying amount | Fair value |
| £000 | £000 | £000 | £000 |
| Financial assets | | | |
| 43,652 | 43,652 | 43,471 | 43,471 |
| 32,569 | 33,106 | 32,569 | 33,106 |
| 9,074 | 9,074 | 9,095 | 9,095 |
| 85,295 | 85,832 | 85,135 | 85,672 |
| Financial liabilities | | | |
| (12,475) | (12,475) | (12,475) | (12,475) |
| (23,593) | (26,685) | (23,593) | (26,685) |
| (36,068) | (39,160) | (36,068) | (39,160) |

| 31 March 2017 | | | |
|------------------------------|-----------------|-----------------|-----------------|
| Council | | Group | |
| Carrying amount | Fair value | Carrying amount | Fair value |
| £000 | £000 | £000 | £000 |
| Financial assets | | | |
| 49,039 | 49,039 | 48,003 | 48,003 |
| 38,081 | 38,621 | 38,081 | 38,621 |
| 4,695 | 4,695 | 4,725 | 4,725 |
| 91,815 | 92,355 | 90,809 | 91,349 |
| Financial liabilities | | | |
| (14,461) | (14,461) | (14,461) | (14,461) |
| (23,410) | (27,708) | (23,410) | (27,708) |
| (37,871) | (42,169) | (37,871) | (42,169) |

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

20. Short term debtors

| 31 March 2016 | | | 31 March 2017 | |
|---------------|---------------|---------------------------------------|---------------|---------------|
| Council | Group | | Council | Group |
| £000 | £000 | | £000 | £000 |
| 1,576 | 1,576 | Central government bodies | 1,070 | 1,070 |
| 497 | 497 | Other local authorities | 276 | 276 |
| 113 | 113 | NHS bodies | 187 | 187 |
| 193 | 193 | Amounts owed by joint venture | 193 | 193 |
| 11,637 | 11,664 | Other entities and individuals | 12,609 | 12,705 |
| 14,016 | 14,043 | | 14,335 | 14,431 |
| (2,752) | (2,752) | Provision for impairment of bad debts | (2,802) | (2,802) |
| 11,264 | 11,291 | | 11,533 | 11,629 |

21. Short term loans

| 31 March 2016 | | 31 March 2017 |
|-------------------|----------------------------|-------------------|
| Council and group | | Council and group |
| £000 | | £000 |
| 2,900 | Hale Leys LLP | 2,900 |
| 1,487 | Aylesbury Vale Estates LLP | 1,596 |
| 4,387 | | 4,496 |

22. Cash and cash equivalents

| 31 March 2016 | | | 31 March 2017 | |
|---------------|--------------|-----------------------|---------------|--------------|
| Council | Group | | Council | Group |
| £000 | £000 | | £000 | £000 |
| 1 | 1 | Cash | 1 | 1 |
| 2,493 | 2,514 | Bank current accounts | 1,191 | 1,221 |
| 6,580 | 6,580 | Short term deposits | 3,503 | 3,503 |
| 9,074 | 9,095 | | 4,695 | 4,725 |

23. Short term creditors

| 31 March 2016 | | | 31 March 2017 | |
|-----------------|-----------------|--------------------------------|-----------------|-----------------|
| Council | Group | | Council | Group |
| £000 | £000 | | £000 | £000 |
| (2,939) | (2,939) | Central government bodies | (3,290) | (3,290) |
| (2,872) | (2,872) | Other local authorities | (3,157) | (3,157) |
| (95) | (95) | NHS bodies | (118) | (118) |
| (5,029) | (5,079) | Other entities and individuals | (7,369) | (7,546) |
| (10,935) | (10,985) | | (13,934) | (14,111) |

24. Provisions

| | Council and group | |
|---------------------------------------|-------------------|------------------|
| | Short term | Long term |
| | NNDR appeals | Refundable bonds |
| | £000 | £000 |
| Balance at 1 April 2015 | (1,629) | (187) |
| Additional provisions made in 2015/16 | (115) | - |
| Balance at 31 March 2016 | (1,744) | (187) |
| Unused amounts reversed in 2016/17 | 947 | 21 |
| Balance at 31 March 2017 | (797) | (166) |

25. Other long term liabilities

| 31 March 2016 | | 31 March 2017 |
|------------------------------|-------------------------|------------------------------|
| Council and group | | Council and group |
| £000 | | £000 |
| (82,933) | Pension liability | (105,972) |
| (12,475) | Developer contributions | (14,461) |
| (95,408) | | (120,433) |

26. Usable reserves

Movement in usable reserves are summarised below:

| Council | Balance 1 April 2015 | Movements | | Balance 31 March 2016 | Movements | | Balance 31 March 2017 |
|--------------------------|----------------------------|----------------|------------------|-----------------------------|----------------|------------------|-----------------------------|
| | £000 | Debits £000 | Credits £000 | £000 | Debits £000 | Credits £000 | £000 |
| General fund balance | (3,765) | 129,163 | (129,373) | (3,975) | 123,325 | (122,124) | (2,774) |
| Capital receipts reserve | (9,609) | 5,785 | (2,538) | (6,362) | 3,753 | (4,200) | (6,809) |
| Capital grants unapplied | (1,267) | 3,039 | (3,722) | (1,950) | 974 | (1,967) | (2,943) |
| Earmarked reserves | (27,766) | 3,768 | (8,106) | (32,104) | 7,737 | (8,570) | (32,937) |
| | (42,407) | 141,755 | (143,739) | (44,391) | 135,789 | (136,861) | (45,463) |

| Group | Balance 1 April 2015 | Movements | | Balance 31 March 2016 | Movements | | Balance 31 March 2017 |
|---|----------------------------|----------------|------------------|-----------------------------|----------------|------------------|-----------------------------|
| | £000 | Debits £000 | Credits £000 | £000 | Debits £000 | Credits £000 | £000 |
| General fund balance | (1,955) | 129,303 | (129,436) | (2,088) | 123,325 | (121,502) | (265) |
| Capital receipts reserve | (9,609) | 5,785 | (2,538) | (6,362) | 3,753 | (4,200) | (6,809) |
| Capital grants unapplied | (1,267) | 3,039 | (3,722) | (1,950) | 974 | (1,967) | (2,943) |
| Earmarked reserves | (27,766) | 3,768 | (8,106) | (32,104) | 7,737 | (8,570) | (32,937) |
| Joint venture profit and loss reserves | 1,173 | - | (178) | 995 | - | (264) | 731 |
| Subsidiary profit and loss reserves | - | 186 | (13) | 173 | 431 | (46) | 558 |
| | (39,424) | 142,081 | (143,993) | (41,336) | 136,220 | (136,549) | (41,665) |

27. Unusable reserves

Movement in unusable reserves are summarised below:

| Council only | Balance 1 April 2015 | Movements | | Balance 31 March 2016 | Movements | | Balance 31 March 2017 |
|------------------------------------|----------------------------|----------------|-----------------|-----------------------------|----------------|-----------------|-----------------------------|
| | £000 | Debits £000 | Credits £000 | £000 | Debits £000 | Credits £000 | £000 |
| Revaluation reserve | (13,554) | - | (557) | (14,111) | - | (8,669) | (22,780) |
| Capital adjustment account | (81,772) | 19,678 | (10,360) | (72,454) | 1,438 | (8,515) | (79,531) |
| Deferred capital receipts | (28,769) | 109 | (15,302) | (43,962) | 618 | - | (43,344) |
| Pensions reserve | 90,307 | 8,711 | (16,085) | 82,933 | 52,478 | (29,439) | 105,972 |
| Collection fund adjustment account | 597 | - | (212) | 385 | - | (1,314) | (929) |
| Accumulated absences account | 74 | 70 | (74) | 70 | 172 | (70) | 172 |
| | (33,117) | 28,568 | (42,590) | (47,139) | 54,706 | (48,007) | (40,440) |

| Group | Balance | Movements | | Balance | Movements | | Balance |
|------------------------------------|-----------------|---------------|-----------------|------------------|---------------|-----------------|------------------|
| | 1 April 2015 | Debits | Credits | 31 March 2016 | Debits | Credits | 31 March 2017 |
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Revaluation reserve | (17,511) | - | (941) | (18,452) | - | (9,384) | (27,836) |
| Capital adjustment account | (81,772) | 19,678 | (10,360) | (72,454) | 1,438 | (8,515) | (79,531) |
| Deferred capital receipts | (28,769) | 109 | (15,302) | (43,962) | 618 | - | (43,344) |
| Pensions reserve | 90,307 | 8,711 | (16,085) | 82,933 | 52,478 | (29,439) | 105,972 |
| Collection fund adjustment account | 597 | - | (212) | 385 | - | (1,314) | (929) |
| Accumulated absences account | 74 | 70 | (74) | 70 | 172 | (70) | 172 |
| Minority interests | - | 10 | - | 10 | 16 | - | 26 |
| | (37,074) | 28,578 | (42,974) | (51,470) | 54,722 | (48,722) | (45,470) |

27.1 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.

| 2015/16 | | 2016/17 | |
|-----------------|---|-----------------|-----------------|
| Council | Group | Council | Group |
| £000 | £000 | £000 | £000 |
| (13,554) | (17,511) | (14,111) | (18,452) |
| | Balance at 1 April | | |
| (557) | (941) | (7,298) | (8,013) |
| | Upward revaluation of assets | | |
| - | - | (1,371) | (1,371) |
| | Depreciation written back to revaluation reserve | | |
| (557) | (941) | (8,669) | (9,384) |
| | Surplus on revaluation of non-current assets not posted to the deficit on the provision of services | | |
| (14,111) | (18,452) | (22,780) | (27,836) |
| | Balance at 31 March | | |

27.2 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 8 provides details of the source of all the transactions posted to the account, apart from those involving the revaluation reserve.

| 2015/16 | | | 2016/17 | |
|-------------------|-----------------|---|-------------------|-----------------|
| Council and group | | | Council and group | |
| £000 | £000 | | £000 | £000 |
| | (81,772) | Balance at 1 April | | (72,454) |
| | | Reversal of items relating to capital expenditure debited to the comprehensive income and expenditure statement | | |
| | | • Charges for depreciation and impairment of non-current assets | 704 | |
| 3,071 | | • Revaluation increases/(decreases) recognised in the (surplus)/deficit on the provision of services | (2,086) | |
| - | | • Revenue expenditure funded from capital under statute | 306 | |
| 385 | | • 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 | 428 | |
| <u>16,222</u> | | Net written out amount of the non-current assets consumed in the year | | (648) |
| | 19,678 | Capital financing applied in the year | | |
| | | • Use of the capital receipts reserve to finance new capital expenditure | | (3,753) |
| | (5,785) | • Application of grants to capital financing from the capital grants unapplied account and earmarked reserves | | (974) |
| | (3,039) | • Statutory provision for the financing of capital investment charged against the general fund | | (1,702) |
| | <u>(1,536)</u> | | | <u>(1,702)</u> |
| | (72,454) | Balance at 31 March | | (79,531) |

27.3 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.

| 2015/16 | | | 2016/17 | |
|-------------------|-----------------|--|-------------------|-----------------|
| Council and group | | | Council and group | |
| £000 | £000 | | £000 | £000 |
| | (28,769) | Balance at 1 April | | (43,962) |
| | | Transfer of deferred sales proceeds credited as part of the loss on disposal to the comprehensive income and expenditure statement | | - |
| | (15,302) | Transfer to the capital receipts reserve upon receipt of cash | | 618 |
| | <u>109</u> | | | <u>618</u> |
| | (43,962) | Balance at 31 March | | (43,344) |

27.4 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.

| 2015/16 | | | 2016/17 | |
|-------------------|---------------|--|-------------------|----------------|
| Council and group | | | Council and group | |
| £000 | £000 | | £000 | £000 |
| | 90,307 | Balance at 1 April | | 82,933 |
| 1,401 | | Return on plan assets in excess of interest | (14,053) | |
| - | | Other actuarial losses on assets | (1,421) | |
| (12,225) | | Change in financial assumptions | 45,661 | |
| - | | Change in demographic assumptions | (2,505) | |
| (6) | | Experience gain on defined benefit obligation | (2,758) | |
| | (10,830) | Remeasurement of net defined benefit | | 24,924 |
| | | Reversal of items relating to retirement benefits debited or credited to the (surplus)/deficit on the provision of services in | | |
| | 7,310 | the comprehensive income and expenditure statement | | 6,817 |
| | | Employer's pensions contributions and direct payments to | | |
| | (3,854) | pensioners payable in the year | | (8,702) |
| | 82,933 | Balance at 31 March | | 105,972 |

27.5 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.

| 2015/16 | | | 2016/17 | |
|-------------------|------------|---|-------------------|--------------|
| Council and group | | | Council and group | |
| £000 | £000 | | £000 | £000 |
| | 597 | Balance at 1 April | | 385 |
| | | 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 | | |
| | (212) | with statutory requirements | | (1,314) |
| | 385 | Balance at 31 March | | (929) |

27.6 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.

| 2015/16 | | | 2016/17 | |
|-------------------|-----------|--|-------------------|------------|
| Council and group | | | Council and group | |
| £000 | £000 | | £000 | £000 |
| | 74 | Balance at 1 April | | 70 |
| (74) | | Settlement or cancellation of accrual made at the end of the preceding year | (70) | |
| 70 | | Amount accrued at the end of the current year | 172 | |
| | | Amount by which officer remuneration charged to the comprehensive income and expenditure statement on an accruals basis is different from remuneration chargeable in | | |
| | (4) | the year in accordance with statutory requirements | | 102 |
| | 70 | Balance at 31 March | | 172 |

28. Cash flow statement**28.1 Adjustments to net deficit on the provision of services for non-cash movements**

| 2015/16 | | | 2016/17 | |
|---------------|---------------|---|------------|--------------|
| Council | Group | | Council | Group |
| £000 | £000 | | £000 | £000 |
| 3,071 | 3,071 | Depreciation and impairment losses | (1,382) | (1,382) |
| (256) | (206) | (Decrease)/increase in creditors | 4,091 | 4,218 |
| 800 | 1,031 | Decrease in debtors | 492 | 1,900 |
| 3,456 | 3,456 | Pension liability | (1,885) | (1,885) |
| 16,222 | 16,222 | Carrying amount of non-current assets sold | 428 | 428 |
| - | (178) | Share of losses attributable to joint venture | - | (264) |
| 119 | 119 | Other non-cash items charged to the net surplus or deficit on the provision of services | (968) | (968) |
| 23,412 | 23,515 | | 776 | 2,047 |

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

| 2015/16 | | 2016/17 |
|-------------------|---|-------------------|
| Council and group | | Council and group |
| £000 | | £000 |
| (17,731) | Proceeds from the sale of property plant and equipment, investment property and intangible assets | (3,582) |
| (3,666) | Any other items for which the cash effects are investing or financing cash flows | (1,967) |
| (21,397) | | (5,549) |

28.3 Operating activities

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

| 2015/16 | | 2016/17 |
|-------------------|-------------------|-------------------|
| Council and group | | Council and group |
| £000 | | £000 |
| 2,817 | Interest received | 2,275 |
| (923) | Interest paid | (824) |

29. Cash flow statement - investing activities

| 2015/16 | | 2016/17 | |
|-------------------|--|-----------------|-----------------|
| Council and group | | Council | Group |
| £000 | | £000 | £000 |
| (8,494) | Purchase of property, plant and equipment, investment property and intangible assets | (4,725) | (5,228) |
| (72,505) | Purchase of short term and long term investments | (64,517) | (64,517) |
| (180) | Other payments for investing activities | (6,357) | (6,357) |
| 2,538 | Proceeds from the sale of property, plant and equipment, investment property and intangible assets | 4,200 | 4,200 |
| 74,000 | Proceeds from the sale of short term and long term investments | 59,000 | 59,000 |
| 4,247 | Other receipts from investing activities | 1,436 | 1,436 |
| (394) | | (10,963) | (11,466) |

30. Cash flow statement - financing activities

| 2015/16 | | 2016/17 | |
|-------------------|--|-------------------|-----|
| Council and group | | Council and group | |
| £000 | | £000 | |
| | 37 | | 906 |
| | Other payments for financing activities | | |
| (5,168) | Repayment of short and long term borrowing | (177) | |
| (5,131) | | 729 | |

31. Distribution attributable to joint venture

| 2015/16 | | 2016/17 | |
|-------------|---|--------------|--|
| Council | | Council | |
| £000 | | £000 | |
| (77) | Distribution attributable to joint venture for the year | (622) | |
| (77) | | (622) | |

32. Grant income

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

| 2015/16 | | 2016/17 | |
|---|-----------------------------------|-------------------|--|
| Council and group | | Council and group | |
| £000 | | £000 | |
| Credited to taxation and non specific grant income | | | |
| (2,705) | Revenue support grant | (1,569) | |
| (5,743) | New homes bonus | (8,231) | |
| (150) | Other grants | (449) | |
| (8,598) | | (10,249) | |
| Credited to services | | | |
| (289) | Planning delivery | (132) | |
| (417) | Renovation grants | (754) | |
| (227) | Council tax/NNDR collection grant | (227) | |
| (142) | Land searches | (10) | |
| (45) | Individual elector registration | (56) | |
| - | Homelessness | (62) | |
| (1,120) | | (1,241) | |

33. 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.

| 2015/16 | | 2016/17 | |
|-------------------|-----------------------|-------------------|-----------------------|
| Council and group | | Council and group | |
| Turnover | (Surplus)/ deficit | Turnover | (Surplus)/ deficit |
| £000 | £000 | £000 | £000 |
| (880) | (79) | (1,001) | 123 |
| (726) | (135) | (862) | (259) |
| (2,885) | (716) | (3,254) | (838) |
| (479) | (16) | (540) | (23) |
| (87) | 4 | (88) | 17 |
| (529) | (84) | (338) | (4) |
| (5,586) | (1,026) | (6,083) | (984) |

34. Members' allowances

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

| 2015/16 | | 2016/17 | |
|-------------------|-----------------------------|-------------------|--|
| Council and group | | Council and group | |
| £000 | | £000 | |
| 322 | Salaries | 320 | |
| 123 | Allowances | 124 | |
| 10 | Travel and other allowances | 13 | |
| 455 | | 457 | |

35. Officers' remuneration**35.1 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:

| | | 2016/17 | | | | |
|--|----|---|---------------------|--|--------------------------|--|
| | | Council and group | | | | |
| Identifier | | Salary (including fees & allowances) | Benefits in kind | Total remuneration excluding pension contributions | Pension contributions | Total remuneration including pension contributions |
| | | £000 | £000 | £000 | £000 | £000 |
| Chief Executive - Andrew Grant | 1 | 145 | 14 | 159 | 33 | 192 |
| Corporate Director | 2 | 99 | - | 99 | 23 | 122 |
| Corporate Director | 3 | 82 | - | 82 | 19 | 101 |
| Commercial AVDC Programme Sponsor | 4 | 70 | - | 70 | 16 | 86 |
| Assistant Director - Commercial Property | 5 | 70 | - | 70 | 16 | 86 |
| Assistant Director - Commercial & Business Strategy | 6 | 62 | - | 62 | 14 | 76 |
| Assistant Director - Customer Fulfilment | 7 | 61 | - | 61 | 14 | 75 |
| Assistant Director - Community Fulfilment | 8 | 61 | - | 61 | 14 | 75 |
| Sector Lead - Resigned | 9 | 58 | - | 58 | 13 | 71 |
| Sector Lead - Resigned | 10 | 58 | - | 58 | 13 | 71 |
| Assistant Director - Business Support & Enablement | 11 | 58 | - | 58 | 13 | 71 |
| | | 824 | 14 | 838 | 188 | 1,026 |

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

35.2 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:

| 2015/16 | | 2016/17 | |
|---------------------|-------------------|---------------------|--|
| Council and group | | Council and group | |
| Number of employees | | Number of employees | |
| 12 | £50,000 - £54,999 | 8 | |
| - | £55,000 - £59,999 | 4 | |
| 4 | £60,000 - £64,999 | 5 | |
| 1 | £75,000 - £79,999 | - | |
| 17 | | 17 | |

The Council has undertaken a significant corporate restructuring exercise, incurring redundancy costs as headcount is reduced. This strategy aims to achieve financial sustainability for the Council through reductions in operating costs and increased commercial revenues to offset reductions in government grant over time.

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 redundancies | | Number of other departures agreed | | Total number of exit packages by cost | | Total cost of exit packages in each | |
|--------------------|------------------------|-----------|-----------------------------------|----------|---------------------------------------|-----------|-------------------------------------|--------------|
| | 2015/16 | 2016/17 | 2015/16 | 2016/17 | 2015/16 | 2016/17 | 2015/16 | 2016/17 |
| | Council and group | | Council and group | | Council and group | | Council and group | |
| | | | | | | £000 | £000 | |
| £0 - £20,000 | 10 | 11 | - | 4 | 10 | 15 | 110 | 170 |
| £20,001 - £40,000 | 6 | 11 | - | 1 | 6 | 12 | 182 | 315 |
| £40,001 - £60,000 | 3 | 1 | - | 2 | 3 | 3 | 140 | 135 |
| £60,001 - £80,000 | - | 3 | - | 1 | - | 4 | - | 274 |
| £80,001 - £100,000 | - | 4 | - | - | - | 4 | - | 350 |
| | 19 | 30 | - | 8 | 19 | 38 | 432 | 1,244 |

36. 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:

| 2015/16 Council and group | | 2016/17 Council and group |
|---------------------------------|--|---------------------------------|
| £000 | | £000 |
| 58 | Fees payable to the appointed auditor with regard to external audit services | 57 |
| 11 | Fees payable to the appointed auditor for the certification of grant claims and returns for the year | 12 |
| 69 | | 69 |

37. Leases**Council as lessee****37.1 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 2016 Council and group | | 31 March 2017 Council and group |
|--|--------------------------|--|
| £000 | | £000 |
| 6,274 | Other land and buildings | 5,811 |
| 6,274 | | 5,811 |

37.2 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:

| 2015/16 Council and group | | 2016/17 Council and group |
|---------------------------------|---|---------------------------------|
| £000 | | £000 |
| 864 | Not later than one year | 708 |
| 836 | Later than one year and not later than five years | 186 |
| 1,700 | | 894 |

The expenditure charged to the environment and waste line in the comprehensive income and expenditure statement during the year in relation to these leases was:

| 2015/16 Council and group | | 2016/17 Council and group |
|---------------------------------|------------------------|---------------------------------|
| £000 | | £000 |
| 841 | Minimum lease payments | 901 |
| 841 | | 901 |

Council as lessor

37.3 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 34 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 2016 | | 31 March 2017 | |
|-------------------|---|-------------------|--|
| Council and group | | Council and group | |
| £000 | | £000 | |
| | Finance lease debtor (net present value of minimum lease payments): | | |
| 209 | • Current | 218 | |
| 15,368 | • Non current | 15,150 | |
| 14,405 | Unearned finance income | 13,735 | |
| 29,982 | | 29,103 | |

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

| 31 March 2016 | | 31 March 2017 | |
|---------------------------|------------------------|---------------------------|------------------------|
| Council and group | | Council and group | |
| Gross investment in lease | Minimum lease payments | Gross investment in lease | Minimum lease payments |
| £000 | £000 | £000 | £000 |
| (879) | (209) | (879) | (218) |
| (3,517) | (930) | (3,517) | (970) |
| (25,586) | (14,438) | (24,707) | (14,180) |
| (29,982) | (15,577) | (29,103) | (15,368) |

37.4 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:

| 2015/16 | | 2016/17 | |
|-------------------|---|-------------------|--|
| Council and group | | Council and group | |
| £000 | | £000 | |
| (1,367) | Not later than one year | (1,357) | |
| (6,117) | Later than one year and not later than five years | (4,531) | |
| (11,857) | Later than five years | (10,888) | |
| (19,341) | | (16,776) | |

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

38. 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.

| 2015/16 | | 2016/17 |
|-------------------|--|-------------------|
| Council and group | | Council and group |
| £000 | | £000 |
| 37,365 | Opening capital financing requirement | 35,883 |
| | Capital investment | |
| 2,411 | Property, plant and equipment | 3,480 |
| 6,083 | Assets under construction | 1,245 |
| (1) | Long term investments | - |
| 385 | Revenue expenditure funded from capital under statute | 306 |
| | Sources of finance | |
| (5,785) | Capital receipts | (3,753) |
| (3,039) | Government grants and other contributions | (974) |
| | Sums set aside from revenue: | |
| (1,536) | Minimum revenue provision | (1,702) |
| 35,883 | Closing capital financing requirement | 34,485 |
| | Explanation of movements in year | |
| (1,482) | Increase in underlying need to borrow (unsupported by government financial assistance) | (1,398) |
| (1,482) | Increase in capital financing requirement | (1,398) |

39. Defined benefit pension schemes**39.1 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.

39.2 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 | |
|---|---------------------------------|--------------|-------------------------------------|----------|
| | 2015/16 | 2016/17 | 2015/16 | 2016/17 |
| | Council and group | | Council and group | |
| | £000 | £000 | £000 | £000 |
| Cost of services: | | | | |
| • service cost | 4,301 | 3,861 | - | - |
| Financing and investment income and expenditure | | | | |
| • net interest on the defined liability | 2,931 | 2,835 | - | - |
| Administration expenses | 78 | 82 | - | - |
| Total post employment benefit charged to the comprehensive income and expenditure statement | 7,310 | 6,778 | - | - |
| 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 | (7,310) | (6,817) | - | - |
| Actual amount charged against the general fund balance for pensions in the year: | | | | |
| • employers' contributions payable to scheme | 3,510 | 8,412 | | |
| • retirement benefits payable to pensioners | | | 344 | 290 |

The cumulative amount of actuarial gains and losses recognised in the comprehensive income and expenditure statement during 2016/17 is a loss of £48,987,000 (a loss of £24,063,000 during 2015/16).

39.3 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 | |
|--|--------------------|----------------|---|----------------|
| | 2015/16 | 2016/17 | 2015/16 | 2016/17 |
| | Council and group | | Council and group | |
| | £000 | £000 | £000 | £000 |
| Opening balance at 1 April | 197,718 | 190,044 | (4,162) | (3,884) |
| Current service cost | 3,774 | 3,323 | - | - |
| Interest cost | 6,307 | 6,599 | - | - |
| Change in financial assumptions | (12,751) | 45,729 | 526 | (68) |
| Change in demographic assumptions | - | (2,505) | - | - |
| Experience loss/(gain) on defined benefit obligation | (6) | (2,758) | - | - |
| Liabilities extinguished on settlements | - | (117) | - | - |
| Estimated benefits paid net of transfers in | (6,478) | (6,546) | - | - |
| Past service costs including curtailments | 527 | 577 | - | - |
| Contributions by scheme participants | 953 | 900 | - | - |
| Unfunded pension payments | - | - | (248) | (243) |
| Closing balance at 31 March | 190,044 | 235,246 | (3,884) | (4,195) |

Reconciliation of the fair value of the scheme assets:

| | Funded liabilities | |
|---|--------------------|------------------|
| | 2015/16 | 2016/17 |
| | Council and group | |
| | £000 | £000 |
| Opening balance at 1 April | (103,249) | (103,227) |
| Interest on assets | (3,376) | (3,764) |
| Return on assets less interest | 1,401 | (14,053) |
| Other actuarial gains and losses | - | (1,382) |
| Administration expenses | 78 | 82 |
| Contributions by employer including unfunded | (3,854) | (8,702) |
| Contributions by scheme participants | (953) | (900) |
| Estimated benefits paid plus unfunded net of transfers in | 6,726 | 6,789 |
| Settlement prices paid | - | 78 |
| Closing balance at 31 March | (103,227) | (125,079) |

Pension scheme assets comprised:

| | 31 March 2016 | | | | 31 March 2017 | | | |
|---------------------------|---------------------------------|-------------------------------------|----------------|---------------------------|---------------------------------|-------------------------------------|----------------|---------------------------|
| | 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 | 12,641 | - | 12,641 | 12% | 14,749 | - | 14,749 | 12% |
| UK equities | 10,944 | - | 10,944 | 11% | 12,258 | - | 12,258 | 10% |
| Overseas equities | 37,789 | - | 37,789 | 37% | 50,157 | - | 50,157 | 40% |
| Private equity | - | 6,516 | 6,516 | 6% | - | 8,093 | 8,093 | 6% |
| Other bonds | 12,583 | - | 12,583 | 12% | 15,305 | - | 15,305 | 12% |
| Property | 8,293 | 1,502 | 9,795 | 9% | 8,916 | 628 | 9,544 | 8% |
| Cash | 2,643 | - | 2,643 | 3% | 4,247 | - | 4,247 | 3% |
| Hedge funds | - | 4,318 | 4,318 | 4% | - | 4,558 | 4,558 | 4% |
| Absolute return portfolio | - | 4,592 | 4,592 | 5% | - | 4,662 | 4,662 | 4% |
| Alternative Assets | - | 1,406 | 1,406 | 1% | - | 1,506 | 1,506 | 1% |
| | 84,893 | 18,334 | 103,227 | | 105,632 | 19,447 | 125,079 | |

39.4 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:

| 2015/16 Council and group | | 2016/17 Council and group |
|--|---|---------------------------------|
| Mortality assumptions | | |
| Longevity at 65 for current pensioners: | | |
| 23.8 | Men | 23.9 |
| 26.2 | Women | 26.0 |
| Longevity at 65 for future pensioners: | | |
| 26.1 | Men | 26.1 |
| 28.5 | Women | 28.3 |
| 2.3% | Rate of Inflation | 2.7% |
| 4.1% | Rate of increase in salaries | 4.2% |
| 2.3% | Rate of increase in pensions | 2.7% |
| 3.6% | Rate for discounting scheme liabilities | 2.7% |

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%) | (4,187) | 4,267 |
| Rate of increase in salaries (increase or decrease by 0.1%) | 537 | (533) |
| Rate of increase in pensions (increase or decrease by 0.1%) | 3,726 | (3,658) |
| Longevity (increase or decrease by 1 year) | 8,960 | (8,616) |

39.5 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 £105,972,000 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 2018 is £3,623,000.

39.6 Scheme history

| | 2012/13 | 2013/14 | 2014/15 | 2015/16 | 2016/17 |
|--|-------------------|---------------|---------------|---------------|----------------|
| | Council and group | | | | |
| | £000 | £000 | £000 | £000 | £000 |
| Present value of liabilities | | | | | |
| Local government pension scheme | 162,752 | 171,170 | 197,718 | 190,044 | 235,246 |
| Discretionary benefits | (924) | (3,992) | (4,162) | (3,884) | (4,195) |
| Fair value of assets in the local government pension scheme | (94,107) | (94,114) | (103,249) | (103,227) | (125,079) |
| (Surplus)/deficit in the scheme: | | | | | |
| • local government pension scheme | 68,645 | 77,056 | 94,469 | 86,817 | 110,167 |
| • discretionary benefits | (924) | (3,992) | (4,162) | (3,884) | (4,195) |
| Total | 67,721 | 73,064 | 90,307 | 82,933 | 105,972 |

39.7 History of experience gains and losses

The actuarial gains identified as movements on the pensions reserve in 2016/17 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2016:

| | 2012/13 | 2013/14 | 2014/15 | 2015/16 | 2016/17 |
|--|-------------------|---------|---------|---------|---------|
| | Council and group | | | | |
| | % | % | % | % | % |
| Differences between the expected and actual return on assets | (10.72) | 11.75 | 2.61 | 1.91 | (8.23) |
| Experience gains and losses on liabilities | - | (0.81) | 6.88 | - | 1.19 |

40. 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.

40.1 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 £38,081,000 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 2017 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 2017 | Historial experience of default | Historial experience adjusted for market conditions at 31 March 2017 | Estimated maximum exposure to default and uncollectability at 31 March 2017 | Estimated maximum exposure at 31 March 2016 | Estimated maximum exposure at 1 April 2015 |
| | £000 | % | % | £000 (A*C) | £000 | £000 |
| Counterparty Rating | A | B | C | | | |
| AA- | 2,017 | 0.005 | 0.005 | 0.1 | - | - |
| A | 15,023 | 0.017 | 0.017 | 2.6 | 2.2 | 2.5 |
| A- | 3,009 | 0.012 | 0.012 | 0.4 | - | 1.4 |
| BBB+ | 1,002 | 0.112 | 0.112 | 1.1 | 0.6 | - |
| BBB | 1,002 | 0.097 | 0.097 | 1.0 | 0.9 | 0.7 |
| BBB- | 4,007 | 0.050 | 0.050 | 2.0 | 0.2 | 2.3 |
| BB+ | - | - | - | - | 12.5 | 5.8 |
| B+ | - | - | - | - | 52.3 | - |
| B | - | - | - | - | - | 8.8 |
| Other rated | 12,021 | - | - | - | - | 12.5 |
| Customers | 5,901 | 5.000 | 5.000 | 295.1 | 253.0 | 144.0 |
| | 43,982 | | | 302.3 | 321.7 | 178.0 |

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 £4,824,000 of the £5,901,000 balance is past its due date for payment. The past due but not impaired amount can be analysed by age as follows:

| 31 March 2016 | | 31 March 2017 |
|------------------------------|------------------------|------------------------------|
| Council and group | | Council and group |
| £000 | | £000 |
| 670 | Less than three months | 1,966 |
| 917 | Three to six months | 467 |
| 888 | Six months to one year | 367 |
| 2,030 | More than one year | 2,024 |
| 4,505 | | 4,824 |

40.2 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.

40.3 Market risk

40.3.1 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 2017, if interest rates had been either 0.25% higher or lower with all other variables held constant, the financial effect would be:

| | Council and group |
|--|------------------------------|
| | £000 |
| Increase in interest receivable on variable rate investments | 1,380 |
| Decrease in interest receivable on variable rate investments | (292) |
| Impact on surplus or deficit on the provision of services | 1,088 |

40.3.2 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.

40.3.3 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.

40.4 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.

41. 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 2017.

- 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.

42. 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 2017, the Council had no material contingent assets.

43. 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).

Members

Members of the Council have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2016/17 is shown in Note 34. 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. 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 16 (investments) and note 17 (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 |
| 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.

| 2015/16 | 2015/16 | 2015/16 | | 2016/17 | 2016/17 | 2016/17 |
|------------------------|-----------------|------------------|---|-------------|------------------|------------------|
| Council tax | NNDR | Total | | Council tax | NNDR | Total |
| £000 | £000 | £000 | | £000 | £000 | £000 |
| Income | | | | | | |
| (106,963) | - | (106,963) | Income from council tax | C2 | (113,282) | (113,282) |
| - | (50,519) | (50,519) | Income collectable from business ratepayers | C3 | (52,325) | (52,325) |
| (106,963) | (50,519) | (157,482) | | | (113,282) | (165,607) |
| Expenditure | | | | | | |
| Precepts and demands | | | | | | |
| 75,756 | - | 75,756 | • Buckinghamshire County Council | | 80,528 | 80,528 |
| 11,115 | - | 11,115 | • Thames Valley Police Authority | | 11,588 | 11,588 |
| 3,975 | - | 3,975 | • Bucks & Milton Keynes Fire Authority | | 4,144 | 4,144 |
| 14,469 | - | 14,469 | • Aylesbury Vale District Council | | 15,455 | 15,455 |
| Business rates: | | | | | | |
| - | 24,183 | 24,183 | • Payment to government | C3 | 25,355 | 25,355 |
| - | 4,837 | 4,837 | • Payment to preceptors | C3 | 5,071 | 5,071 |
| - | 19,347 | 19,347 | • Retained by Aylesbury Vale District Council | C3 | 20,492 | 20,492 |
| - | 227 | 227 | • Cost of Collection | | 227 | 227 |
| - | 568 | 568 | • Transitional Protection Payment | | 37 | 37 |
| Bad and doubtful debts | | | | | | |
| (331) | 127 | (204) | • Write offs | | (386) | (312) |
| 634 | - | 634 | • Increase in provision | | 879 | 879 |
| - | 288 | 288 | • Provision for appeals | | (2,368) | (2,368) |
| Contributions | | | | | | |
| 2,552 | - | 2,552 | • Towards previous year's surplus | C4 | 1,528 | 1,528 |
| 108,170 | 49,577 | 157,747 | | | 113,736 | 162,624 |
| 1,207 | (942) | 265 | (Surplus)/deficit for the year | | 454 | (2,983) |
| (2,844) | 2,467 | (377) | Accumulated (surplus)/deficit b/fwd | | (1,637) | (112) |
| 1,207 | (942) | 265 | (Surplus)/deficit for the year | | 454 | (2,983) |
| (1,637) | 1,525 | (112) | Accumulated (surplus)/deficit c/fwd | | (1,183) | (3,095) |

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 2016/17 was 69,409 (2015/16: 67,902). The tax base was approved under delegated authority by the Cabinet Member for Resources and was calculated as follows:

| 2015/16 | | | | 2016/17 | | |
|--|--------|--------------------|------------------------------|--|--------|--------------------|
| 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 |
| 7 | 5/9 | 4 | A* | 6 | 5/9 | 3 |
| 2,577 | 6/9 | 1,718 | A | 2,585 | 6/9 | 1,723 |
| 10,903 | 7/9 | 8,480 | B | 10,966 | 7/9 | 8,529 |
| 20,116 | 8/9 | 17,881 | C | 20,124 | 8/9 | 17,888 |
| 12,231 | 9/9 | 12,231 | D | 12,477 | 9/9 | 12,477 |
| 10,154 | 11/9 | 12,410 | E | 10,458 | 11/9 | 12,782 |
| 7,170 | 13/9 | 10,357 | F | 7,414 | 13/9 | 10,709 |
| 5,666 | 15/9 | 9,443 | G | 5,844 | 15/9 | 9,740 |
| 359 | 18/9 | 718 | H | 363 | 18/9 | 726 |
| <u>69,183</u> | | <u>73,242</u> | | <u>70,237</u> | | <u>74,577</u> |
| | | (1,172) | Allowance for non-collection | | | (1,192) |
| | | <u>(4,168)</u> | Council tax support scheme | | | <u>(3,976)</u> |
| | | <u>67,902</u> | Council tax base | | | <u>69,409</u> |
| | | 98.3% | Collection rate assumed | | | 98.3% |

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 2016/17 were estimated before the start of the financial year as £25,355,000 to central government, £4,564,000 to BCC, £507,000 to BMKFRA and £20,284,000 to Aylesbury Vale District Council. These sums have been paid in 2016/17 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 £16,156,000 from the general fund in 2016/17.

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 2017. 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 2016/17 has been calculated as a credit of £2,368,000 (2014/15: £288,000).

The total non-domestic rateable value at 31 March 2017 was £132,464,738 (31 March 2015: £130,075,176). The national non-domestic rate multiplier for the year was 48.4p for small businesses (2015/16: 48.0p) and 49.7p for all other businesses (2015/16: 49.3p).

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 2016 it was estimated that the collection fund would have a surplus of £1,528,000, which was payable during 2016/17.

Accrual

Income and expenditure are shown in the accounts as sums due to and from the Council during the year when they are earned or incurred and not when the money is received or paid.

Budget

A budget is a financial statement that expresses the Council's service delivery plans and capital programme in monetary terms.

Capital expenditure

Expenditure on the acquisition of a fixed asset that will be used to provide services beyond the current accounting period or expenditure that adds value to an existing asset.

Capital programme

This is a financial summary of the capital projects that Aylesbury Vale District Council intends to carry out over a specified period of time.

Capital receipt

The proceeds from the sale of land or property. Capital receipts can be used to finance new capital expenditure but cannot be used to fund revenue expenditure.

CIPFA

This is the Chartered Institute of Public Finance and Accountancy.

Collection fund

A separate fund recording the expenditure and income relating to council tax and non-domestic rates.

Community assets

This is land and property that Aylesbury Vale District Council intends to hold forever. It generally has no determinable useful life and there is often a restriction regarding its sale.

Contingent liability

A sum due to be paid which may arise in the future but which cannot be determined in advance.

Council tax

This is one of the main sources of income to the Council. Council tax is levied on households within its area by the billing authority and the proceeds are paid into the collection fund for distribution to precepting authorities and for use by the billing authority's own general fund.

Creditor

This applies to money the Council owes to third parties for goods and services it has received but not paid for at the end of the accounting period.

Debtor

This applies to money that is owed to the Council from third parties for goods and services it has provided but not yet been paid for at the end of the accounting period.

Depreciation

This is a charge made to the revenue account each year that reflects the reduction in value of fixed assets used to deliver services.

Exceptional items

Material items which derive from events or transactions that fall within the normal activities of the Council and which need to be disclosed separately by virtue of their size or incidence to give fair presentation to the accounts.

Extraordinary items

Material items possessing a high degree of abnormality which derive from events or transactions that fall outside the normal activities of the Council and which are not expected to recur.

Finance lease

This is a lease, usually of buildings, which is treated as capital borrowing.

Fixed assets

Tangible assets that yield benefits to the Council and its services for a period of more than one year.

Government grants

Grants made by the central government towards either revenue or capital expenditure to help with the costs of providing services and capital projects. Some government grants have restrictions on how they may be used whilst others are general purpose.

Gross expenditure

The total cost of providing the Council's services before taking into account income from fees, charges and government grants.

Housing benefits

This is the national system for giving financial assistance to individuals towards certain housing costs. The cost of the service is subsidised by central government.

Impairment

This is a reduction in the value of a fixed asset as shown in the balance sheet to reflect its true value.

Income

This is the money that the Council receives or expects to receive from any source; fees, charges, sales, grants and interest.

Infrastructure assets

Inalienable fixed assets, expenditure on which is recoverable only by continued use of the asset created e.g. pedestrianisation.

Intangible assets

These are non-financial fixed assets that do not have any physical substance but are identifiable and are controlled by the Council through custom or legal rights e.g. computer software.

Inventories

These are items of stores that the Council has bought to use on a continuing basis but has not yet used.

Liability

A liability arises when the Council owes money to others and it must be included in the financial statements. There are two types of liability:

- a current liability is a sum of money that will or might be payable during the next accounting period e.g. creditors or cash overdrawn.
- a deferred liability is a sum of money that will not be payable until some point after the next accounting period or is paid off over a number of accounting periods.

Local services support grant

A general grant paid by central government to local authorities as a contribution towards the cost of their services.

Long term investments

Long term investments are investments intended to be held for use on a continuing basis in the activities of the Council. They should be classified as long term only where an intention to hold the asset for longer than one year can be clearly demonstrated.

National non-domestic rate (NNDR)

A levy on businesses, based on a national rate in the pound set by the government multiplied by the 'rateable value' of the premises they occupy. NNDR is collected by Aylesbury Vale District Council on behalf of central government and paid into a national 'pool'. The 'pool' is then redistributed among all local authorities and police authorities on the basis of population.

Operating lease

This is a lease where ownership of the fixed asset remains with the lessor.

Property, plant and equipment assets

These are fixed assets owned by the Council and used or consumed in the direct delivery of services.

Precept

The levy made by precepting authorities on billing authorities, requiring the latter to collect income from council tax payers on their behalf. Precepts are paid from the collection fund.

Provision

This is a sum of money that has been put aside in the accounts for liabilities or losses that are due but where the amount due or timing of the payment is not known with any certainty.

Rateable value

The annual assumed rental value of a property that is used for business purposes.

Reserves

A reserve results from an accumulation of surpluses, deficits and appropriations over past years. Reserves of a revenue nature are available and can be spent or earmarked at the Council's discretion.

Revenue expenditure

The day to day expenses associated with the provision of services.

Revenue expenditure funded from capital under statue

This is capital expenditure that does not create an asset that belongs to the Council. The value is written off to revenue in the year. An example of this type of expenditure is an improvement grant to another organisation.

Useful life

This is the period over which an organisation will derive benefits from the use of a fixed asset.

GENERAL FUND REVENUE RESERVES AND PROVISIONS

The table shows the current level of provisions and reserves held by the Council at the beginning of the year, the movements in the year and the closing balance at 31st March 2017.

| GENERAL FUND REVENUE RESERVES AND PROVISIONS | OPENING BALANCE 01/04/2016 £'000 | INCOME TO 31/03/2017 £'000 | SPEND TO 31/03/2017 £'000 | CLOSING BALANCE 31/03/17 £'000 |
|---|---|---|--|---|
| PROVISIONS | | | | |
| NNDR Appeals | (1,744) | 0 | 947 | (797) |
| Refundable Bonds | (187) | 0 | 0 | (187) |
| BAD DEBT PROVISIONS | | | | |
| Housing Benefits Overpayments | (2,068) | (75) | 78 | (2,065) |
| Local Taxation | (480) | 0 | 0 | (480) |
| Other | (94) | 0 | 16 | (78) |
| On Street Parking | (69) | (5) | 0 | (74) |
| Haywoods Way | (41) | 0 | 0 | (41) |
| | (4,683) | (80) | 1,041 | (3,722) |
| RESERVES | | | | |
| New Homes Bonus | (10,621) | (7,052) | 6,176 | (11,497) |
| Amenity Areas | (2,748) | (172) | 0 | (2,920) |
| Interest Equalisation Reserve | (2,834) | (230) | 167 | (2,897) |
| Business Rates | (2,001) | 0 | 0 | (2,001) |
| Planning Related | (2,346) | 0 | 396 | (1,950) |
| Property Sinking | (1,812) | 0 | 0 | (1,812) |
| New Technology | (1,448) | (297) | 176 | (1,569) |
| Repairs & Renewals (& CCTV) | (1,139) | (151) | 248 | (1,042) |
| Superannuation | (1,283) | 0 | 277 | (1,006) |
| Fairford Leys Riverine Corridor | (862) | (8) | 0 | (870) |
| LABGI | (857) | 0 | 0 | (857) |
| Benefit Subsidy | (807) | 0 | 0 | (807) |
| Aylesbury Special Expenses | (504) | (48) | 0 | (552) |
| Insurance | (577) | 0 | 36 | (541) |
| Property Strategy | (540) | 0 | 0 | (540) |
| Licensing | (171) | (240) | 0 | (411) |
| Leisure Activities | (158) | (109) | 8 | (259) |
| District Council Elections | (199) | (45) | 0 | (244) |
| Recycling and Composting | (306) | (77) | 160 | (223) |
| Car Parking Related | (207) | 0 | 0 | (207) |
| Historic Buildings | (141) | (6) | 6 | (141) |
| Future Vehicle Costs | (4) | (135) | 0 | (139) |
| Housing Needs & Section 106 | (107) | 0 | 0 | (107) |
| Business Support Fund | (102) | 0 | 0 | (102) |
| Rent Guarantee Scheme | (71) | 0 | 0 | (71) |
| CCTV for Community Centres | (56) | 0 | 0 | (56) |
| Corporate Market Research | (47) | 0 | 0 | (47) |
| Playgrounds | (40) | 0 | 0 | (40) |
| Business Transformation | (89) | 0 | 60 | (29) |
| Land Registry | (11) | 0 | 11 | 0 |
| Other | (8) | 0 | 8 | 0 |
| Corporate Improvement | (8) | 0 | 8 | 0 |
| | (32,104) | (8,570) | 7,737 | (32,937) |