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AYLESBURY VALE DISTRICT COUNCIL

Democratic Services

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13 July 2017

AUDIT COMMITTEE

A meeting of the **Audit Committee** will be held at **6.30 pm** on **Monday 24 July 2017** in **The Olympic Room, Aylesbury Vale District Council, The Gateway, Gatehouse Road, Aylesbury, HP19 8FF**, when your attendance is requested.

Contact Officer for meeting arrangements: Craig Saunders; csaunders@aylesburyvaledc.gov.uk;

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

AGENDA

1. APOLOGIES

2. TEMPORARY CHANGES TO MEMBERSHIP

Any changes will be reported at the meeting.

3. MINUTES (Pages 3 - 10)

To approve as a correct record the Minute of the meeting held on 12 June 2017, copy attached as an appendix.

4. DECLARATION OF INTEREST

Members to declare any interests.

5. EXTERNAL AUDIT PROGRESS REPORT

A verbal update on the progress made with audit work will be provided at the meeting.

Contact Officer: Andrew Small (01296) 585507

6. INTERNAL AUDIT PROGRESS REPORT (Pages 11 - 52)

To consider the attached report.

Contact Officer: Kate Mulhearn (01296) 585724

7. INTERNAL AUDIT ANNUAL REPORT 2017-18 (Pages 53 - 64)

To consider the attached report.

Contact Officer: Kate Mulhearn (01296) 585724

8. ANNUAL INTERNAL AUDIT STRATEGY AND PLAN 2017-18 (Pages 65 - 80)

To consider the attached report.

Contact Officer: Kate Mulhearn (01296) 585724

9. DRAFT ANNUAL GOVERNANCE STATEMENT (Pages 81 - 98)

To consider the attached report.

Contact Officer: Kate Mulhearn (01296) 585724

10. 2016/17 DRAFT STATEMENT OF ACCOUNTS AND YEAR END POSITION (Pages 99 - 176)

To consider the attached report.

Contact Officer: Simon Wasteney (01296) 585164

11. WORK PROGRAMME (Pages 177 - 178)

To consider the attached work programme.

Contact Officer: Kate Mulhearn (01296) 585724

AUDIT COMMITTEE

12 JUNE 2017

PRESENT: Councillor K Hewson (Chairman); Councillors C Adams, P Irwin, S Lambert (in place of A Harrison), R Newcombe and R Stuchbury. Councillor Mrs A Macpherson attended also.

APOLOGIES: Councillors B Chapple OBE, C Branston, Mrs A Harrison, D Town and H Mordue.

1. MINUTES

RESOLVED –

That the minutes of the meetings held on 27 March, 2017 and 17 May, 2017 be approved as correct records.

2. EXTERNAL AUDIT PROGRESS REPORT

The Committee received a report and overview of the stage that had been reached in the 2016/17 audit. The auditors were continuing to have regular meetings with key officers as part of the ongoing audit process. These had proved beneficial and helped to develop the understanding of the financial processes across a number of areas.

The auditors had already selected the samples for substantive testing of income and expenditure transactions for the first nine months of the financial year and shared these with the Council's finance team. As at the date of the Audit Committee the auditors had been on site for planning and interim testing for three weeks.

To ensure that the requirements of the Faster Close arrangements were met from 2017/18, the auditors had committed to undertaking as much early work as possible in 2016/17. The early work that they had been able to complete as part of their interim visit included:

- walkthrough of all key financial systems.
- opening balances agreement.
- month 9 testing of income and expenditure.
- month 9 payroll substantive analytical review including starters and leavers.
- exit packages testing.
- precept testing.
- contracts testing.
- existence testing of property, plant and equipment.

Where month nine testing of key balances such as income and expenditure and payroll had been completed there would also be top up testing of the balances undertaken at the end of the year. This would greatly reduce the time required to complete work at the year end.

Officers had also been informed of the year-end working paper requirements of the external auditors which would help to ensure a smooth delivery of the year end.

The Committees were informed that the interim reviews had not identified any issues that needed to be brought to Members' attention. The auditors were expecting to be on site from early July for approximately four weeks for the year end audit visit.

Members were informed that the additional work and further testing on one particular element of the closed 2015/16 Housing Benefit Subsidy claim, at the request of the DWP, had been completed and submitted. DWP had resultantly decided to refund AVDC £46,000 although this still meant that the Council would have to pay an error amount of £330,000.

In response to a question, Members were informed that the external auditors met regularly with key officers to discuss issues raised in interim reviews, although it more usual to only report matters that exceeded the materiality threshold to the Audit Committee.

RESOLVED –

That the progress report be noted.

3. INTERNAL AUDIT PROGRESS REPORT

The Committee received a progress report on assurance work activity undertaken against the 2016/17 Assurance Plan that had been approved by the Audit Committee in March 2016. The following matters were highlighted:-

Final Reports issued since the previous Committee Meeting

The following reviews had been completed since the last Committee meeting:-

- **Accounts Payable** – the review identified that much work had been done to improve accounts payable processes and controls since the previous year's "high risk" internal audit report. Overall the controls in place were operating well, in particular the work-flow to enable "three-way matching" on the ledger system, which had been set up and was being utilised effectively. There had also been more robust monitoring of monthly performance information which had led to a significant improvement in the speed of invoice payments and ensuring invoices received were connected to an approved Purchase Order.

  The review had identified 3 low risk findings relating to receipting corporate credit card expenditure, reviewing current Purchase Orders and commitments on a regular basis, and expanding monthly KPI indicators and reporting them to the Strategic Finance Manager

- **Council Tax and Business Rates** – the report had been classified as low risk. One medium risk had been raised relating to control weaknesses around validating evidence provided when applying Council Tax discounts and ensuring proper follow up to assess whether the discount was still applicable.

  Two low risk findings had been found relating to lack of reporting collection rates of prior year arrears and no write off procedures, and a lack of monitoring Valuation Office properties in temporary or no valuation.

  After completion of audit review but before finalising the report, the Council had sent out the annual Council Tax letters. The letters contained a numerical error in the precept calculation and whilst the error did not affect the final tax bill calculation for householders, the letters had to be resent to homes across the Vale at a cost of £24,000. This issue had been reviewed and was considered to be a "one-off" oversight and not reflective of systematic failures in the annual council tax billing process. However, the Council needed to learn lessons from this and ensure that the review process for letters was robust and could identify any errors in the future.

- **Contract Management** – The review had focused on the monitoring procedures for two of the Council's contracts that were of significant importance both to the Council's reputation and finances; Everyone Active (who managed two leisure centres) and Ambassador Theatre Group (ATG) (who managed the theatre). Arrangements were in place to ensure regular contract management took place via monthly/quarterly meetings which held the contractors to account against conditions set out in agreed contracts.

  Three medium risk areas of weakness had been identified which needed to be addressed to strengthen the contract management control environment.

- **Safeguarding** – the report had been classified as medium risk.

The compliance rate for completion of the mandatory level 1 e-learning module during the past five years had been 13% which compared poorly to other councils that had compliance rates above 90%. It was mentioned that the Council's system had not been correctly recording when a staff member completed their e-learning module so the actual completion rate was likely to be higher.

The Council's safeguarding team had previously discussed safeguarding matters in regular internal meetings but these meetings had not taken place for over a year, partly due to the Council wide restructure and staff changes. It had also been noted that many of the safeguarding related policies such as Whistle-blowing, Safeguarding Guidance, and Disciplinary policies had not been reviewed for more than three years.

Inconsistencies had been identified on whether background checks were undertaken during the recruitment process for identical roles. The central log to record and follow-up background checks did not record important data such as when the background check had been undertaken.

The Section 11 document that had been submitted to the Buckinghamshire County Council in April 2017 was not now reflective of the Council's position post this review and should be updated and re-submitted in the spirit of openness and transparency.

There had been changes to the Safeguarding Lead and Officer in the past few months and therefore the requirements of these roles were new. Now that these staff were in place and along with the report, new impetus should ensure that the control environment was strengthened by the end of year.

The full review reports were attached as Appendix 3 to the Committee report.

Internal Audit Plan Work in Progress

The following work was being progressed:-

- Debt Recovery – in response to internal audit recommendations from 2015/16 reviews, a project was underway to review the Council's strategic approach to debt management. Work was ongoing and the Project Board was monitoring progress via monthly meetings.
  An update would be provided along with the Accounts Receivable internal audit report to the Audit Committee's July 2017 meeting
- Accounts Receivable and Service Charges – the work on these reviews had been completed and reports were being prepared.

Overdue Recommendations and Follow Up Work

- Update on Financial Systems – Actions identified in the 2015/16 General Ledger and Budgetary Control internal audit report had been followed up as part of the current year reviews. The actions identified would supersede those from last year. Implementation of actions would be followed up and reported appropriately. The Audit Committee would receive the results of the Accounts Receivable audits at the next meeting.

- Overdue recommendations – no recommendations had passed 3 months of their implementation date. The Committee was informed that a recommendation tracking tool needed to be developed to easily capture and report internal audit actions. This would be done as part of the Business Intelligence Project.

Internal Audit Resource

The Committee was informed that as part of the Commercial AVDC restructure, the model for the provision of internal audit had been reviewed. To achieve the Council's objectives the preferred model for delivery was a co-source arrangement with a retained Head of Internal Audit position, fulfilled by the Corporate Governance Manager, and buying-in resource to deliver the annual internal audit work programme. This model allowed for the flexibility, insight and innovation achieved through using external suppliers who work with a range of other public and private sector organisations, and also retained the desired level of proximity to the issues and knowledge of AVDC.

Since the last Audit Committee meeting, the proposal had been approved and work had started to develop the scope of work and tender to procure the internal audit service. This was likely to be for a three year term, with options to extend. Up until such stage as the contract had been procured, the Council would continue to engage the services of BDO Internal Audit.

2017/18 Internal Audit Plan

The Committee report detailed the internal audit plan for the second quarter of 2017/18 which included reviews of Company Governance, Commercial AVDC Programme Project Assurance and follow up on the implementation of actions identified in internal audit reports. The plan would be fully developed once the organisational structure had been agreed and would be submitted to the July Audit Committee meeting for approval.

Members sought further information and were informed:-

Safeguarding

(i) by the Cabinet Member for Communities that she welcomed this timely review and was committed to ensuring that the review's recommendations were implemented.

(ii) that action would be taken to ensure there was a higher compliance rate for completion of the mandatory level 1 safeguarding e-learning module and that training records were then correctly updated and recorded.

(iii) that now that the Safeguarding Lead Officer plus other staff were in place following the Council's restructure and staff changes, then regular internal meeting on safeguarding would be held and safeguarding related policies would be reviewed.

(iv) that the Section 11 self-assessment document, reflecting AVDC's current position, would be reviewed and re-submitted to the County Council.

Review of Contract Management

(i) that as well as the contract monitoring meetings, the Cabinet Member also held regular meetings with Everyone Active (EA).

(ii) that clarification would be sought as to whether EA recorded feedback from unsatisfied customers as complaints as part of their complaints handling procedure.

(iii) that EA would be asked to also provide information showing trends and whether they were meeting agreed targets as part of performance pack reporting.

It was also commented that it would be appropriate for internal Risk Registers to be maintained to assist in managing major contracts.

Accounts Payable

(i) that more was being done to develop KPIs for major contracts through the performance information project, in response to the Business Intelligence risk (CRR number 12).

(ii) that the vast majority of invoices were paid far earlier than within 30 days of receipt.

(iii) that Council staff were able to have a corporate credit card if they had an operational business need to use one.

(iv) that Risk Rating colour codings for reviews in the Internal Audit Plan and Progress Tracker (Appendix 2) were only assigned to reviews that had been completed. Reviews that had not yet started or were deferred had been included on the Plan as they had been prioritised when putting together the Plan.

Council Tax and Business Rates

(i) that in response to recommendation 2, the Council would be strengthening processes and procedures to ensure that appropriate evidence was always obtained before applying discounts.

(ii) that there were approximately 100 properties that for various reasons had a temporary or no valuation status. The Valuation Office (VOA) had 90 days in which to resolve these cases and bring them into a proper valuation. In response to the audit finding the Council would be putting in place a process to monitor these properties and formally notify the VOA if they did not meet this timescale.

(iii) that better processes and procedures would be put in place to ensure that prior years arrears were reviewed and reported. Where recovery of debts was deemed irrecoverable then the policy and procedures for debt write off would be applied to ensure they did not escalate to the current large levels.

RESOLVED –

(1) That the progress reported be noted.

(2) That the 2017/18 Internal Audit Plan for quarter two be approved.

4. CIPFA DELIVERING GOOD GOVERNANCE IN LOCAL GOVERNMENT FRAMEWORK AND THE ANNUAL GOVERNANCE STATEMENT

The Committee received an update on changes to 'proper practice' with regard to corporate governance, which included an introduction to the CIPFA Delivering Good Governance in Local Government Framework (2016).

The "Delivering Good Governance in Local Government: Framework", published by CIPFA in association with Solace in 2007, set the standard for local authority governance in the UK. CIPFA and Solace reviewed the Framework in 2015 to ensure it remained 'fit for purpose' and had published a revised edition in spring 2016. The new Delivering Good Governance in Local Government: Framework (CIPFA/Solace, 2016) applied to Annual Governance Statements prepared for the financial year 2016/17 onwards.

The concept underpinning the Framework was to help local government in taking responsibility for developing and shaping an informed approach to governance, aimed at achieving the highest standards in a measured and proportionate way. The overall aim is to ensure that:

- resources were directed in accordance with agreed policy and according to priorities.
- there was sound and inclusive decision making.
- there was clear accountability for the use of those resources in order to achieve desired outcomes for service users and communities.

It was up to each local authority to:

- set out its commitment to the principles of good governance included in the Framework
- determine its own governance structure, or local code, underpinned by these principles
- ensure that it operated effectively in practice.

The new Framework set out seven governance principles, summarised below, and detailed the approach that should be taken to preparing the Annual Governance Statement (AGS). A copy of the Framework was attached as Appendix 1 to the Committee report. The principles of good governance in the public sector were:

A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.
B. Ensuring openness and comprehensive stakeholder engagement.
C. Defining outcomes in terms of sustainable economic, social, and environmental benefits.
D. Determining the interventions necessary to optimise the achievement of the intended outcomes.
E. Developing the entity's capacity, including the capability of its leadership and the individuals within it.
F. Managing risks and performance through robust internal control and strong public financial management.
G. Implementing good practices in transparency, reporting, and audit to deliver effective accountability.

Members were informed that the draft Annual Governance Statement would be reported to the next meeting in July 2017.

RESOLVED –

(1) That the attached report and Appendix, “Delivering Good Governance in Local Government Framework (2016)” be noted.

(2) That the purpose of the Annual Governance Statement and the responsibility of the Audit Committee for its review and approval be noted.

5. WORK PROGRAMME

The Committee considered the future Work Programme for 2017 which took account of comments and requests made at previous Committee meetings and particular views expressed at the meeting, and the requirements of the internal and external audit processes.

RESOLVED –

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

6. RISK MANAGEMENT

The Audit Committee had a role to monitor the effectiveness of risk management and internal control across the Council. As part of discharging this role the committee was asked to review the Corporate Risk Register (CRR). The CRR provided evidence of a risk aware and risk managed organisation and reflected the risks that were on the current radar for Commercial Board. Some of the risks were not dissimilar to those faced across other local authorities.

The risk register had been reviewed by Commercial Board on 15 March 2017 and subsequently updated for changes in May. Since the previous Audit Committee meeting in March 2017 no changes had been made to residual risk ratings and one new risk had been added which had a High residual risk rating:

‘Failure to deliver the Connected Knowledge Strategy and achieve the Council's Digital objectives. Speed of implementation does not allow for adequate due diligence e.g. supplier/contract procedures, information risk assessments.’

As previously reported, the risks arising from the Brexit decision had been considered but at this stage there was still too much uncertainty about the specific implications on the strategic objectives and day to day operations of the Council to put anything meaningful on the CRR.

Management would review the situation as information became available and update the CRR accordingly.

The covering report and the CRR Update (Appendix 1) were in the open part of the agenda. However, the CRR (Appendix 2) contains information on some risks relating to commercially sensitive decisions and, as such, was in Part 2 section of the agenda. Overall, there were 21 risks on the CRR (3 low risk, 4 moderate risk, 12 high risk and 2 extreme risks) and these were considered by Members. Information on the risk matrix and risk ratings (impact and likelihood) was explained further in the Committee report.

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

Members challenged robustly some of the assumptions made in the CRR, both in specific and general terms. In particular, Members challenged the risk regarding the loss of key staff and were informed that now that Assistant Directors were in place they would be putting together Service Sector Risk Registers.

Members requested further information and were informed:-

(i) Risk 4 (Commercial Companies) – that future Business Plans and performance would be scrutinised by the Economy and Business Development Scrutiny Committee.

(ii) Risk 17 (Loss of Key Staff) – that Assistant Directors were developing transition plans to ensure business continuity for key services in their areas.

(iii) Risk 21 (Connected Knowledge) – that this programme had its own governance arrangements and internal Risk Register.

(iv) Risk 18 (Modernising Local Government agenda) – that the Extreme Risk of this risk would be challenged at the next review meeting before it was reported to Cabinet at the end of June 2017.

Members also commented that the CRR should include mention of major external factors/risks – e.g. HS2, East West rail, Oxford-MK-Cambridge expressway, future of RAF Halton – and consider possible future impacts on the Council.

RESOLVED –

That the current position of the Corporate Risk Register be noted.

7. EXCLUSION OF THE PUBLIC

RESOLVED –

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

The public interest in maintaining the exemptions outweighed the public interest in disclosing the information because the documents contained information relating to the financial or business affairs of organisations (including the authority holding that information), and disclosure of commercially sensitive information would prejudice negotiations for contracts and land disposals/transactions.

8. RISK MANAGEMENT REPORT

As part of the discussions at Minute 7, consideration was given to the Council's Corporate Risk Register.

Audit Committee
24 July 2017

INTERNAL AUDIT PROGRESS REPORT – July 2017

1 Purpose

1.1 To receive the Internal Audit Progress Report of activity undertaken since March 2017.

2 Recommendations

2.1 The committee is recommended to note the progress report.

3 Supporting Information

3.1 This report provides an update on the progress made against the 2016/17 Internal Audit Plan and includes information on:

- Summary of internal audit reviews completed and in progress
- Overdue recommendations and follow up work
- 2017/18 internal audit plan and resource

3.2 The Committee requested that all internal audit reports are presented in full. These are included in Appendix 4.

4. Reasons for Recommendations

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

5. Resource Implications

5.1 There are no resource implications to report.

Contact Officer: Kate Mulhearn, Corporate Governance Manager 01296 585724
Background papers: none

AYLESBURY VALE
DISTRICT COUNCIL

Internal Audit

Progress Report

July 2017

Contents

1. *Activity and progress*

The 2016/17 internal audit plan was approved by the Audit Committee in March 2016. A summary of the plan is included in Appendix 2. We monitor progress against the plan during the year and advise the Audit Committee of any changes.

The Internal Audit Strategy and Plan for 2017/18 is presented at the July 2017 meeting of the Audit Committee. Work has not yet started on reviews identified in this plan.

Final reports issued since the previous Committee meeting

Name of review	***Conclusion****	***Date of final report***	***No of recommendations made****			
			Critical	**High**	**Medium**	**Low**
Accounts Receivable	High	12 July	-	2	2	2

** See Appendix 1 for the basis for classifying internal audit findings and reports.*

The full report is attached in Appendix 4 and summarised below:

Accounts Receivable

This report is classified as high risk.

There is a lack of corporate and local oversight of the debt held in each service area and irregular monitoring of the age profile of debt. There are no corporate performance indicators to identify areas which are performing less well in their debt management to allow more effective corrective action to be taken. There is also a lack of clarity over the roles and responsibilities of the central Income Team and service areas regarding which team is responsible for debt management. The Council recognises these challenges and in November 2016 set up a Corporate Debt Project to address the issues and improve debt management processes.

Through the work of the Debt Project, issues have been identified between the system interfaces and manual processes that ensure information on housing benefit overpayment debt is consistent and reconciled between the finance system (TechOne) and benefits system (Northgate). During June/July 2017 the project team has been working to reconcile the two systems and clear any discrepancies. At the time of concluding this report all electronic matching and sorting has been completed on the data from both systems. The task in process is to work though manually each unmatched item and investigate both systems to correct the difference. At this stage we understand that it will not result in a material adjustment to the reported debt figures.

Work is also progressing with the software providers to address the underlying issue around the interface between TechOne and Northgate. In the mean time, dedicated resource has been identified to ensure manual processes will operate effectively to maintain ongoing updates and accuracy.

Further findings relation to:

- Invoices for trade waste collection are not issued promptly
- Invoices may not be subject to the correct approval in line with delegated limits when re-directed from the original approver
- Back up documentation to evidence credit notes is not held on TechOne

2016/17 internal audit plan work in progress

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

Name of review	***Update on progress***
Debt Recovery	As outlined in the Accounts Receivable report, the Corporate Debt Project work is ongoing. The latest update will be provided at the July 2017 meeting of the Audit Committee. Progress is monitored by internal audit.
Service Charges	Draft report awaiting management approval

2. Overdue recommendations and follow up work

We monitor the implementation of actions and recommendations raised by internal audit reviews to ensure that the control weaknesses identified have been satisfactorily addressed. The overall progress and detail of those which are considered overdue is set out in Appendix 3. To the end of June 2017, there were 14 “high” and “medium” agreed audit actions due of which 7 are still outstanding and have been given a revised date for implementation.

Actions arising from low risk audit findings are followed up by management and reviewed, but not validated by internal audit.

3. 2017/18 internal audit plan and resource

2017/18 internal audit plan

The Internal Audit Strategy and Plan 2017/18 is presented for approval at the July Audit Committee meeting.

Internal audit resource

As part of the Commercial AVDC restructure, the Council's model for the provision of internal audit was reviewed. To achieve the Council's objectives the preferred model for delivery is a co-source arrangement with a retained Head of Internal Audit position, fulfilled by the Corporate Governance Manager, and buying-in resource to deliver the annual internal audit work programme. This model allows for the flexibility, insight and innovation achieved through using external suppliers who work with a rage of other public and private sector organisations, and also retains the desired level of proximity to the issues and knowledge of AVDC.

Since the last Audit Committee meeting, this proposal has been approved and work has started to develop the scope of work and tender to procure the internal audit service. This is likely to be for a three year term, with options to extend.

Between now and the time at which a contract can be procured, we will continue to engage the services of BDO Internal Audit.

Appendix 1: Internal audit opinion and classification definitions

Individual reviews - Basis of classifications

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

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

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

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

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

Appendix 2: Internal audit plan and progress tracker

The 2016/17 Annual Internal Audit Plan was approved by members of the Audit Committee in March 2016. Progress and changes are reported below.

Review	Description	Status/Comment	Overall Risk Rating
General Ledger	Ongoing input to Commercial AVDC Finance Review project (Q1&Q2) and assurance over implementation and effectiveness of processes (Q3 &Q4)	Complete	Medium
Payroll		Complete	Low
Accounts Receivable		Complete	High
Accounts Payable		Complete	Low
Treasury		Complete	Medium
Fixed Assets		Complete	Medium
HR - Recruitment	Review recruitment processes and controls	Processes are being assessed as part of Commercial AVDC reviews. Consider audit in 2017/18.	Reconsider as part of 17/18 plan
Electoral & Democratic Services	Deferred from 15/16. Roll out of ModGov – review processes post implementation	Implementation has gone well so far but not yet using full functionality. This is being considered as part of the Business Review. IA to consider once review has concluded.	Reconsider as part of 17/18 plan
Contract Management	Review of contract performance monitoring processes and controls	Complete	Medium
Budget Management		Complete	Low
Information Governance	Information governance effectiveness review.	Internal Audit has supported work on the Information Management Strategy and review of the IGG Terms of Reference.	N/A - Advisory
Health & Safety	Compliance with OHSAS18001; review of H&S Management System	Audit deferred until H&S Officer is in post and Management systems are in place – Consider as part of the 2017/18 annual plan	Reconsider as part of 17/18 plan
Safeguarding	Review pre Sec 11 audit. Also consider vulnerable adults.	Complete	Medium
Debt Recovery	Council wide review of debt management and recovery processes, including council tax, business rates, HB overpayments and other income streams.	Work commenced July 2016 to support review of processes. This is IA advisory work.	N/A - Advisory
My Account	Review security of payments, information and interfaces with other systems	Not considered a key risk area for focus at this time.	Remove
Good Governance Framework for Local Government	Review compliance with new CIPFA code and implications for AGS 16/17	CIPFA framework has been published and AGS prepared on this basis. Review of governance	Ongoing

		arrangements is ongoing.	
Risk Management	Continuous assurance over risk management process	Corporate risk register reviewed and reported to Audit C'ttee.	Ongoing
Enterprise zones	Processes governing management of E Z partnerships	Not considered a key risk area for focus at this time.	Remove
Housing benefits	Review of controls to ensure benefits are issued accurately and timely	Complete	High
Council Tax & Business Rates	Review of key controls around issue of bills and the calculation and collection of funds	Complete	Low
Estates – Service Charges	Basis for and calculation of service charges, collection processes	In progress – draft report awaiting management approval	
Business Reviews	Ongoing	Internal audit has supported Commercial AVDC reviews: • Procurement & Contract Management • Business Intelligence • Financial Systems and Processes	N/A - Advisory
Vale Lottery	The review focussed on four areas identified as being key to ensuring that the lottery is being operated effectively and in compliance with the Gambling Act.	Complete	Low
Additional reviews agreed in response to identified risks:			
Company Governance – Aylesbury Vale Broadband	Review of the Council's governance arrangements over its investments in commercial companies. The first review focussed on AVB, subsequent reviews will consider AVE and Vale Commerce.	Complete – reported in March 2017	N/A - Advisory

Appendix 3: Overdue audit actions and follow up work

We monitor the implementation of actions and recommendations raised by internal audit reviews for all critical, high and medium actions to ensure that the control weaknesses identified have been satisfactorily addressed. We report the overall progress and detail of those which are considered overdue. Actions arising from low risk audit findings are followed up by management and reviewed, but not validated by internal audit.

To the end of June 2017, there were 14 agreed audit actions due of which 7 are still outstanding and have been given a revised date for implementation.

Name of review	*Agreed actions due*	*Outstanding*			*Completed actions*
		Critical	**High**	**Medium**	
Fixed Assets	2	-	-	2	0
Treasury Management	2	-	-	0	2
Payroll	1	-	-	0	1
Benefits	6	-	1	1	4
General Ledger	3	-	-	3	0
Total	**14**	**-**	**1**	**6**	**7**

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Overdue recommendations

Name of review	*Action*	*Finding risk rating*	*Update*	*Revised Date*
Fixed Assets	Finance Manager should contact the IT Manager and Fleet Manager in February each year to request: • A comprehensive listing of all capital assets they hold • The location of the assets • The unique identifier of the asset • The current cost estimate of the asset • The useful economic life of the asset The Finance Manager should ensure the details are received by 31 March each year. Any necessary updates to LogoTech along with the relevant accounting changes should be made. Ongoing, regular reconciliation should be undertaken to ensure that system errors are identified and corrected. Management should determine the frequency but if there is significant movements, this could be quarterly.	Medium	IT Assets Finance emailed IT on 24 April 2017 to request 'IT hardware that we had at the 31 March'; IT responded by providing a schedule which was valid in November 2016. Whilst the difference between November 2016 and 31 March 2017 will not provide a material difference to the Annual Accounts, the Finance Team should re-email IT to verify those assets on 31 March 2017. Furthermore, Finance should speak with IT to explain that in future they require an estimation of the useful economic life of the assets should they differ from the Council's Accounting Policy. Fleet Assets As per IT Assets.	~~30 April 2017~~ 31 August 2017
Fixed Assets	When the fixed asset register is updated annually in April the following steps should be taken:	Medium	The steps outlined were not followed in terms of documenting the checks undertaken on a template. Whilst the balance sheet has already	~~30 April 2017~~ 31 August 2017

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Name of review	*Action*	*Finding risk rating*	*Update*	*Revised Date*
	• Sample checks should be conducted to verify the correct calculation of depreciation in line with the Council's Accounting Policy • A review of the draft fixed asset register should be performed by the Finance Manager to identify any anomalies such as those identified as part of this review and these should then be investigated and corrected • The above tasks should be recorded on a template to identify that one member of the Finance Team conducted the sample checks and another member of the Finance Team (i.e. the Finance Manager) reviewed these checks. The template should be signed and dated by the two separate members of the Finance Team.		been constructed and given to external audit for review, as the 2016-17 Annual Accounts process is not yet complete, we recommend this action is undertaken immediately and any findings shared with external audit.	
Housing Benefits	Quarterly meetings should be set up to discuss: • Monthly KPI reports should be produced and reviewed by management • A quarterly a meeting should take place involving the Group Manager, Assistant Director for Customer Fulfilment and with escalation to the Director of Finance as needed • The purpose of this group should be agreed and outcomes of the meeting should be minuted.	High	This is not yet in place however, discussions around this have begun. The Benefits Team have focussed on ensuring the basics around quality checking are embedded. Now this has been developed, they will be aiming to set up a quarterly meeting covering the areas set out in this recommendation. Please note that the quality check results have been emailed to Directors and therefore some steps have been taken to ensure there is senior	~~31 May 2017~~ 31 August 2017

Name of review	*Action*	*Finding risk rating*	*Update*	*Revised Date*
			oversight of benefits activity. Also note that the Benefits Team are expecting in July 2017 to have produced an outturn figure of benefits subsidy vs. thresholds; once this has been devised it will be issued to Directors and discussed at the quarterly meetings.	
Housing Benefits	• The Council must understand the current position on overpayments and whether sufficient resource is in place to reconcile the two systems data and then take appropriate action to improve the control environment. These issues are being addressed through the Corporate Debt Project but need to be overseen and actioned by the Housing Benefit Team. • As part of Quality Checks undertaken, the Council should review whether Case Officers are flagging overpayment cases effectively and taking appropriate action.	Medium	The Council recognise that this is a significant project. At a meeting on 4 July 2017 to discuss this area it was clear that additional work was needed; the meeting discussed: • Filling additional posts to clear debts currently held on Tech1 • Discussing how Tech1 can be better used to manage overpayment debt • Discussing how the debtors module on Northgate could be implemented. As these discussions are on-going and significant actions are still being undertaken, this is incomplete.	~~30 June 2017~~ 30 November 2017
General Ledger	The Finance Team need to: • Revisit each individual area process notes and decide whether a reconciliation is required • Issue a standard reconciliation document to each area where a reconciliation is required – see	Medium	Work on delivering this regular and full reconciliation of all Council sub-systems to the Council finance system is in process, but further work is required to complete this. A number of factors are relevant to current progress:	~~03 May 2017~~ 30 October 2017

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Name of review	Action	Finding risk rating	Update	Revised Date
	appendix 3 as an example • Establish a central shared electronic document which records the expected frequency for each reconciliation and a record of when all reconciliations took place. This central record should also note the balance of any unreconciled items along with an explanation • Reissue the revised system notes to areas and ensure these are agreed with the key lead from the area; a central log should be held for when the area should be revisited to review the process notes, at least annually.		• The auditors provided flowcharts after the recent internal audit which were a good starting point but these did not fully reflect the system processes and reconciliation activity, requiring further detailed work to capture, resolve and report on reconciliation processes across the Council. Process paused slightly pending reallocation of roles across the Council through the recent AVDC Commercial programme. • A project is currently in process to reconcile historic debt associated with Business rates, Council tax, Penalty charge notices and Housing benefit, of which the first three are complete. This activity creates a good foundation for future reconciliation work for those systems. Work on reconciling Housing Benefit debt continues and is expected to be concluded in early August. Regular and accurate reconciliation of the Councils finance and sub-systems remains a high priority and it is planned that dedicated project resources will be engaged to deliver the work to satisfy this requirement by the end of October 2017.	

Name of review	*Action*	*Finding risk rating*	*Update*	*Revised Date*
General Ledger	As part of implementing the actions agreed in Finding 1, all systems including Uniform and Waste should be included to ensure appropriate reconciliation is performed. Thereafter escalation should take place as needed. iWorld reconciliations a) Reconciliations must occur on a monthly basis b) Reconciliations not occurring on a monthly basis and significant unreconciled balances must be escalated to the Strategic Finance Manager.	Medium	As per above.	As per above.
General Ledger	Supplier Access a) Suppliers who have full access to the system should be reviewed and restricted and their accounts must be locked by the Council’s system administrator b) Suppliers who require access to the system must request permission from the system administrator and their account must be locked immediately after use. The access should only be granted for a specific time limit i.e. 12 hours. Tech1 User Access c) A review of users access rights should be undertaken for all Tech1 users on conclusion of the Council’s restructure and thereafter at least annually.	Medium	Supplier access to Tech 1 were reviewed and removed from the system on 2nd May 2017. Review of user access rights is due by the end of July 2017, reflecting changes arising from the Council's restructure process.	~~31 July 2017~~ 31 August 2017

Appendix 4: Internal audit reports

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

1. Accounts Receivable

Aylesbury Vale
District Council

Internal Audit Report 2016/17

Accounts Receivable

July 2017

Contents

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Distribution List

For action	Gary Wright, Ratings & Recovery Manager Debbie White, Group Manager Marie Morgan-Geary, Transactional Manager Strategic Finance Manager
For information	Andrew Small – Director, Section 151 Officer Andy Barton – Assistant Director, Commercial & Business Strategy Isabel Edgar Briancon – Assistant Director, Business Support & Enablement Jeff Membery – Assistant Director, Customer Fulfilment Audit Committee

This report has been prepared only for Aylesbury Vale District Council (the Council), in accordance with the agreed terms of reference. The findings should not be relied upon by any other organisation.

1. Executive summary

*Report classification**	**Total number of findings**				
		Critical	High	Medium	Low
High risk (28 points)	Control design	-	1	1	2
	Operating effectiveness	-	1	1	-
	Total	**-**	**2**	**2**	**2**

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

Summary of findings

This report is classified as High Risk. We have identified 2 high, 2 medium and 2 low risk findings.

There is a lack of corporate and local oversight of the debt held in each service area and irregular monitoring of the age profile of debt. There are no corporate performance indicators to identify areas which are performing less well in their debt management to allow more effective corrective action to be taken. There is also a lack of clarity over the roles and responsibilities of the central Income Team and service areas regarding which team is responsible for debt management. The Council recognises these challenges and in November 2016 set up a Corporate Debt Project to address the issues and better position the Council to manage its debt.

Through the work of the Debt Project, issues have been identified between the system interfaces and manual processes that ensure information on housing benefit overpayment debt is consistent and reconciled between the finance system (TechOne) and benefits system (Northgate). During June/July 2017 the project team has been working to reconcile the two systems and clear any discrepancies. At the time of concluding this report all electronic matching and sorting has been completed on the data from both systems. The task in process is to work though manually each unmatched item and investigate both systems to correct the difference. At this stage we understand that it will not result in a material adjustment to the reported debt figures.

Work is also progressing with the software providers to address the underlying issue around the interface between TechOne and Northgate. In the mean time, dedicated resource has been identified to ensure manual processes will operate effectively to maintain ongoing updates and accuracy.

Key Findings:

- Corporate or service area monitoring of debt levels is not happening regularly or effectively to understand the levels of debts held and whether effective action is being taken (Finding 1 – High).
- There are differences in Housing Benefit Overpayment debt held on TechOne and the benefits system. Work is progressing on the reconciliation and to resolve issues with the system interfaces and manual processes to ensure information is consistent and reconciled (Finding 2 – High)
- The roles and responsibilities in the debt management process between the Income Team and service areas are not clear. Action taken to recover and write off debt is not always timely (Finding 3 – Medium).
- Invoices for trade waste collection are not issued promptly (Finding 4 – Medium).
- Invoices may not be subject to the correct approval in line with delegated limits when re-directed from the original approver (Finding 5 – Low).
- Back up documentation to evidence credit notes is not held on TechOne (Finding 6 – Low).

Good practice noted:

- The Corporate Debt Project is actively working to address issues with debt management and improve processes going forward.
- All bar one invoice from our sample of 20 were approved by the appropriate managers and in a timely manner.
- There are debt procedure notes on how to raise invoices and chase debts on TechOne.
- Changes to customer accounts are supported by backing documentation to verify their address/identification.

2. Background and Scope

Background

Accounts receivable, including commercial property, waste, housing benefit overpayments and other sundry debtors is managed through the financial system, TechOne. Debts relating to Council Tax, Business Rates and Parking are not managed on TechOne and are outside the scope of this review.

At 31 March 2017 total debt in Tech One was approximately £5.9M of which £2.6M relates to housing benefit overpayments. Whilst some sectors within the Council now input their own invoices, the normal practice is for this to be done by the central team in Transaction Services.

Invoices are sent to customers electronically and different recovery cycles can be set up for different customer types. Management information from the system both on an overall position and by department is generated. The emphasis is on individual departments to run their own management information and take action. Whilst debts are managed departmentally, write-offs are approved centrally.

At the time of completing this internal audit review, a separate project was underway to assess the Council's overall approach to debt management and reporting. The findings of this review will help to inform the wider debt management project.

Scope

The scope covered the review of controls and processes to address the key risks set out in the Terms of Reference (see Appendix 2). Our testing included:

- Review of management reports that set out overall or local position of debt levels
- Obtaining a sample of 20 invoices raised across various income streams between the period 1 April 2016 to 31 January 2017
- Obtaining a sample of 10 balances set to be written-off between 1 April 2016 and 31 January 2017.

This does not represent a comprehensive list of tests conducted.

3. *Detailed findings and action plan*

1. Lack of management information and performance indicators – Control design

Finding

Management Information is a fundamental part of the Accounts Receivable function to monitor performance against pre-determined Key Performance Indicators and support a more active rather than reactive response to debt recovery. It is expected that managers review reports on an at least a monthly basis, discussing the results of these reports in detail and forming an action plan to resolve issues identified.

<u>Service area/local level</u>
Each service area can run from TechOne a listing of their debts and this can be filtered by date to allow an assessment of the age of the debt. During monthly or quarterly budget meetings, these balances may be considered however, the budget meetings do not consider the aged profile of debt held (the focus tends to be on whether income billed is line with expected levels rather then cash collected). Through discussions with service areas it became apparent that there is limited local assessment of aged debt. In fact, in preparation for the meeting with internal audit, some areas ran off the reports for the first time only to then realise balances were long outstanding and action was needed to chase debt.

<u>Corporate level monitoring</u>
There is no established reporting process to monitor and review debt on a corporate basis. We would expect that levels of statutory and non statutory debt and recovery rates are monitored as part of corporate KPIs. In response to internal audit recommendations arising from 2015/16 reviews, in October 2016 a Corporate Debt Management project commenced, the original scope of the project included:

- understand the level of debt – including all income streams and age profile
- identify reporting needs and develop reporting tools to effectively monitor and manage debt at the budget holder and corporate level
- develop strategic direction/policy for debt management and recovery action
- recommend future operating model, structure of teams and resources to maximise efficient collection of debts
- ensure clarity over responsibility & ownership of debt collection
- identify best practice and benchmark debt management elsewhere
- apply customer insight to profile debtors which will support more focused recovery action and reduce overall debt

Work has progressed to understand the levels of debt and to develop a new corporate consolidated reporting platform to address the lack of management information (not just for debt but across all areas of the Council). In March 2017 a Business Analysist was appointed to the debt project to focus on mapping the financial data and developing the suite of reporting tools to better understand and analyse debt going forward. Until this work is completed, there remains a lack of management information to adequately review the integrity of data and recoverability of the Council's debt.

Risks / Implications

Debt is not monitored, impacting the ability to collect debts.
Inaccurate debt reporting.

Finding rating	*Action Plan*	
High	• Develop a set of indicators and performance targets and agree reporting process. • Monitor and analyse performance on a regular basis and implement actions to achieve targets.	*Responsible person / title* Andy Barton & Isabel Edgar Briancon – Assistant Directors *Target date* 30 September 2017

2. Interfaces between TechOne and supporting systems – Operating effectiveness

Finding
The debt project outlined above has focused initially on identifying and reconciling debtor balances across all systems with the financial system, TechOne. Reconciliations of Council Tax, Business Rates and Parking Charge Notices have been completed and processes to ensure ongoing validity in these areas are adequate. The most significant area of debt in TechOne is Housing Benefit Overpayment, approximately £3.8M in June 2017 (this does not include overpayments which are recovered from ongoing benefit claims and held in Northgate). Issues were raised relating to housing benefit overpayment in the March 2017 Housing Benefit internal audit report. Since this report was completed, work performed as part of the debt project has identified issues with the TechOne and Northgate interface for housing benefit overpayment and also some weaknesses in manual processes which require data to be entered into two systems. During June/July 2017 the project team has been working to reconcile Northgate and TechOne Housing Benefit Overpayment debt and clear any discrepancies between the two systems. At the time of concluding this report all electronic matching and sorting has been completed on the data from both systems. The task in process is to work though manually, each unmatched item and investigate both systems to correct the difference. At this stage we understand that it will not result in a material adjustment to the reported debt figures. Never-the-less, it is critical these balances are reconciled at an individual account level to ensure customer debt is accurate, and collection mechanism applied appropriately. Work is also progressing with the software providers to address the underlying issue around the interface between TechOne and Northgate. In the mean time, dedicated resource has been identified to ensure manual processes will operate effectively to ensure ongoing updates and accuracy.
Risks / Implications
Debt may be misstated. Debt may not be recovered and/or customers may be inappropriately chased for outstanding payments.

Finding rating	*Action Plan*	
High	With oversight from the Debt Project, complete work to: • Correct the TechOne /Northgate interface • Review, reconcile and clear the mismatched payments and credits to each housing benefit customer account	*Responsible person / title* Andy Barton & Isabel Edgar Briancon – Assistant Directors

	• Review all system interfaces with TechOne – this is part of a wider system integration and reconciliation process (see also General Ledger report) • Establish ongoing control processes to check and maintain accuracy of system interfaces going forward. These should be automated wherever possible to avoid manual input	*Target date* 30 September 2017

3. *Lack of policy and clarity around responsibility for debt management. Action taken with aged debt is not prompt – Control design*

Finding
Policy and responsibility for debt management The Council has undergone significant change in the past two years with the introduction of a new general ledger system, TechOne in 2015, and the organisational re-structure which is nearing conclusion. These two factors have contributed to a lack of clarity on the roles and responsibilities for debt collection. In the previous year's internal audit reports we identified there was a lack of corporate policy for debt management. The "Debt Project" will deliver the policy, but this has not been progressed. When a customer transacts with the Council the details of the invoice to be raised are input onto TechOne by the service area. After this the system will ensure a reminder letter is sent out to the customer 14 days after the invoice has been raised to chase payment if it has not been received. After this point however, there is a lack of clarity over who is responsible for chasing outstanding debt. Through discussion with various service areas and the Income Team it is apparent that the service area sees the role of debt collection being the Income Team's responsibility and the Income Team sees it to be a service area responsibility. There are instances where monitoring of outstanding debt does occur and examples of service areas contacting the customer and/or the income team sending additional chasers, but this is ad-hoc and lacks any centralised oversight. Service areas felt that a clear corporate message had not been issued regarding who held responsibility for debt and that in some areas there is a lack of knowledge on how to run reports to enable them to perform effective debt monitoring. **Timeliness of recovery action and write off** Debt write offs are conducted in one of the following ways: • where debt is under £1000 this is approved by the section 151 officer • where debts are over £1000 the debt is sent for cabinet approval When an overdue debt is identified, an initial reminder will be sent to the customer, following 14 days a second reminder will be sent to the customer. If the customer fails to comply with the second reminder further debt recovery proceedings are considered. We reviewed a sample of 10 write-offs and 10 aged debts from April 2016 to November 2016 and considered whether the actions taken by the income team were in line with the Council's set procedures. From our testing we identified significant delays between the second reminder letter and the date of write-off/further review. For example one debt for £3552 originating in April 2009 remained overdue for 3 years before it was concluded as uneconomic to pursue

by the DWP in May 2012. The debt remained on the overdue debtors listing for a further 4 years and 4 months before it was approved for write off by Cabinet in September 2016. In another case for a debt of £1200 due in May 2016, there were delays in appointing a credit controller following the issue of the second reminder. The debt was paid in November 2016.

We understand there has been a resource strain on the Income Team over the past year which created a back log and delay in the debt management process. The Income Manager is currently in the process of recruiting an agency worker who will be dedicated to the debt management process.

Risks / Implications

Poor management and recovery of debt.

<table>
<tr><th>Finding rating</th><th>Action Plan</th><th></th></tr>
<tr>
<td>
Medium</td>
<td>The need to develop a Debt Policy was identified in 2015/16 and is part of the scope of the corporate Debt Project. The additional processes set out below are needed to improve day-to-day management and will support the strategic policy when it is completed.

Document the detailed process with clear lines of responsibility for debt management, including raising invoices, chasing payment and writing off, for all types of debt. This should include timeframes and responsibilities for action/escalation. Consideration should be given to the most effective means of recovery and the need to maintain customer relations for some debts.
Income Manager to run a script which automatically on the first day of the month sends a service area lead an email with an attachment setting out the aged debt listing.
Guidance on how to run reports should be issued to all relevant users.
</td>
<td>Responsible person / title
Andy Barton & Isabel Edgar Briancon – Assistant Directors

Target date
30 September 2017</td>
</tr>
</table>

4. Trade waste income is not billed promptly – Operating effectiveness

Finding
For the year ended 31 March 2017, the value of trade waste income billed was £950k with outstanding debt of £8k. Trade waste invoices are currently raised quarterly in arrears. We note that this often occurs late leaving a significant time period from when the Council provided the service to when the debt is raised with the customer. For example, in quarter 2 (July to September 2016) the invoices were raised in mid-November 2016. There has been no manager in post for this area since around October 2016, which has contributed to the delays. Good debt recovery is underpinned by the principle of; the shorter the period of time from when the service was delivered to when the invoice was raised, the greater chance that the debt will be recovered. Invoices should be raised monthly in arrears to support improved income collection. Going forward, consideration should be given to billing in advance as a more commercial way to manage this significant income stream.
Risks / Implications
Poor recovery of income.

Finding rating	Action Plan	
Medium	Commercial Waste should be invoiced monthly in arrears rather than quarterly. Invoices should be raised on a timely basis. Consideration is being given to billing monthly in advance on assumed tonnage. A technological solution will be required and this is to be integrated into the wider “Waste” IT related projects and the Connected Knowledge programme. Timescale for implementation need to be determined, but we should have a clearer picture in the next month.	Responsible person / title Jeff Membery - Assistant Director, Customer Fulfilment *Target date* 30 September 2017 – to be reviewed when there is a plan for the technical solution.

5. *Approving invoices can bypass the delegated authority limits – Control design*

Finding

There are two types of invoices: batch/recurring and ad-hoc. Batch/recurring invoices are for debts raised through housing benefit overpayments and ad-hoc invoices are usually for one-off services.

- Recurring invoice runs have been set up in TechOne by a member of the Income Team. A file is generated by other interfaces, such as Northgate for housing benefit (see finding 2), and will be picked up automatically by TechOne and invoices raised. The Income Team can also upload an excel file to TechOne which will then prepare the invoices accordingly.
- Ad-hoc invoices are raised by individuals on TechOne. There is an automatic workflow which requires all invoice requests to be approved by the managers prior the Income Team issuing the invoice. We noted from our testing that all invoices were approved by the appropriate managers.

We discussed the approval process of invoices with the incomes team manager and discovered that if an approver is not available through annual leave/sickness, approvers can delegate their approval rights to other individuals in the Council. There is limited awareness of this function across the Council. This could result in a back log of invoice requests pending approval, delaying the timeliness of the raising of invoices. Further review of the delegation function and discussion with the System Administrator noted that approvers can delegate to anyone in the Council. There is therefore a control weakness that invoice requests may be approved by an officer who does not have appropriate understanding of the service to ensure accuracy and validity of bills raised.

Risks / Implications

Delayed raising of invoices increases the time taken to receive payment from a customer.

Invoices may not be subject to appropriate review and approval, if delegated to an approver with little or no knowledge in the service line.

Finding rating	*Action Plan*	
Low	• Remind all TechOne users to utilise the delegation function when they are out of office • Consider whether the current setting of delegation is appropriate and provide guidelines to all TechOne users on how the choose the most appropriate person to delegate.	Responsible person / title Strategic Finance Manager *Target date* 30 September 2017

6. *Evidence of credit note authorisation – Control design*

Finding		
Credit notes are raised by officers and authorised by their managers. For a sample of 15 credit notes we reviewed the procedures followed to ensure they were in line with expected practice. Although a narrative of who authorised the credit note is entered onto TechOne the physical evidence of the credit note request and approval is not attached to the system.		
Risk		
Invalid credit notes may be issued.		
Finding rating	*Action Plan*	
Low	Attach confirmation emails showing the approval of credit notes to TechOne to ensure there is a complete audit trail.	Responsible person / title Strategic Finance Manager *Target date* 30 September 2017

Appendix 1. Finding ratings and basis of classification

Report classifications

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

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

Overall report classification		*Points*
	Critical risk	40 points and over
	High risk	16– 39 points
	Medium risk	7– 15 points
	Low risk	6 points or less

Individual finding ratings

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

Appendix 2. Terms of Reference

The key risks agreed in the Terms of Reference are set out below.

Sub-process	Risks	Objectives
Policies and Procedures	Little or no guidance to perform tasks at an acceptable level	• Policies and procedure are clear, understood and followed to ensure the objectives of payroll activity are met
Access	Data may be amended or deleted without appropriate approval	• Access to systems is controlled to manage unauthorised manipulation of data
Customer Accounts	Inaccurate information held on the system	• New or existing customer change controls are inadequate to safeguard the integrity of changes made to data held • New customers are subject to sufficient due diligence to provide reasonable comfort over their nature and background
Raising Invoices	Loss of income	• Controls in place to ensure transactions are raised, approved and paid in an accurate, complete and timely manner
Credit Notes	Loss of income	• Amendments to transactions are subject to sufficient oversight and approval procedures to validate their accuracy
Management Information	Accounts receivable performance not to an acceptable level	• Management regularly produce and assess management information to monitor and improve performance
Debt recovery	Weak understanding of debt levels and actions required to be taken Loss of income Debt write off	• Debts recovery procedures are co-ordinated across the Council to take the most effective and efficient route to maximise income collection • Timeliness of communication between service areas and the central accounts receivable team is considered adequate to allow effective debt collection to take place
Write-Off's	Loss of income	• Arrangements are in place to review and approve debt write-off and/or approval is in-line with financial regulation procedures set-out.

Appendix 3. Best Practice – Management Information

Accounts receivable function key performance indicators
Invoices processed per full time equivalent
Processing cost per customer invoice
% of invoices received within 0-30, 31-60, 61-90 and 90+ days
Total cost of the accounts receivable process per £1,000 revenue
Total number of customers
% of customers engaged at Council engagement events
% of invoices under query
% of low value invoices (less than £x)
% of invoices paid electronically
% of prompt settlement discounts that are taken (if offered)
% of time spent resolving customer queries
% of cases involving legal or civil recovery procedures

Management information and subsequent action planning are critical to continuously developing the accounts receivable function. The Council need to strike the right balance in terms of the quantity and quality of management information that they assess. We have set out a number of key performance indicators which could be considered for monitoring and reporting as part of regular meetings. Assigning staff to actions raised and following up on these at the next management review, will potentially better the debt recovery and the overall receivables process.

Appendix 3. Best Practice – Behavioural Economic Techniques

In 2010 the Cabinet Office set up the 'Behavioural Insights Team' with the purpose of improving outcomes by introducing models of human behaviour to policy. As part of their outcomes was the concept of applying 'nudge techniques' to modify user behaviour. Nudge techniques are a flexible and modern concept for understanding of how people think, make decisions, and behave, helping people improve their thinking and decisions. Nudge techniques are widely used for the recovery of debt. Therefore as a measure of good practice we have included methods for implementing nudge techniques which can be embedded into the accounts receivable process to increase debt recovery.

Nudge techniques	
1	Make it easy: Make it as straightforward as possible for people to pay debts, for example by pre-populating a form with information already held and ensure the language in the letter is simple and to the point.
2	Personal signature: Adding a personal signature (not electronic) to debt recovery letters. This could not be applied to every letter however, could be added to particular accounts which are difficult to recover funds from or who owe significant sums to the Council
3	Direct contact: Personal messages to the customer can increase debt recovery i.e. text message or call. This could not be applied to every contact however, could be added to particular accounts which are difficult to recover funds from or who owe significant sums to the Council
4	Use emotive language: Language should be considered to make it more emotive and personal. The inclusion of the reasons why debt recovery is important to meet the social aims of the Council could be added alongside addressing customers by their first name.
5	Use imagery: Using images on debt recovery letters. There is evidence to suggest that greater use of imagery can support increase recovery of funds i.e. with commercial waste debt, a picture of refuse collection personnel collecting refuse could be added
6	Highlight positive behaviour of others: Where possible, setting out the statistics of repayment of others has shown to increase levels of debt recovery i.e. x% of people pay on time who are in your post-code or x% pay on time who use this service
7	Highlight the risk and impact of dishonesty: Emphasise the impact of fraud or late payment on public services, as well as the consequences for those caught. This is a tougher nudge technique and should be considered where particular difficulties persist

Appendix 3. Best Practice – Behavioural Economic Techniques

It should be noted that the introduction of nudge techniques do not replace previous tried and tested methods to recover accounts receivable. Traditional methods for debt recovery can be termed as 'shove techniques' and these are still useful however, should be complemented by nudge techniques where possible. It is believed that where nudge techniques are implemented well, that shove techniques then achieve better outcomes when applied. Striking the right balance between nudge and shove is difficult and ideally different balances would be set for different customers however, where done effectively it can transform the ability to recover funds. In the table below we have noted three shove techniques which should all be embedded in any accounts receivable activity.

Shove techniques	
1	Consistent letter timings: Sending out letters requesting payment at set intervals is an effective method to recovering funds because there is a correlation between more frequent and timely contact and collection of debt
[illegible]	Strong language around consequences: It is accepted that after the first request for payment that stronger language and setting out the consequences for non-payment prompts action from customers by setting out either legal or civil recovery proceedings
3	Use of legal and civil recovery services: There will come a time in the process whereby either legal or civil recovery proceeds must be undertaken because without following up on consequences the Council undermines its authority with customers.

Appendix 4. Follow-up of Previous Recommendations

As part of this review, we followed up on the recommendations raised in the previous internal audit report.

#	Finding	Agreed Action	Original Target date	Action Taken	Complete?
1	There is a lack of documented financial procedures setting out the processes for financial management, including raising, approving and making payment, and raising sales invoices and collecting debts. There is a lack of clarity over responsibility and accountability over these processes between the central finance team and budget holders.	The financial regulations will be reviewed and updated to reflect the current organisation structure and the agreed responsibilities and accountabilities for financial management. The regulations will be approved by Corporate Board and Members. A suite of procedure documents will be developed to support officers in fulfilment of their financial responsibilities. This should include detailed process notes for using the financial system, T1.As financial processes and controls are clarified and documented, the T1 financial system controls and reporting will be configured accordingly. Testing will be performed to ensure controls are robust.	(no date set – part of Management Action Plan)	There are financial procedures in place and a delegated authority limit built into user profiles on TechOne. However, there is still no corporate debt policy and there is a lack of clarity over roles and responsibilities in debt collection between the central Income Team and service areas.	No – see finding 3.
2	The scheme of financial delegation and the way in which it is set up within the finance system is a key control to prevent unauthorised spend. We acknowledge that the Council does have a number of controls such as budget reviews and reporting which, if	The scheme of financial delegation will be reviewed to ensure it reflects the Councils objectives of strong financial management and budgetary control and is aligned to the organisational structure. The scheme of delegation will be approved by	(no date set – part of Management Action Plan)	There are financial procedures in place and a delegated authority limit built into user profiles on TechOne.	Yes – although note a minor control weakness has been identified with re-

Page 49	operating effectively, may subsequently identify inappropriate transactions, but these are reactive rather than proactive controls. At the time of this review there are 70 officers that have the rights to authorise up to £1,000 and a further 60 that can authorise up to £30,000. Of the 60, 55 officers are below cost centre manager level yet can authorise up to £30,000. Having financial delegation so widely spread across the Council could diminish the importance of the authorisation control. It also means that budget managers may not be in control of the majority of expenditure in their budgets. In the absence of data relating to Accounts Payable/Receivable we were unable to test that these approval limits are operating as designed or that the scheme of delegation remains appropriate.	Corporate Board and reviewed periodically to ensure it remains appropriate. A process for making changes to authorisation rights, including justification and timeframe (for interim/temporary positions) will be established and documented. A periodic review of changes made to the scheme of delegation set up within the financial system will be performed.			directing approvals to those without sufficient limits – see finding 5

3	The T1 system is far more complex that the previous financial system. For officers to be given access to T1 when it went live, they had to attend an awareness event. There is no such training for users that have been given access to the system since. There is also no requirement for them to acknowledge that they have read and understood the guidance. Therefore users are accessing the system without having had training or an understanding of what is required of them. The lack of up to date Financial Procedures compounds the risk.	Along with documented financial procedures (Finding 1), a training programme should be designed for new users to ensure that they are equipped to perform the duties required of their role. Access to T1 should only be given once training has been completed and for those users who have authorisation rights.	(no date set – part of Management Action Plan)	Training has been provided however, specifics over running reports are still not as a strong knowledge area as it could be.	Partly, but further instruction is required around reporting and revising debt balances – see finding 3.
	We requested data relating to debtor accounts (Sundry Debtors including Housing Benefit Overpayments) and their balances within T1 to assess whether debts are valid and being raised in a timely and accurate manner. Finance were not able to extract this data and it is recognised that further support from T1 is needed to fully utilise the reporting functionality of the system. Since the introduction of T1 the central Finance process of producing and monitoring aged debt has ceased, with a view to getting services to take responsibility of monitoring their own aged debt. We found that these officers were generally unaware that this was happening.	Processes for raising invoices and managing outstanding debts should be agreed and documented. Clear responsibilities should be established. Management reports on outstanding debt liabilities by service area should be produced monthly and reported to Corporate Team, as a matter of routine. If AVDC is unable to extract this level of information about its debt liabilities the Finance Team should resolve this with the software provider. The Finance team should provide Services with methods of monitoring and understanding their outstanding debts.	(no date set – part of Management Action Plan)	The monitoring of aged debt is still considered limited despite some improvements since the prior report. Issues have been identified with the reconciliation between TechOne and Northgate for housing benefit overpayment	No – see finding 1 and 2.

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Agenda Item 7

Audit Committee
24 July 2017

INTERNAL AUDIT ANNUAL REPORT 2016-17

1 Purpose

1.1 The Head of Internal Audit (Corporate Governance Manager) is required to provide a written annual report to those charged with governance, timed to support the Annual Governance Statement. This report should be presented to Members and considered separately from the Annual Governance Statement and formal accounts.

1.2 The report summaries the work of Internal Audit for the period 1 April 2016 to 31 March 2017, identifying the areas upon which the audit opinion is based.

2 Recommendations/for decision

2.1 The Committee is requested to note the contents of the Internal Audit Annual Report for the financial year 2016-17.

3 Supporting information

3.1 The Audit Committee's terms of reference include dealing with internal and external audit issues. This report allows formal recognition of the Annual Internal Audit report by a committee of the Council.

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

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

3.4 The attached report includes the Head of Internal Audit's opinion on the adequacy and effectiveness of the Council's systems of governance, risk management and control.

3.5 In forming this opinion the Head of Internal Audit can confirm that internal audit activity throughout 2016-17 has been independent from the rest of the organisation and has not been subject to interference in the level or scope of the audit work completed.

4 Options considered

4.1 None - The Internal Audit Annual report is a statutory requirement.

5 Resource implications

5.1 None

Contact Officer	Kate Mulhearn, Corporate Governance Manager 01296 585724
Background Documents	None

AYLESBURY VALE DISTRICT COUNCIL

Internal Audit Annual Report

APRIL 2016 – MARCH 2017

Contents

1. Introduction

Internal Audit is a statutory requirement for local authorities under the Accounts and Audit Regulations (2015), which states that a local authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.

The Public Sector Internal Audit Standards (PSIAS) require the Head of Internal Audit (Corporate Governance Manager) to deliver an annual internal audit opinion and report that can be used by the organisation to inform its governance statement. The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control (i.e. the Council's system of internal control). The annual report must incorporate:

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

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

2. Head of Internal Audit Opinion

In giving this opinion, it should be noted that assurance can never be absolute. The work of internal audit can only provide reasonable assurance that there are no major weaknesses in the processes and controls reviewed.

In assessing the level of assurance to be given, I have based my opinion on:

- the results of assurance reviews and consultancy/advisory work undertaken during the year;
- the results of follow-up action taken in respect of assurance reviews, including those from previous years;
- whether or not any limitations have been placed on the scope of internal audit;
- the extent of resources available to deliver the internal audit work;
- the proportion of the Council's assurance needs that have been covered within the period; and
- the quality and performance of the internal audit service and the extent of compliance with the Standards.

I am satisfied that sufficient assurance work has been carried out to allow me to form an opinion on the adequacy and effectiveness of Aylesbury Vale District Council's systems of governance, risk management and control.

My opinion is as follows:

Generally satisfactory with some improvements required to specific systems and processes

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

Some improvements are required in those areas to enhance the adequacy and effectiveness of governance, risk management and control.

Kate Mulhearn
Corporate Governance Manager
July 2017

The key factors that contributed to my opinion are summarised as follows:

- Overall the weaknesses in control design and operating effectiveness identified were medium or low risk. Improvements have been made during the year in some key financial systems (Accounts Payable, General Ledger, Budget Management) to strengthen the overall control environment.
- Improvements are still required in a number of areas. High risk reports were issued for Accounts Receivable and Housing Benefits.
- A number of internal audit reports highlighted inadequacies in the level of management information, both at a corporate and service level to enable effective monitoring and oversight of both financial and non-financial performance.

Please see further detail in Section 3.

3. Summary of Internal Audit Activity

Overview

A total of 13 assurance reviews were completed in 2016/17 of which 2 were classified as “high“ risk, 6 were given “medium” and 5 were given “low” risk classifications. This resulted in the identification of 6 high, 21 medium and 25 low risk findings relating to weaknesses in the design and operating effectiveness of controls.

In the previous financial year 13 assurance reviews were completed resulting in 6 high, 22 medium and 9 low priority recommendations for improvement. Due to the different mix and focus of reviews the overall results cannot directly be compared from year to year.

The table below sets out the results of the internal audit work.

Review	Report risk rating*	Number of findings			
		Critical	High	Medium	Low
General Ledger	Medium	-	-	3	3
Payroll	Low	-	-	1	3
Accounts Receivable	High	-	2	2	2
Accounts Payable	Low	-	-	-	3
Treasury Management	Medium	-	-	2	2
Fixed Assets	Medium	-	-	2	4
Contract Management	Medium	-	-	3	-
Budget Management	Low	-	-	1	3
Safeguarding	Medium	-	1	1	1
Housing benefits	High	-	3	3	-
Council Tax & Business Rates	Low	-	-	1	2
Commercial Property – Service Charges	*Medium (draft)*	-	-	*2*	*1*
Vale Lottery	Low	-	-	-	1
Company Governance – Aylesbury Vale Broadband	N/A – Advisory review	-	-	-	-
Total		**-**	**6**	**21**	**25**

*A definition of the risk classifications is attached at Appendix 2.

Direction of control travel

Finding rating	Trend between current and prior year	Number of findings	
		2016/17	2015/16
Critical	-	-	-
High	↔	6	6
Medium	↓	21	22
Low	↑	25	9
Total	↑	52	37

The results may not be directly comparable year on year due to the different mix of reviews performed. In addition, in 2016/17 there was a new Head of Internal Audit and new team delivering the reviews. By starting to provide trend information now we should be able to build a picture over the coming years.

Significant control weaknesses

A number of weaknesses were identified that should be reported in the Annual Governance Statement. These relate to the “high risk” reports issued for Accounts Receivable and Housing Benefits and a general theme about lack of management information:

Accounts Receivable
There has been a lack of corporate and local oversight of the debt held in each service area and irregular monitoring of the age profile of debt. There are no corporate performance indicators to identify areas which are performing less well in their debt management to allow more effective corrective action to be taken.

There is also a lack of clarity over the roles and responsibilities of the Income Team and service areas regarding which team is responsible for debt management. The Council recognises these challenges and in November 2016 set up a Corporate Debt Project to address the issues and improve debt management processes.

Through the work of the Debt Project, issues have been identified between the system interfaces and manual processes that ensure information on housing benefit overpayment debt is consistent and reconciled between the finance system (TechOne) and benefits system (Northgate). During June/July 2017 the project team has been working to reconcile the two systems and clear any discrepancies. At the time of concluding this report all electronic matching and sorting has been completed on the data from both systems. The task in process is to work though manually each unmatched item and investigate both systems to correct the difference. At this stage we understand that it will not result in a material adjustment to the reported debt figures. Work is also progressing with the software providers to address the underlying issue around the interface between TechOne and Northgate. In the mean time, dedicated resource has been identified to ensure manual processes will operate effectively to maintain ongoing updates and accuracy.

Housing Benefits
The structure of the benefits administration team changed significantly as a result of the Commercial AVDC business review. We reported inadequacies in both the current structure and the knowledge and experience of the staff.

Quality checks have been performed inconsistently and there has been inadequate follow-up of outcomes from quality checks during the year. In addition, there has been a lack of performance monitoring and reporting of key housing benefit metrics.

Management information
A number of internal audit reports have highlighted inadequacies in the level of management information, both at a corporate and service level to enable effective monitoring and oversight of both financial and non-financial performance, and inform decisions. This issue has been highlighted on the corporate risk register. The restructure has created two new posts to support enhanced Business Intelligence across the Council and investment has been made in software to enable data extraction and reporting across all the systems. This is an area of focus during 2017/18.

Other internal audit work

Risk Management
The risk management arrangements form a key part of the Council's overall internal control framework. Internal audit has not provided any specific assurance over this process during the year but the Corporate Governance Manager has facilitated the regular review of the corporate risk register by Commercial Board, Audit Committee and Cabinet.

Follow up work / outstanding recommendations

Agreed actions arising from audit reports are kept under review by Internal Audit and regular reports on overdue actions are provided to the Audit Committee.

Audit recommendations raised during 2015/16 internal audit reviews relating the financial systems have been followed up as part of current year testing. To the extent that issues have not been satisfactorily addressed they have been re-raised in the current year reports.

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

4. Review of Effectiveness

The Council's internal audit function has been restructured during 2016/17 as part of the Commercial AVDC transformation programme. Since September 2016, the Head of Internal Audit role has been fulfilled by the Corporate Governance Manager and work has been performed by an external service provider under a co-source arrangement.

A self-assessment against the requirements of the Public Sector Internal Audit Standards (PSIAS) was conducted in 2013 and the gap analysis and action plan was last updated in July 2015. I have considered the requirements of PSIAS and there are no areas of concern to indicate that the current arrangements are not fully compliant with the Standards.

During 2017/18 a new co-source contract will be procured and compliance with PSIAS will be considered as part of the service specification.

Appendix 1: Opinion types

At the end of the year, the Head of Internal Audit provides an annual assurance opinion based on the work performed, which is used to inform the Council's Annual Governance Statement. The table below sets out the four types of opinion along with an indication of the types of findings that may determine the opinion given. The Head of Internal Audit will apply his/her judgement when determining the appropriate opinion so the guide given below is indicative rather than definitive.

Type of opinion	Indication of when this type of opinion may be given
Satisfactory	• A limited number of medium risk rated weaknesses may have been identified, but generally only low risk rated weaknesses have been found in individual assignments; and • None of the individual assignment reports have an overall report classification of either high or critical risk.
Generally satisfactory with some improvements required	• Medium risk rated weaknesses identified in individual assignments that are *not significant in aggregate* to the system of internal control; and/or • High risk rated weaknesses identified in individual assignments that are *isolated* to specific systems or processes; and • None of the individual assignment reports have an overall classification of critical risk.
Major improvement required	• Medium risk rated weaknesses identified in individual assignments that are *significant in aggregate but discrete parts* of the system of internal control remain unaffected; and/or • High risk rated weaknesses identified in individual assignments that are *significant in aggregate but discrete parts* of the system of internal control remain unaffected; and/or • Critical risk rated weaknesses identified in individual assignments that are *not pervasive* to the system of internal control; and • A *minority* of the individual assignment reports may have an overall report classification of either high or critical risk.
Unsatisfactory	• High risk rated weaknesses identified in individual assignments that *in aggregate are pervasive* to the system of internal control; and/or • Critical risk rated weaknesses identified in individual assignments that are *pervasive* to the system of internal control; and/or • *More than a minority* of the individual assignment reports have an overall report classification of either high or critical risk.
Disclaimer opinion	• An opinion cannot be issued because insufficient internal audit work has been completed. This may be due to either: o Restrictions in the audit programme agreed with the Audit Committee, which meant that our planned work would not allow us to gather sufficient evidence to conclude on the adequacy and effectiveness of governance, risk management and control; or o We were unable to complete enough reviews and gather sufficient information to conclude on the adequacy and effectiveness of arrangements for governance, risk management and control.

Appendix 2: Internal audit classifications

Report classifications

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

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

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

Individual finding ratings

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

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

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Audit Committee
24 July 2017

INTERNAL AUDIT STRATEGY AND PLAN 2017-18

Purpose

1.1 The pupose of this report is to provide the committee with details of the internal audit risk assessment and plan for 2017-18.

2 Recommendations

2.1 The committee is recommended to approve the Internal Audit Strategy and Plan for 2017-18 attached at Appendix 1.

3 Supporting Information

3.1 Following the Commercial AVDC restructure, a full assessment of the “Audit Universe” has been performed. Each auditable unit has been risk assessed at a high level to determine the priority for internal audit, represented by the frequency of audit review.

3.2 Corporate level objectives and risks have been considered when preparing the internal audit plan.

3.3 Input has been obtained from Directors, Assistant Directors and Senior Managers to take into account any areas they specifically identified for review.

3.4 The core financial systems, housing benefits and collection fund remain on the list each year but the scope of the reviews can be tailored to look at different areas of risk each year as well as the key controls.

3.5 Additional areas of focus for 2017-18 are the key services delivered by Customer Fulfilment. This will provide assurance over the end-to-end processes following team restructures and system changes.

3.6 The Internal Audit Plan will be reviewed on a quarterly basis to allow for flexibility to pick up new areas of risk or organisational change. This will be reported to the committee as part of the progress report.

4 **Options considered**

4.1 None

5 **Reasons for Recommendations**

5.1 The Internal Audit Strategy and Plan fulfils requirements of the Public Sector Internal Audit Standards which came into force on 1 April 2013.

6 Resource Implications

6.1 The Head of Internal Audit (Corporate Governance Manager) is responsible for delivering the internal audit plan. Work will be performed by external service providers under a co-source arrangement, within the allocated budget. This allows for the flexibility, insight and innovation achieved through using suppliers who work with a rage of other public and private sector organisations, and also retains the desired level of proximity to AVDCs risks and priorities.

Contact Officer: Kate Mulhearn, Corporate Governance Manager 01296 585724
Background papers: none

AYLESBURY VALE
DISTRICT COUNCIL

Internal Audit Strategy and Plan 2017/18

July 2017

Contents

1. Introduction and approach

Introduction

This document sets out the risk assessment and internal audit plan for Aylesbury Vale District Council (AVDC).

Approach

The internal audit service will be delivered in accordance with the Internal Audit Charter and the Public Sector Internal Audit Standards.

A summary of the approach to undertaking the risk assessment and preparing the internal audit plan is set out below. The internal audit plan is driven by the Council's organisational objectives and priorities, and the risks that may prevent the Council from meeting those objectives. A more detailed description of our approach can be found in Appendix 1 and 2.

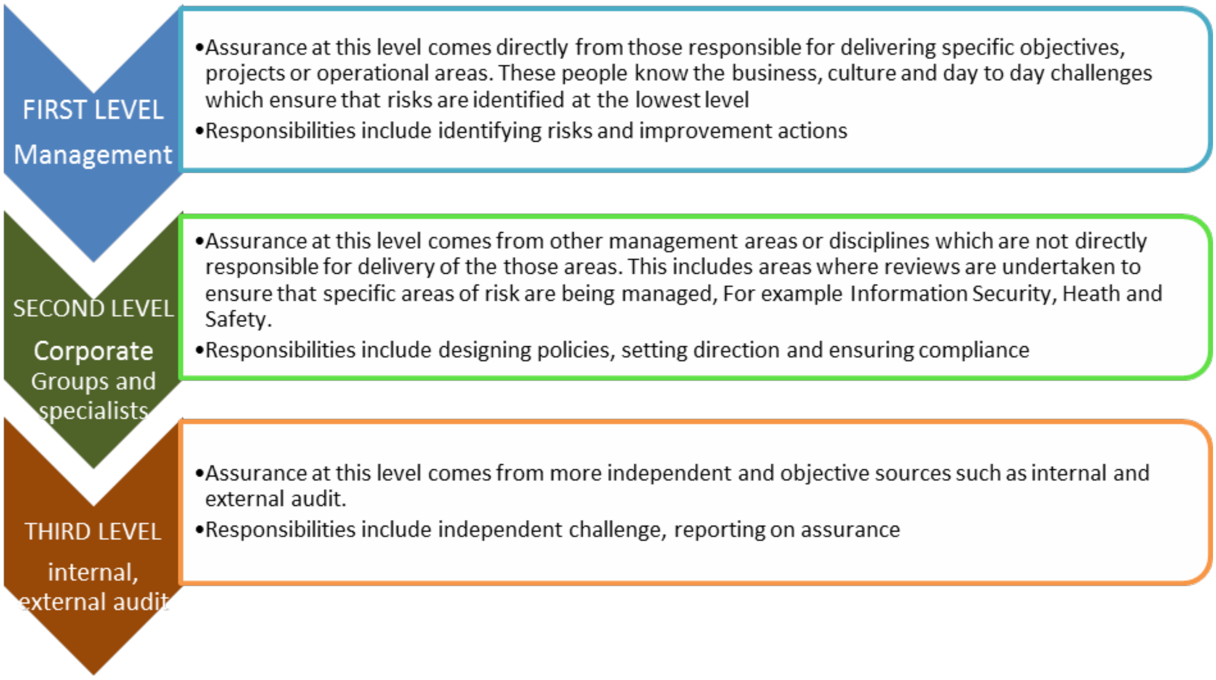
In developing the internal audit risk assessment and plan we have taken into account the requirement to produce an annual internal audit opinion by determining the level of internal audit coverage over the audit universe and key risks.

Step 1 *Understand corporate objectives and risks*	Obtain information and utilise sector knowledge to identify corporate level objectives and risks.
Step 2 *Define the audit universe*	Identify all of the auditable units within the organisation. Auditable units can be functions, processes or departments/services.
Step 3 *Assess the inherent risk*	Assess the inherent risk of each auditable unit based on impact and likelihood criteria.
Step 4 *Assess the strength of the control environment*	Assess the strength of the control environment within each auditable unit to identify auditable units with a high reliance on controls.
Step 5 *Calculate the audit requirement rating*	Calculate the audit requirement rating taking into account the inherent risk assessment and the strength of the control environment for each auditable unit.
Step 6 *Determine the audit plan*	Determine the timing and scope of audit work based on the organisation's risk appetite.
Step 7 *Other considerations*	Consider additional audit requirements to those identified from the risk assessment process.

Other sources of assurance

Assurance can come from numerous sources within the Council. In developing the internal audit risk assessment and plan we have taken into account other sources of assurance and have considered the extent to which reliance can be placed upon these other sources.

There are broadly three main categories of assurance modelled below and by working towards defining these across areas of risk it will help the Council understand how each contributes to the overall level of assurance and how best they can be integrated and mutually supportive. Level 3 is undertaken by the Internal Audit team and other independent external or regularity auditors.



Key contacts

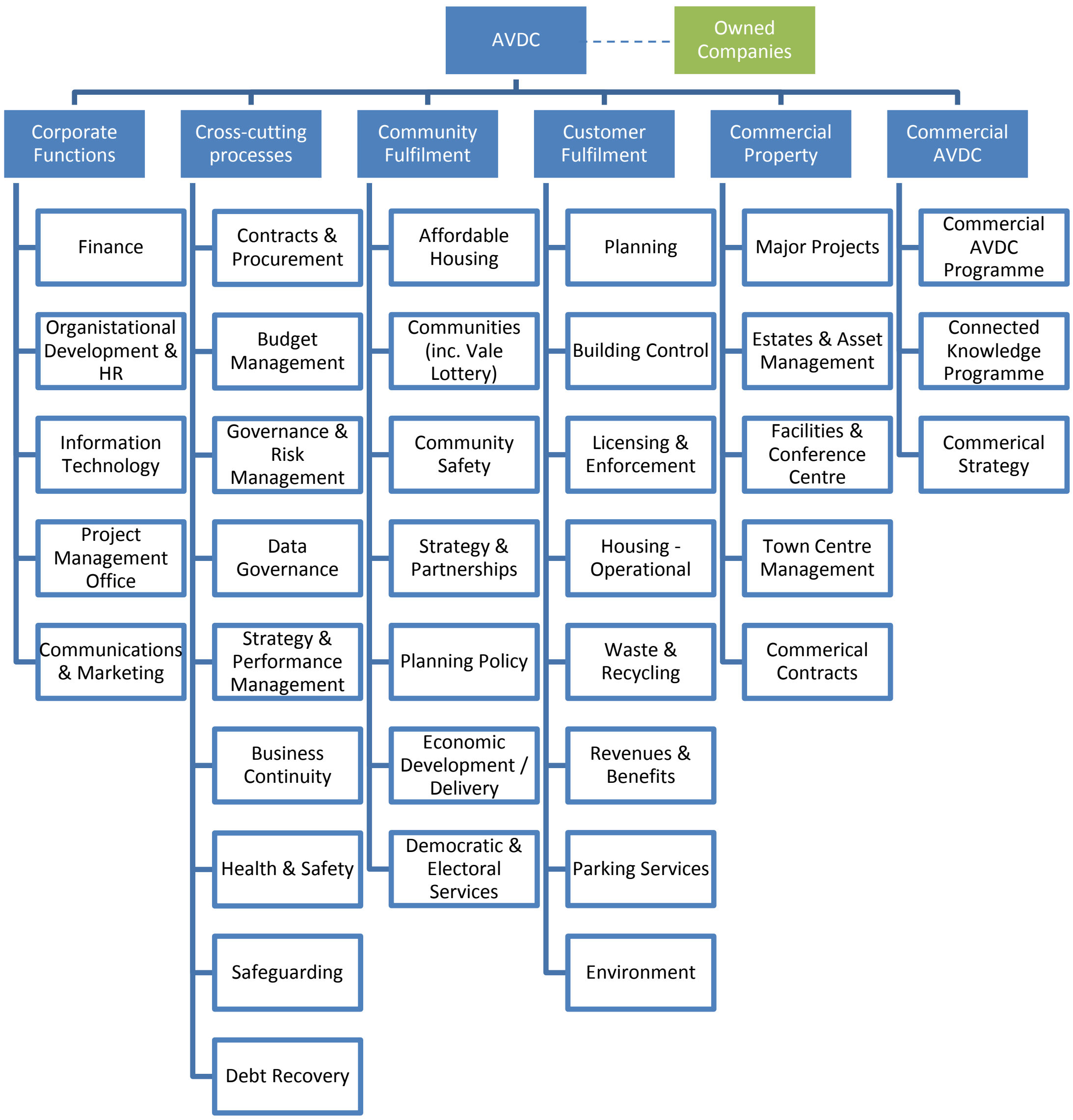
The internal audit plan has been discussed with the following members of the Senior Management team and the Commercial Board during the planning process:

Name	***Title***
Andrew Grant	Chief Executive
Andrew Small	Director
Tracey Aldworth	Director
Andy Barton	Commercial & Business Strategy
Isabel Edgar Briancon	Business Support and Enablement
Teresa Lane	Commercial Property & Regeneration
Jeff Membery	Customer Fulfilment
Will Rysdale	Community Fulfilment
Maryvonne Hassall	Digital Strategy Director
Karen Jones	Commercial AVDC Programme Manager

2. Audit universe, objectives and risks

Audit universe

We have identified the auditable units with the Council based on the structure as of June 2017 and consideration of processes that run across a number of different areas of the Council (cross-cutting processes).



* AVDC owned companies - Vale Commerce, Aylesbury Vale Broadband, Aylesbury Vale Estates

4

Corporate objectives and risks

Corporate level objectives and risks have been considered when preparing the internal audit plan.

Objective	Risks to achievement of objectives (High risks Jun 2017)	Cross reference to Internal Audit Plan
To secure the economic, social and environmental wellbeing of the Vale	Sectors do not deliver the agreed savings and efficiencies identified in the AVDC programme.	F1, B1
	The Council's approach to commercialisation and income generation does not produce the income needed.	F1
	Organisational culture fails to support the strategy. Behaviour framework is not embedded.	
	Council owned or partly owned companies (VC, AVE & AVB) fail to achieve the Council's objectives.	F2
	Depot & workshop development project fails to address H&S and Environmental concerns and achieve commercial objectives.	
	Health & Safety - Non compliance with Fire and Health and Safety legislation.	
	Fail to plan for a major or large scale incident. Business interruption affecting the Council's resources and its ability to deliver critical services.	
	Information Governance - A significant data breach, Inappropriate access, corruption or loss of data	
	Business intelligence (performance data & customer insight) and associated data management systems across the Council are not sufficiently robust to provide accurate information to support effective decision making.	
	Loss of key staff / failure to recruit into key vacancies during time of change has negative impact on service delivery.	D1, D2, D3, D4, D5
	Modernising Local Government agenda: i) fails to achieve an outcome that addresses community needs ii) disruption to service delivery due to resource detraction from day-job and ongoing uncertainty	
	Failure to effectively engage with members and the community around the Council's overall vision and strategy.	
	Failure to deliver the Connected Knowledge Strategy and achieve the Council's digital objectives.	

3. Risk assessment

Risk assessment results

Each auditable unit has been assessed for inherent risk and the strength of the control environment, in accordance with the methodology set out in Appendix 1 and 2. The results are summarised in the table below.

Ref	Auditable Unit	Inherent Risk Rating	Control Environment Indicator	Audit Requirement Rating	Frequency	Comments (incl. other sources of assurance)
A	Corporate Functions					
	Finance • General Ledger, Debtors, Creditors, Payroll • Treasury, Fixed Assets	6	2	5	Annual	General Ledger, Debtors, Creditors, Payroll annual review of key processes. Treasury & Fixed Assets were last reviewed in 16/17 (Medium risk). In 17/18 implementation of agreed actions will be followed up.
	Organisational Development & HR	3	3	2	3 years	Currently internal focus on recruitment, cultural change and behavioural framework. Consider review of PD framework/cultural change in 18/19.
	IT	6	3	5	Annual	Assurance over governance & risk of digital change is via Connect Knowledge Programme Board. 17/18 review of ITGC focusing on TechOne
	Project Management Office	5	3	4	2 years	PMO being established in 17/18. Consider review in 18/19.
	Communications & Marketing	3	3	2	3 years	
B	Cross-Cutting Processes					
	Contracts & Procurement	5	3	4	2 years	16/17 reviewed two major contracts. New structure in place to ensure end to end mgmt. from procurement to close. In 17/18 new team will establish and build processes, review in 18/19.
	Budget Management	6	2	5	Annual	
	Governance & Risk Management	5	3	4	2 years	Continuous assurance over risk management processes and reporting to Audit Committee & Cabinet. Review compliance with CIPFA Good Governance Framework.
	Data Governance	5	3	4	2 years	16/17 advisory work on Information Management Strategy & Records Retention. 17/18 focus on GDPR readiness and assurance via IGG.
	Strategy & Performance Management	5	2	4	2 years	New teams and structure are embedding during 17/18 following business reviews. New Perf Mgmt reporting and metrics being developed. Consider review in 18/19 .
	Business Continuity	5	2	3	2 years	Plans to be revised post restructure and external support in exercising. Assurance over process via Commercial Board, internal audit 18/19.
	Health & Safety	6	4	4	2 years	Increased resource post restructure developing and embedding H&S management systems during 17/18. Consider IA review in 18/19.
	Safeguarding	5	4	3	2 years	Reviewed in 16/17.
	Debt Recovery	4	2	3	2 years	Ongoing project to improve reporting, policies and procedures. HoIA is on project board. Audit in 18/19.
C	Community Fulfilment					
	Affordable Housing	5	4	3	2 years	Consider review of housing grants.
	Communities	5	4	3	2 years	Vale Lottery audited in 16/17.

Ref	Auditable Unit	Inherent Risk Rating	Control Environment Indicator	Audit Requirement Rating	Frequency	Comments (incl. other sources of assurance)
	Community Safety	5	3	4	2 years	Safeguarding audited 16/17. New team and processes being embedded during 17/18.
	Strategy & Partnerships	4	4	2	3 years	
	Planning Policy	5	4	3	2 years	
	Economic Development / Delivery	5	4	3	2 years	Sec 106 agreements audited 15/16.
	Democratic & Electoral Services	3	3	2	3 years	
D	Customer Fulfilment					
	Planning	5	4	3	2 years	High number of vacancies. New systems in Nov 17. Area of member focus. Review early in 17/18. Include validation of statistics and planning enforcement.
	Building Control	5	3	4	2 years	Area of public sector focus.
	Licensing & Enforcement	5	3	4	2 years	Taxi licensing remains nationwide area of focus. Last reviewed 15/16. Consider Planning Enforcement with Planning review.
	Housing –Operational	4	4	2	3 years	Audit of Housing Allocations in 15/16. Homelessness - New legislation Spring 2018. Review 18/19
	Waste & Recycling	5	3	4	2 years	Pembroke Road redevelopment oversight by Major Project Group. New teams and structures are embedding.
	Revenues & Benefits	6	2	5	Annual	Audit of Housing Benefits & Council Tax & Business Rates
	Parking Services	4	3	3	2 years	Team changes during 17/18, Review in 18/19.
	Environment	3	3	2	3 years	Parks, open spaces – consider with Sec 106 implementation
E	Commercial Property					
	Major Projects	6	4	3	2 years	Major Project Board provides oversight of significant capital projects – Waterside North, Pembroke Road, Crematorium
	Estates & Asset Management	5	2	4	2 years	16/17 reviewed landlord service charges. New Asset Management system implemented during 17/18.
	Facilities & Conference Centre	3	3	2	3 years	
	Town Centre Management	4	4	2	3 years	
	Commercial Contracts	5	4	3	2 years	16/17 review completed of two major contracts – Theatre & Everyone Active.
F	Commercial AVDC					
	Commercial AVDC Programme	6	3	5	Annual	Review of processes for monitoring savings and income targets
	Connected Knowledge	6	3	5	Annual	Assurance via programme governance arrangements, risk responsive reviews may be considered
	Commercial Strategy	6	2	5	Annual	Review of company governance arrangements (AVE & VC). AVB completed in 16/17, follow up.

Key to frequency

Risk based audit requirement rating	Frequency
6 and 5	Annual
4 and 3	Every two years
2	Every three years
1	No further work

4. Annual internal audit plan

Annual plan and indicative timeline

The internal audit work planned for 2017/18, together with indicative start dates for each audit.

Ref	Auditable Unit	Indicative number of audit days	Planned start date				Comments
			Q1	Q2	Q3	Q4	
A	**Corporate functions**						
A1	Finance • General Ledger • Debtors • Creditors • Payroll	22			X	X	Assurance over control design and operating effectiveness of key financial processes.
A2	IT – ITCG for TechOne	10			X		Review T1 application controls to ensure the data is complete, accurate and valid.
B	**Cross-cutting processes**						
B1	Budget Management	6			X		
B2	Governance & Risk Management	5				X	Review of compliance with CIPFA framework.
C	**Community Fulfilment**						
D	**Customer Fulfilment**						
D1	Housing benefits	8			X		
D2	Council Tax & Business Rates	6			X		
D3	Planning & Planning Enforcement	10		X			Processes for applications/appeals, data validation and enforcement.
D4	Building Control	8			X		Include fire safety checks.
D5	Licensing	8			X		Focus on taxi licensing and safeguarding controls.
E	**Commercial Property**						
F	**Commercial AVDC**						
F1	Commercial AVDC Programme Assurance	16		X			Focus on structures and processes to monitor and report savings & income commitments.
F2	Company Governance • Aylesbury Vale Estates • Vale Commerce • Aylesbury Vale Broadband	14		X			Assess governance arrangements for the Council's wholly or partly owned companies.

	(follow up)						
G	**Other**						
	Follow up of audit actions	9		X	X	X	Validation that agreed internal audit actions have been implemented.
	Grant audits • DFG	3			X		Grant compliance requirements
	Completion of 16/17 reviews: • Safeguarding • Landlord Service Charges • Accounts Receivable		X				
	Total planned audit days	**125**					
	Contingency for emerging risks	-					
	Total	**125**					

Resourcing the plan

The Head of Internal Audit (Corporate Governance Manager) is responsible for delivering the internal audit plan. Work will be performed by external service providers under a co-source arrangement. This allows for the flexibility, insight and innovation achieved through using suppliers who work with a rage of other public and private sector organisations, and also retains the desired level of proximity to AVDCs risks and priorities.

Appendix 1: Detailed methodology

Step 1 -Understand corporate objectives and risks

We have:

- Reviewed the strategy, organisational structure and corporate risk register;
- Considered the wider public sector and local government context; and
- Met with a senior management.

Step 2 -Define the Audit Universe

We have identified the audit universe made up of a number of auditable units. Auditable units include functions, processes, systems, departments or services. Any processes or systems which cover multiple departments are separated into their own distinct cross cutting auditable unit.

Step 3 -Assess the inherent risk

The internal audit plan should focus on the most risky areas of the Council. As a result each auditable unit is allocated an inherent risk rating i.e. how risky the auditable unit is to the overall organisation and how likely the risks are to arise. The criteria used to rate impact and likelihood are recorded in Appendix 2.

The inherent risk assessment is determined by:

- Mapping the corporate risks to the auditable units;
- Knowledge of the sector/function/process; and
- Discussions with management.

Impact Rating	**Likelihood Rating**					
	6	**5**	**4**	**3**	**2**	**1**
6	6	6	5	5	4	4
5	6	5	5	4	4	3
4	5	5	4	4	3	3
3	5	4	4	3	3	2
2	4	4	3	3	2	2
1	4	3	3	2	2	1

Step 4 -Assess the strength of the control environment

In order to effectively allocate internal audit resources we also need to understand the strength of the control environment within each auditable unit. This is assessed based on:

- Knowledge of the internal control environment;
- Information obtained from other sources of assurance; and
- The outcomes of previous internal audits.

Step 5 -Calculate the audit requirement rating

The inherent risk and the control environment indicator are used to calculate the audit requirement rating. The formula ensures that our audit work is focused on areas with high reliance on controls or a high residual risk.

Inherent Risk Rating	**Control design indicator (1= weak, 6= strong)**					
	1	**2**	**3**	**4**	**5**	**6**
6	6	5	5	4	4	3
5	5	4	4	3	3	n/a
4	4	3	3	2	n/a	n/a
3	3	2	2	n/a	n/a	n/a
2	2	1	n/a	n/a	n/a	n/a
1	1	n/a	n/a	n/a	n/a	n/a

Step 6 -Determine the audit plan

The risk appetite determines the frequency of internal audit work at each level of audit requirement. Auditable units may be reviewed annually, every two years or every three years.

Step 7 -Other considerations

In addition to the audit work defined through the risk assessment process described above, we may undertake a number of other internal audit reviews such as regulatory driven audits or advisory reviews. These are identified separately in the annual plan.

Appendix 2: Risk assessment criteria

Determination of Inherent Risk

We determine inherent risk as a function of the estimated **impact** and **likelihood** for each auditable unit within the audit universe as set out in the tables below.

Impact rating	Assessment rationale
6	Critical impact on operational performance [quantify if possible]; or Critical monetary or financial statement impact [quantify = materiality]; or Critical breach in laws and regulations that could result in material fines or consequences [quantify if possible]; or Critical impact on the reputation or brand of the organisation which could threaten its future viability].
5	Significant impact on operational performance [quantify if possible]; or Significant monetary or financial statement impact [quantify = materiality/2]; or Significant breach in laws and regulations resulting in large fines and consequences [quantify if possible]; or Significant impact on the reputation or brand of the organisation.
4	Major impact on operational performance [quantify if possible]; or Major monetary or financial statement impact [quantify = materiality/4]; or Major breach in laws and regulations resulting in significant fines and consequences [quantify if possible]; or Major impact on the reputation or brand of the organisation.
3	Moderate impact on the organisation's operational performance [quantify if possible]; or Moderate monetary or financial statement impact [quantify = materiality/8]; or Moderate breach in laws and regulations with moderate consequences [quantify if possible]; or Moderate impact on the reputation of the organisation.
2	Minor impact on the organisation's operational performance [quantify if possible]; or Minor monetary or financial statement impact [quantify = materiality/16]; or Minor breach in laws and regulations with limited consequences [quantify if possible]; or Minor impact on the reputation of the organisation.
1	Insignificant impact on the organisation's operational performance [quantify if possible]; or Insignificant monetary or financial statement impact [quantify = materiality/32]; or Insignificant breach in laws and regulations with little consequence [quantify if possible]; or Insignificant impact on the reputation of the organisation.

Likelihood rating	Assessment rationale
6	Has occurred or probable in the near future
5	Possible in the next 12 months
4	Possible in the next 1-2 years
3	Possible in the medium term (2-5 years)
2	Possible in the long term (5-10 years)
1	Unlikely in the foreseeable future

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Audit Committee
24 July 2017

DRAFT ANNUAL GOVERNANCE STATEMENT FOR 2016-17

1 Purpose

1.1 The purpose of this report is to present the committee with the draft Annual Governance Statement for 2016-17 prior to its inclusion in the Statement of Accounts. .

1.2 The Annual Governance Statement has been prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting 2015/16 following the principles set out in the CIPFA Delivering Good Governance in Local Government Framework (2016).

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

2 Recommendations for decision

2.1 The Audit Committee is requested to:

(a) Review the Annual Governance Statement 2016-17 (AGS)

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

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

3. Supporting information

3.1 Once it has been approved by the Audit Committee, the statutory Annual Governance Statement will be signed by the Leader of the Council and the Chief Executive at the same time they sign the Annual Statement of Accounts.

3.2 The assurance gathering process is based on the management and internal control framework of the Council.

4. Options considered

4.1 None – this is a statutory requirement.

5. Reasons for Recommendation

5.1 To comply with legislation

6. Resource implications

6.1 There are no resource implications to report.

Contact Officer: Kate Mulhearn, Corporate Governance Manager 01296 585724
Background papers: none

Aylesbury Vale District Council

Annual Governance Statement 2016/17 (Draft)

Introduction

The annual governance statement is a valuable means of communication. It enables an authority to explain to the community, service users, tax payers and other stakeholders its governance arrangements and how the controls it has in place manage risks of failure in delivering its outcomes.

Aylesbury Vale District Council (AVDC) is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. AVDC also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

AVDC is responsible for putting in place proper arrangements for ensuring good corporate governance. These are embedded in the constitution, policies and procedures. We have not approved and adopted a separate single code of corporate governance. However the principles to which the Council operates are intended to be consistent with those contained in the CIPFA / SOLACE Framework Delivering Good Governance in Local Government.

What is corporate governance?

Corporate Governance refers to "*the arrangements put in place to ensure that the intended outcomes for stakeholders are defined and achieved*" (*The International Framework: Good Governance in the Public Sector; CIPFA/IFAC, 2014)*. The "International Framework" also states that:

"To deliver good governance in the public sector, both governing bodies and individuals working for public sector entities must try to achieve their entity's objectives while acting in the public interest at all times. Acting in the public interest implies primary consideration of the benefits for society, which should result in positive outcomes for service users and other stakeholders".

Our governance arrangements aim to ensure that we meet our objectives and responsibilities in a lawful, timely, open, inclusive and honest manner and that public money and resources are safeguarded, properly accounted for and used economically, efficiently and effectively.

The principles of good governance

The diagram below, taken from the International Framework, illustrates the various principles of good governance in the public sector and how they relate to each other. Both the Accounts and Audit Regulations 2015 and the national Code of Practice on Local Authority Accounting in the United Kingdom 2016 require that the Framework be adopted as 'proper practice'.

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

How do we know our arrangements are working?

Each year we (AVDC) review our corporate governance processes and systems and the overall compliance with the principles set out in the framework and publically report this in the Annual Governance Statement... The Annual Governance Statement provides a summary of the governance framework which has been in place for the year ending 31 March 2017 and up to the date of approval of the statement of accounts, and records any significant governance issues that need to be addressed over the coming year.

As we are continually changing and seeking improvement it is important that the governance arrangements are robust and flexible enough to manage change effectively and positively support our aims and objectives. We recognise that the governance framework cannot eliminate all risk and therefore only provides reasonable and not absolute assurance of effectiveness.

1 The Council: How it works

All councillors meet together as the council. Meetings are normally open to the public. The conduct of AVDC's business is defined by formal procedures and rules, which are set out in the constitution.

The constitution explains the roles and responsibilities of the executive, non-executive, scrutiny and officer functions and the delegation arrangements that are in place. It also contains the Financial and Contract Procedure Rules and the Code of Conduct for Members.

Council

Consists of 59 elected councillors, covering 33 wards. The council appoints the Leader who in turn appoints the cabinet. Council holds the cabinet and committees to account. They decide the council's overall policies and set the budget each year.

Overview & Scrutiny

Four scrutiny committees, supporting the work of cabinet and council as a whole. They can hold inquiries in public into matters of local concern. These lead to reports and recommendations which advise the cabinet and the council on its policies, budget and service delivery. Scrutiny committees monitor the decisions of the cabinet. They can 'call-in' a decision which has been made by the cabinet but not yet implemented. This enables them to consider whether the decision is appropriate. They may recommend that the cabinet reconsider the decision. They may also be consulted by the cabinet or the council on upcoming decisions and the development of policy.

Leader & Cabinet

Cabinet is made up of a leader and 7 councillors, appointed for 4 years. The Leader is appointed by the council. The Leader then appoints a Deputy Leader and Cabinet Members.

The cabinet meets every month. Meetings are generally open to the public although some meetings or parts of meetings are held in private.

Cabinet's role is to develop, propose and implement policy. It guides the council in the preparation of its policy framework, including setting the budget and council tax levels. It discharges all executive functions not discharged either by a cabinet member or through delegation to officers.

Regulatory Committees

Strategic Development Management Committee

- To carry out the council's functions as local planning authority for large growth related developments.

Development Management Committee

- To carry out the council's functions as local planning authority for functions not falling under the remit of the Strategic Development Management Committee.

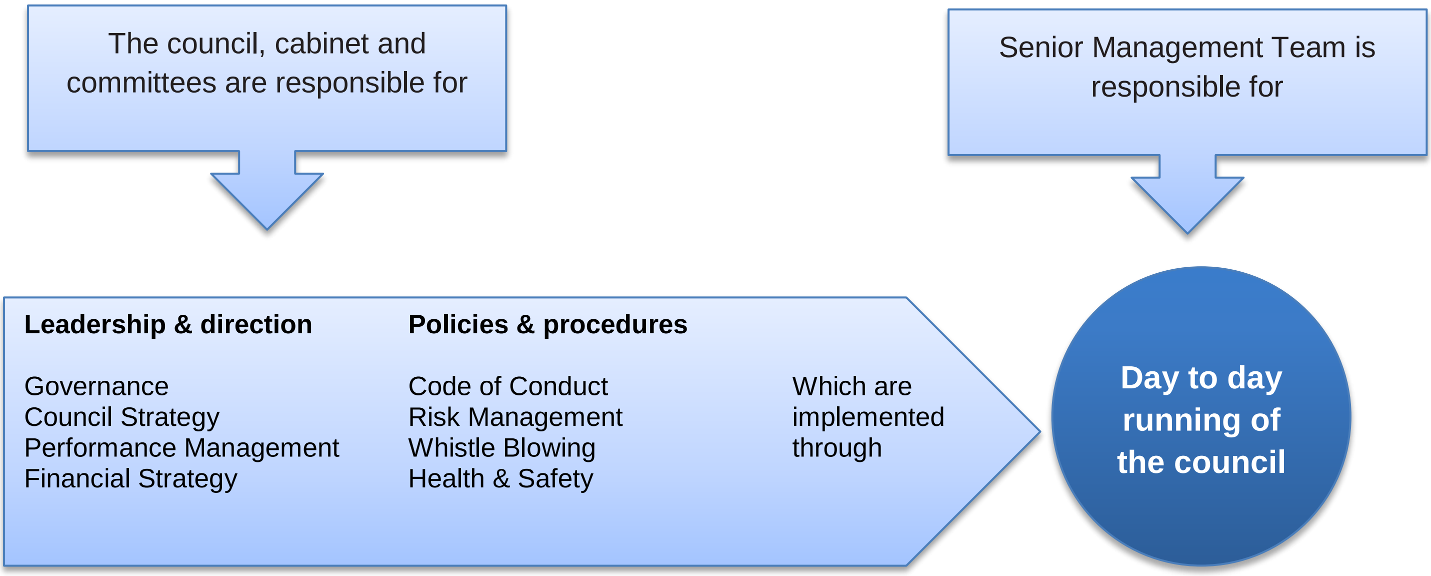
Licensing Committee

- To carry out the Council's nonexecutive functions relating to licensing and registration.

Audit Committee

- To provide independent assurance of the adequacy of the risk management framework and associated control environment, independent scrutiny of the authority's financial and non-financial performance, and to oversee the financial reporting process.

Chief Executive supported by **Senior Management Team** comprising 2 Directors, 6 Assistant Directors, the Head of Transformation and the Digital Programme Director.



1.1 Constitution

The constitution is available on [our website]() and sets out how we operate, how decisions are made and the processes that are followed to ensure that decision making is efficient, transparent and accountable to local people. A number of the codes of practice and procedures within the constitution are required by law, whilst some are chosen to reflect best practice arrangements.

The constitution further sets out the role of key governance officers, including the statutory posts, and explains the role of these officers in ensuring that processes are in place to ensure that AVDC meets its statutory obligations and also for the provision of advice to councillors, officers and committees on staff management, financial, legal and ethical governance issues.

The statutory posts / roles are:

Head of Paid Service	Chief Executive
Chief Finance Officer (Section 151)	Corporate Director
Monitoring Officer	AVDC Monitoring Officer

The senior management structure within the council has seen some major changes over the last year and the constitution will need updating to reflect these changes, however the highest levels (Chief Executive and Directors) have remained stable during this time. The key governance officers have been involved in the preparation of this statement and are satisfied that the arrangements in place are working effectively and that no matters of significance have been omitted.

1.2 The standards of behaviour for members and staff

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

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

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

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

2 AVDC's Vision

Our vision statement sets out what AVDC is working to achieve.

"To secure the economic, social and environmental wellbeing of the Vale"

To enable us to realise our vision, everyone at AVDC is working:

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

AVDC's vision is the foundation for everything we do, across all services. By referring back to the vision statement, we can ensure that we continue to move in the same direction, adapting and growing, whilst keeping the wellbeing of our residents and businesses at the centre of everything AVDC does.

2.1 Engaging our stakeholders in the vision for the district

This is an important time for the district, which like many places across the country will see significant development over the next two decades. The developing Vale of Aylesbury Local Plan will shape Aylesbury Vale's future and when finalised, the Plan will manage and direct that growth up until 2033 in a way that will protect what makes the district a special place.

As well as over 28,000 new homes, the Plan will bring more employment, retail/leisure facilities, infrastructure and opportunity/investment, helping the district to thrive. Aylesbury and area will accommodate most of this growth and this is reflected in the Government awarding Aylesbury Garden Town status.

Every significant stage of the Plan has been subject to extensive public consultation and engagement with Parishes, surrounding districts, county councils, Local Economic Partnerships and central government. We are close to finalising the Plan and expect to get council sign off in October 2017, before submitting to government for independent examination in 2018.

2.2 Partnership working

We have been working in close partnership with the other district councils in Buckinghamshire on the Modernising Local Government agenda, submitting our proposal to the Secretary of State for Communities and Local Government in January 2017.

We also work closely with the other councils in Buckinghamshire on other issues, such as homelessness through the Connection Support Resilience Service.

2.3 Communication and consultation with the public and other stakeholders

Consulting effectively with local people and others who have an interest in the district is key to decision making within AVDC.

We use a wide range of channels to both consult and communicate with the community and other stakeholders. Consultation methods range from quantitative self-completion questionnaires to focus groups, depending on the target audience and the objectives of each consultation project.

A residents' phone survey was conducted in November and December 2016. 1006 residents representative of the range of people within the district gave feedback on how they felt about the local area they live in, attitudes towards recent changes by AVDC and opinions towards new ways of working and communicating. The survey showed a big majority are impressed by how AVDC runs things.

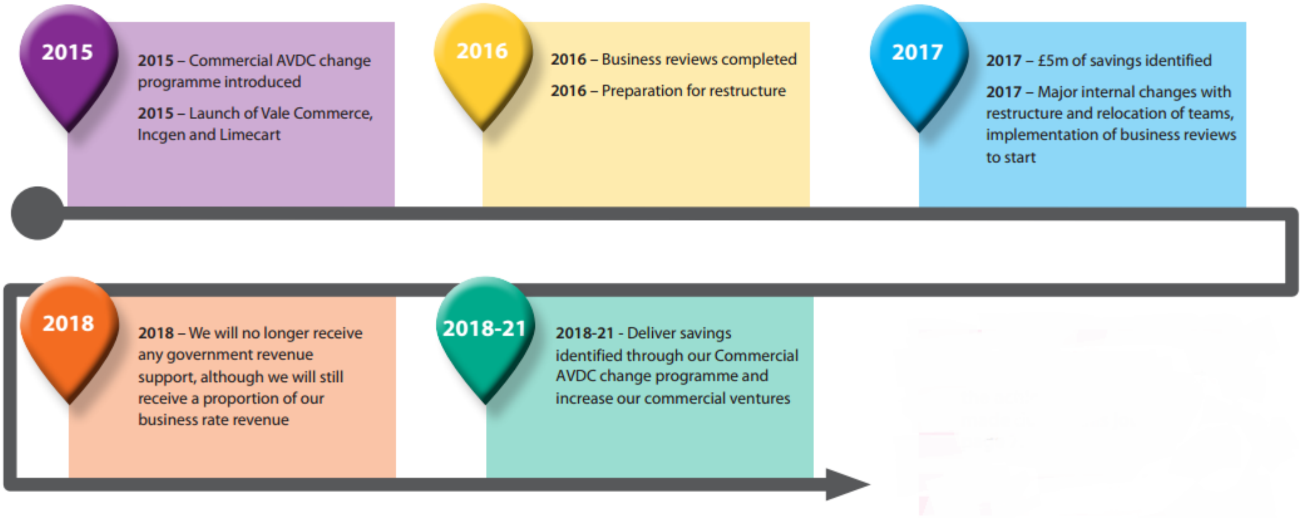
Regular communication channels include the residents' magazine delivered to all households, a proactive media relations programme (radio, TV, newspapers), parish and community noticeboards, poster sites and targeted literature. Social media including text messaging, Twitter, Facebook and web casting are being used proactively. We launched an eNewsletter in September 2016, and email residents monthly with news from around the Vale.

3 Commercial AVDC

Seven years ago we forecast that government grants would disappear by 2020 so started to remodel our budgets accordingly. We've been proved right and have saved £16m in that time, whilst losing 66% (two-thirds) of our government grant.

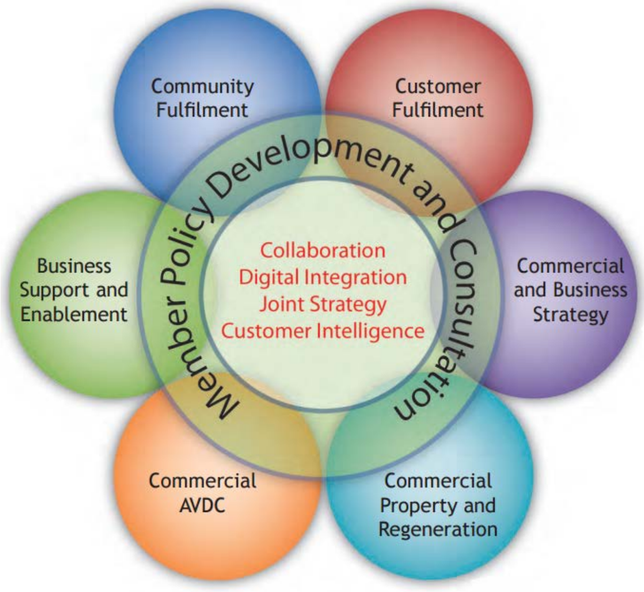
This has been achieved through both efficiencies and new income streams. We have identified the £5m of savings we needed to achieve in 2017 and AVDC is now moving forward to deliver these savings through the implementation of business reviews and increasing our commercial ventures. AVDC is becoming a more commercial organisation, providing the services that our customers and communities really want in a cost effective way.

In 2015 we launched our Commercial AVDC programme.



3.1 Transformation programme

Over the past year, we have completely challenged and changed the way we work, removing the silos and changing to a customer focused, demand led structure rather than organised by departments. We now are organised into six areas, Customer Fulfilment (anything that interacts or provides services for the customer, planning, waste collection etc.), Commercial Property and Regeneration, Community Fulfilment (green spaces, community safety, strategy and partnerships etc.), Business Support and Enablement, Commercial and Business Strategy and Commercial AVDC. This is a far-reaching and impactful change that is helping us transform into a new streamlined and efficient organisation.

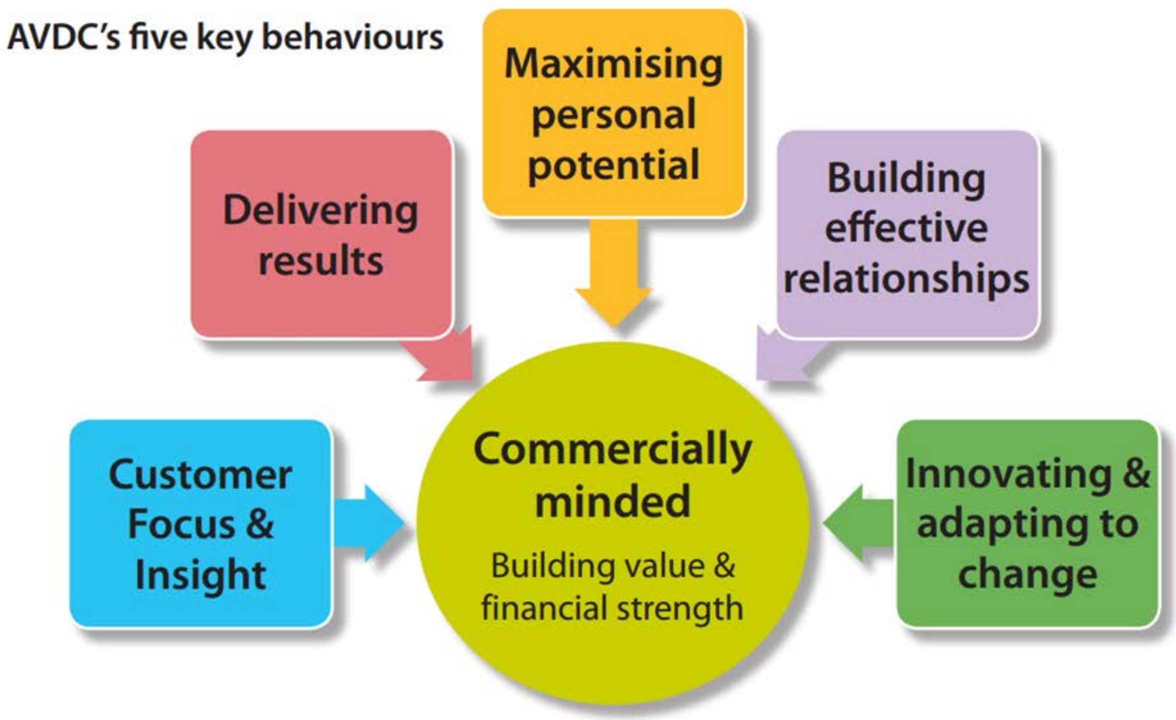


This diagram shows how AVDC will work with **collaboration, digital integration, joint strategy and customer intelligence** central to the organisation and driving AVDC forward.

To achieve our vision all our staff need to be more commercially focused. The Behaviour Framework was designed to provide a guide on how we need to work in order to deliver commercially viable products and services that are profitable and valued by the customer.

The framework was developed in close consultation with staff and Trade Union representatives. Focus groups were also carried out with staff to gather real examples of how they demonstrate the behaviours.

As part of the transformation programme, all staff have undergone a behavioural assessment, and any person applying for a role within the council either internally or externally is required to have undertaken an assessment.



3.2 Commercial companies

In December 2015 we registered Vale Commerce, a limited liability company wholly owned by Aylesbury Vale District Council which aims to:

- generate a substantial income stream for the Council.
- support improvement in the local economy
- help foster an enterprise management perspective within the Council
- showcase the Council's determination to become more self-sufficient

valecommerce

We are also starting a community interest company to grow enterprise and innovation within Aylesbury Vale and the surrounding areas. Budding local entrepreneurs will have access to training, incubation, developmental support and even investment.

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

3.3 Connected Knowledge

In December 2016 we launched our Connected Knowledge - Technology Strategy 2017-2022, which sets out the vision and strategic aims we have for our future use of technology and data.

Connected Knowledge supports the strategic aims of AVDC as a whole. For that reason it is not simply an IT strategy. It is intended as a detailed narrative that describes how we will make full use of technology to meet our organisational aims, at the same time creating commercial opportunities so we can continue to thrive amidst increasing budgetary pressures.

The advances we made with our previous five year 'cloud' strategy (storing and accessing data and programmes over the internet rather than on local hard drives and servers) have created a strong foundation for the next five years, enabling us to think bigger and more creatively about the challenges and opportunities and how we are best positioned to benefit from them.

3.4 Medium term financial strategy

Considerable effort at Member and officer level has been directed at establishing a budget framework that covers future years and marries the need to identify efficiency savings and new income streams with corporate priorities. This work has delivered a balanced budget proposal for 2017/18.

General Fund revenue reserves and balances have been determined with full consideration of the risks identified. They are, therefore, deemed to represent a sufficient level of provision against the potential financial risk inherent within the Medium Term Financial Plan, provided the Council stays focused on delivering its targets.

Budget planning has been undertaken over an appropriate period of time and has allowed full understanding of the issues in an operational and financial context. Every effort has been made to include all Members in the financial planning process through the circulation of reports and associated information. Finance and Services Scrutiny has been invited to comment on initial proposals put forward for consideration by Cabinet and separately have had the opportunity to review the process for identifying savings. In addition, two Members' seminars dealing with budget planning issues were held. The views expressed during the scrutiny process have been fully considered by Cabinet.

Where material changes are proposed to service delivery in 2017/18, these were presented in separate reports, have been subject to scrutiny where required and the views of those impacted by those savings proposals have been taken into account. Consideration has been given to corporate priorities, residents' views and the Council's Risk Register in formulating the budget proposals.

The budget formulation process at officer level has been subject to on-going review which has tested the validity of pressures and deliverability of savings options in order to ensure that Members have been made aware of all aspects and implications of actions when formulating the budget proposals.

Beyond 2017/18 there is now greater certainty on the scale of resourcing and service challenges and a clear strategy exists for dealing with it. However, given the debate around local government structures, the future of local government funding and the extent of growth within the Vale the financial future for AVDC remains as complex as ever.

Historically, in facing resource uncertainty, AVDC has always faced up to its financial challenges and created bold and innovative solutions. These are not without risks, and the Council's risk appetite has needed to change and expand in the face of the greater challenges facing the sector, and against the backdrop of preserving core services this strategy is both warranted and justified.

Achievement of AVDC's strategy will require significant business transformation and a radical rethinking about what services the Council provides and the way in which they are provided. It is evident, via the Commercial AVDC programme, that considerable importance is being attached to this at both Member and senior officer level.

4 Developing capacity and capability

AVDC has a comprehensive training and development programme. Details of the programme are available to all staff and Members on the Intranet.

4.1 Members

An all party Member Development Steering Group is in place to oversee, monitor and help deliver learning and development for elected Members to meet individual and corporate needs and in particular planning, licensing and safeguarding

4.2 Officers

AVDC has introduced a continuous improvement approach to performance review, which is supported by ongoing feedback, with a strong focus on individual and team development, aligned to the behaviour framework.

The new "REACH" approach is very flexible. It is expected that conversations will take the form of regular "check-ins" (at least 4 times a year) and that individuals and teams will seek feedback from colleagues, customers and managers which will help them to develop and improve what they do.

The new approach is being rolled out in phases and will be reviewed by the end of 2017, so that we can improve it as necessary.

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

5 Managing risks and performance

We have in place a process for identifying, assessing, managing and reviewing the key areas of risk and uncertainty that could impact on the achievement of our objectives and service priorities.

Responsibilities for managing individual risks are clearly allocated. Risks are regularly reviewed with the Commercial Board and the corporate risk register is reported to Audit Committee and Cabinet.

Following the restructure, sector level risks are being reviewed further reviewed and it is anticipated that arrangements for regular monitoring and reporting will be embedded during 2017/18.

Performance management through regular review and reporting of real-time management information against corporate targets will be further developed during 2017/18. Enhanced use of technology platforms is being embraced to ensure accurate, reliable information is available to inform decisions.

4.1 Compliance with relevant laws and regulations, internal policies and procedures

We ensure compliance with established policies, procedures, laws and regulations through a range of measures, including:

- Awareness, understanding and training carried out by internal officers and external experts
- The drawing up and circulation of guidance and advice on key procedures, policies and practices
- Proactive monitoring of compliance by relevant key officers including the Section 151 Officer (Director with responsibility for Finance) and the Monitoring Officer

Our polices and procedures are reviewed and updated to respond to changes in legislation or enhancements in best practice working. For example, the Financial Regulations and Financial Procedures were fully reviewed and revised in April 2016 to ensure alignment to best practice financial controls and to reflect changes following the implementation of the new finance system in 2015.

Our current Contract Procedure Rules and Procurement Code of Practice came into effect in June 2016. These documents provide the governance structure we follow to procure goods, services and works and ensure that we are:

- Procuring in a transparent, fair, proportionate way and applying equal treatment throughout the process.
- Getting value for money
- Delivering contracts efficiently and effectively
- Not exposed to unnecessary risk or challenge
- Complying with legislation

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

Under Section 5 of the Local Government and Housing Act 1989, the Monitoring Officer is required to report to AVDC where, in his opinion, a proposal, decision or omission by AVDC, its members or officers is, or is likely to be, unlawful and also to report on any investigation by the Local Government Ombudsman. It has not been necessary for the Monitoring Officer to issue a formal report for the year 2016/17.

The Section 151 officer also has a legal responsibility to issue formal reports if they have particular concerns about the financial arrangements or situation of the council. No such formal reports have been issued during the 2016/17 financial year.

4.2 Whistle-blowing and complaints procedures

The Whistleblowing Policy and reporting procedures are available on our website. This forms part of the Anti Fraud and Corruption Strategy. There have been no whistle-blowing reports in 2016/17.

There has been no use of the Regulation of Investigatory Powers Act during 2016/17. There was an Inspection Report by the Office of the Surveillance Commissioner (Dated 9th June 2016) which recommended that the council revise its RIPA (Regulation of Investigatory Powers Act 2000) Policy document with some minor amendments. These amendments have been made and were purely for clarification and updating purposes. There was no criticism of the council and the arrangements were considered satisfactory. The next inspection is due in 2019.

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

The Standards Committee considers any complaints made against members relating to breaches of the code of conduct. Details of how to make a complaint and the committee's procedure for dealing with member complaints are available on our website and hard copies of a complaints leaflet have been distributed to information points throughout the District. There were no complaints against councillors which led to a full investigation in 2016/17. There were a total of fourteen (14) councillor Code of Conduct Complaints that did not proceed beyond Stage 2 Initial Assessment (of the 14 councillors 4 were district councillors and 10 were parish councillors).

4.3 Anti fraud and corruption

The Corporate Governance Manager and the Director responsible for Finance are responsible for developing and maintaining AVDC's anti-fraud and corruption strategies. In 2015/16 a benchmarking assessment was performed against CIPFA's 'Code of Practice on managing the risk of fraud and corruption' and an action plan was developed to further strengthen governance and operational arrangements in place to counter fraud and corruption.

4.4 Information governance

Information governance is overseen by the Information Governance Group (IGG) which is chaired by the Director with responsibility for Finance who fulfils the role of Senior Information Risk Owner (SIRO). The Assistant Director for Commercial and Business Strategy is the Data Protection Officer. The IGG's membership and terms of reference was revised in 2016/17 along with best practice and the new organisational structure.

In July 2017 a new Information Management Strategy was approved which provides a foundation to help AVDC continually improve by promoting better and more creative management of information, encouraging appropriate sharing and transparency, while ensuring data security and compliance with data protection legislation. The strategy outlines principles which the Council will adopt through the development and implementation of supporting policies and standards. It also highlights impending legislation changes, which will have a significant impact on how AVDC information is managed, and includes a roadmap for the coming years.

6 Review of effectiveness

AVDC has responsibility for conducting, at least annually, a review of effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the executive managers within AVDC who have responsibility for the development and maintenance of the governance environment, the Corporate Governance Manager's (Head of Internal Audit) annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

The governance framework enables us to identify any areas of our activities where there are significant weaknesses in the financial controls, governance arrangements or the management of risk. The annual review of effectiveness has considered the following areas:

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

5.1 Internal Audit

Our internal audit operates under regulation 6 of the Accounts and Audit Regulations and in accordance with the CIPFA Public Sector Internal Audit Standards.

The Head of Internal Audit (Corporate Governance Manager) is required to deliver an annual internal audit opinion and report that can be used by the organisation to inform its Annual Governance Statement. The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control (i.e. the Council's system of internal control).

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

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

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

7 Significant governance issues and action plan

Financial control

In 2015/16 internal audit highlighted a number of weaknesses relating to the design of financial controls and processes and the way they were operating within the new financial system. Improvements have been made during the year in some key financial systems (Accounts Payable, General Ledger, Budget Management) to strengthen the overall control environment.

Improvements are still required in a number of areas. High risk reports were issued for Accounts Receivable and Housing Benefits.

Accounts Receivable
There has been a lack of corporate and local oversight of the debt held in each service area and irregular monitoring of the age profile of debt. There are no corporate performance indicators to identify areas which are performing less well in their debt management to allow more effective corrective action to be taken.

There is also a lack of clarity over the roles and responsibilities regarding responsibility for debt management. The Council recognises these challenges and in November 2016 set up a Corporate Debt Project to address the issues and improve debt management processes.

Through the work of the Debt Project, issues have been identified between the system interfaces and manual processes that ensure information on housing benefit overpayment debt is consistent and reconciled between the finance system (TechOne) and benefits system (Northgate). During June/July 2017 the project team has been working to reconcile the two systems and clear any discrepancies. At the time of concluding this report all electronic matching and sorting has been completed on the data from both systems. The task in process is to work though manually each unmatched item and investigate both systems to correct the difference. Work is also progressing with the software providers to address the underlying issue around the interface between TechOne and Northgate. In the mean time, dedicated resource has been identified to ensure manual processes will operate effectively to maintain ongoing updates and accuracy.

This will not result in a material adjustment to the reported debt figures.

Housing Benefits
The structure of the benefits administration team changed significantly as a result of the Commercial AVDC restructure. Internal audit reported inadequacies in both the current structure and the knowledge and experience of the staff. Quality checks have been performed inconsistently and there has been inadequate follow-up of outcomes from quality checks during the year. In addition, there has been a lack of performance monitoring and reporting of key housing benefit metrics.

Since issuing the internal audit report action has been taken to address these issues.

Management information

A number of internal audit reports have highlighted inadequacies in the level of management information, both at a corporate and service level to enable effective monitoring and oversight of both financial and non-financial performance, and inform decisions. This issue has been highlighted on the corporate risk register. The restructure has created two new posts to support enhanced Business Intelligence across the Council and investment has been made in software to enable data extraction and reporting across all the systems. This is an area of focus during 2017/18.

8 Approval of the Annual Governance Statement

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

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

Signed:……………………………………………………………………………

Leader

Signed:……………………………………………………………………………

Chief Executive

On behalf of Aylesbury Vale District Council

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Audit Committee
24 July2017

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.

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

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 Budget £000	2016/17 Actual £000
Expenditure	89,264	86,242
Income	(70,653)	(67,802)
Net Cost of Services	18,611	18,440
Cost of Borrowing	2,366	818
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

General Fund Balances	2016/17 Budget £000	2016/17 Actual £000
Balance 1st April	(4,191)	(3,975)
Net Balance from Fund	91	22
Special application of balances	600	1,179
Balance 31st March	(3,500)	(2,774)

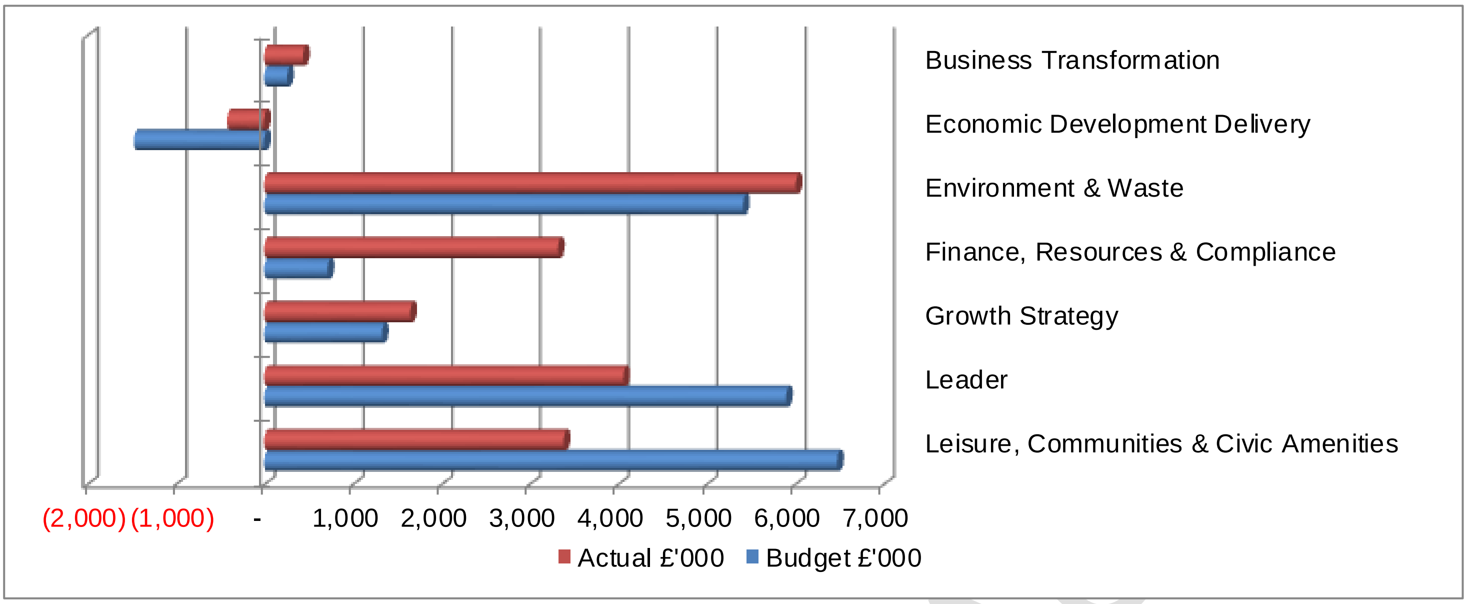
The actual figures presented in the table above significantly vary from the budget for the year due to the year end accounting entries that are required covering IAS19, depreciation, impairment (see 5. Brief note of significant items in the core financial statements), revenue expenditure funded from 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.

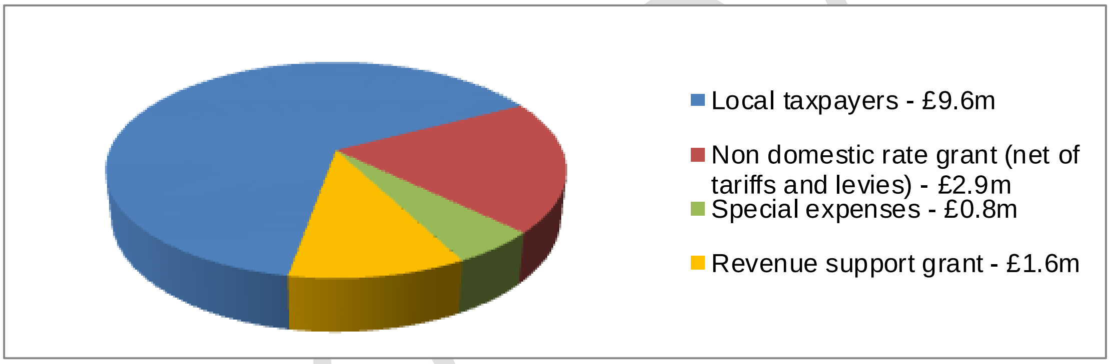
The main areas where variances from budget have been reported through the year in the Quarterly Financial Digest can be summarised as follows:

	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	Business transformation	436	(17)	419	436	(17)	419
(484)	(580)	(1,064)	(484)	(580)	(1,064)	Economic development delivery	(420)	(810)	(1,230)	(420)	(810)	(1,230)
5,580	(1,291)	4,289	5,580	(1,291)	4,289	Environment and waste	6,009	(1,021)	4,988	6,009	(1,021)	4,988
2,417	(699)	1,718	2,417	(699)	1,718	Finance, resources and compliance	3,322	(577)	2,745	3,322	(577)	2,745
1,246	(458)	788	1,246	(458)	788	Growth strategy	1,648	(354)	1,294	1,648	(354)	1,294
3,072	2,134	5,206	3,072	2,134	5,206	Leader	4,061	1,884	5,945	4,061	1,884	5,945
8,311	(3,043)	5,268	8,311	(3,043)	5,268	Leisure, communities and civic amenities	3,384	1,691	5,075	3,384	1,691	5,075
20,868	**(3,982)**	**16,886**	**20,868**	**(3,982)**	**16,886**	**Net cost of services**	**18,440**	**796**	**19,236**	**18,440**	**796**	**19,236**
(25,487)	4,053	(21,434)	(25,405)	4,048	(21,357)	Other income and expenditure	(29,068)	10,200	(18,868)	(28,309)	10,063	(18,246)
		(4,548)			**(4,471)**	**(Surplus)/deficit**			**368**			**990**
		(31,531)			(29,721)	Opening general fund balance at 1 April			(36,079)			(34,192)
		(4,548)			(4,471)	(Surplus)/deficit for the year			368			990
		(36,079)			**(34,192)**	**Closing general fund balance at 31 March**			**(35,711)**			**(33,202)**

Comprehensive income and expenditure statement

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

2015/16								2016/17					
Council			Group					Council			Group		
Gross expenditure	Gross income	Net expenditure	Gross expenditure	Gross income	Net expenditure			Gross expenditure	Gross income	Net expenditure	Gross expenditure	Gross income	Net expenditure
£000	£000	£000	£000	£000	£000		note	£000	£000	£000	£000	£000	£000
637	89	726	637	89	726	Business transformation		532	(96)	436	532	(96)	436
2,265	(2,749)	(484)	2,265	(2,749)	(484)	Economic development delivery		2,621	(3,041)	(420)	2,621	(3,041)	(420)
10,284	(4,704)	5,580	10,284	(4,704)	5,580	Environment and waste		11,260	(5,251)	6,009	11,260	(5,251)	6,009
51,668	(49,251)	2,417	51,668	(49,251)	2,417	Finance, resources and compliance		52,072	(48,750)	3,322	52,072	(48,750)	3,322
6,122	(4,876)	1,246	6,122	(4,876)	1,246	Growth strategy		5,858	(4,210)	1,648	5,858	(4,210)	1,648
3,489	(417)	3,072	3,489	(417)	3,072	Leader		4,654	(593)	4,061	4,654	(593)	4,061
14,045	(5,734)	8,311	14,045	(5,734)	8,311	Leisure, communities and civic amenities		9,245	(5,861)	3,384	9,245	(5,861)	3,384
88,510	**(67,642)**	**20,868**	**88,510**	**(67,642)**	**20,868**	**Cost of services**		**86,242**	**(67,802)**	**18,440**	**86,242**	**(67,802)**	**18,440**
		3,007			3,007	Other operating income and expenditure	10			2,055			2,055
		956			1,038	Financing and investment income and expenditure	11			849			1,608
		(29,450)			(29,450)	Taxation and non-specific grant income	12			(31,972)			(31,972)
		(4,619)			**(4,537)**	**(Surplus)/deficit on provision of services**				**(10,628)**			**(9,869)**
		(557)			(941)	Surplus on revaluation of property, plant and equipment assets	25.1			(8,669)			(9,384)
		(10,830)			(10,830)	Remeasurement of net defined benefit	25.5			24,924			24,924
		(11,387)			**(11,771)**	**Other comprehensive income and expenditure**				**16,255**			**15,540**
		(16,006)			**(16,308)**	**Total comprehensive income and expenditure**				**5,627**			**5,671**

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	Capital receipts reserves	Capital grants unapplied	Total usable reserves	Unusable reserves	Total Council reserves	Council's share of reserves of joint venture and subidiaries	Total reserves
	£000	£000	£000	£000	£000	£000	£000	£000
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 Council	2015/16 Group		2016/17 Council	2016/17 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 Group only		31 March 2017 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	122,697
1,349	1,349	Vehicles, plant and equipment	13.7	1,314	1,817
19	19	Community assets	13.7	19	19
9,729	9,729	Surplus assets not held for sale	13.7	9,729	9,729
220	220	Heritage assets	13.7	220	220
85	85	Assets under construction	13.7	1,118	1,118
120,321	**120,321**	**Total property, plant & equipment**		**135,097**	**135,600**
415	415	Investment property	14	415	415
1,284	-	Long term investments	15	1,284	-
-	2,743	Investment in joint venture	16	-	3,100
43,652	43,471	Long term debtors	17,37	49,039	48,003
165,672	**166,950**	**Long term assets**		**185,835**	**187,118**
428	428	Assets held for resale	18	-	-
32,569	32,569	Short term investments	19	38,081	38,081
3	3	Inventories		3	3
11,264	11,291	Short term debtors	19,20	11,533	11,629
4,387	4,387	Short term loans	19,21	4,496	4,496
9,074	9,095	Cash and cash equivalents	19,22	4,695	4,725
57,725	**57,773**	**Current assets**		**58,808**	**58,934**
(10,935)	(10,985)	Short term creditors	19,23	(13,934)	(14,111)
(1,744)	(1,744)	Provisions	24	(797)	(797)
(12,679)	**(12,729)**	**Current liabilities**		**(14,731)**	**(14,908)**
(187)	(187)	Provisions	24	(166)	(166)
(95,408)	(95,408)	Other long term liabilities	25	(120,433)	(120,433)
(23,593)	(23,593)	Long term borrowing	19	(23,410)	(23,410)
(119,188)	**(119,188)**	**Long term liabilities**		**(144,009)**	**(144,009)**
91,530	**92,806**	**Net assets**		**85,903**	**87,135**
(44,391)	(41,336)	Usable reserves	MiRS, 26	(45,463)	(41,665)
(47,139)	(51,470)	Unusable reserves	MiRS, 27	(40,440)	(45,470)
(91,530)	**(92,806)**	**Total reserves**		**(85,903)**	**(87,135)**

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	Net surplus on the provision of services		10,628	9,869
23,412	23,515	Adjustment to surplus on the provision of services for non cash movements	28.1	776	2,047
(21,397)	(21,397)	Adjustments for items included in the net surplus on the provision of services that are investing and financing activities	28.2	(5,549)	(5,549)
6,634	6,655	Net cash flows from operating activities		5,855	6,367
(394)	(394)	Net cash flows from investing activities	29	(10,963)	(11,466)
(5,131)	(5,131)	Net cash flows from financing activities	30	729	729
1,109	1,130	Net increase in cash and cash equivalents		(4,379)	(4,370)
7,965	7,965	Cash and cash equivalents at the beginning of the reporting period		9,074	9,095
9,074	**9,095**	**Cash and cash equivalents at the end of the reporting period**		**4,725**	**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 Council				2016/17 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	-	(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)	Net change for the pensions adjustment (note 2)	Other Differences (note 3)	Total Adjustments	Adjustments for capital purposes (note 1)	Net change for the pensions adjustment (note 2)	Other Differences (note 3)	Total Adjustments
	£000	£000	£000	£000	£000	£000	£000	£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 Group £000		2016/17 Group £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
5		**137**

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 £000	Capital receipts reserve £000	Capital grants unapplied £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 Council and Group		2016/17 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)	Commuted 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 Council	2015/16 Group		2016/17 Council	2016/17 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 Council and Group		2016/17 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:

Class type	Useful life
Surface car parks	20 - 34 years
Multi-storey car parks	26 - 50 years
Sports pavilions	10 - 28 years
Other public buildings	8 - 43 years
Waste Bins	7 years
Equipment	5 years
Vehicles	3 years

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	Vehicles, plant & equipment	Community assets	Surplus assets	Heritage assets	PP&E under construction	Total PP&E
	£0	£0	£0	£0	£0	£0	£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 Council and group		2016/17 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 Council and group		31 March 2017 Council and group
£000		£000
415	Balance at 1 April	415
415	**Balance at 31 March**	**415**

15. Long term investments

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

16. Investment in joint venture

31 March 2016 Group		31 March 2017 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 Council	31 March 2016 Group		31 March 2017 Council	31 March 2017 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 Council and group		31 March 2017 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								
Loans and receivables	-	32,569	-	32,569	-	38,081	-	38,081
Total investments	**-**	**32,569**	**-**	**32,569**	**-**	**38,081**	**-**	**38,081**
Debtors								
Loans and receivables	43,652	4,387	43,471	4,387	49,039	4,496	48,003	4,496
Financial assets carried at contract amounts	-	7,905	-	7,932	-	8,616	-	8,712
Total debtors	**43,652**	**12,292**	**43,471**	**12,319**	**49,039**	**13,112**	**48,003**	**13,208**
Cash and cash equivalents								
Financial assets carried at contract amount	-	9,074	-	9,095	-	4,695	-	4,725
Total cash and cash equivalents	**-**	**9,074**	**-**	**9,095**	**-**	**4,695**	**-**	**4,725**
Borrowings								
Financial liabilities at amortised cost	(23,593)	-	(23,593)	-	(23,410)	-	(23,410)	-
Total borrowings	**(23,593)**	**-**	**(23,593)**	**-**	**(23,410)**	**-**	**(23,410)**	**-**
Creditors								
Financial liabilities carried at contract amount	-	(7,665)	-	(7,715)	-	(8,667)	-	(8,844)
Total creditors	**-**	**(7,665)**	**-**	**(7,715)**	**-**	**(8,667)**	**-**	**(8,844)**

19.2 Income, expense, gains and losses

2015/16 Council and group				2016/17 Council and group		
Financial assets: loans and receivables	Assets and liabilities at fair value through profit and loss	Total		Financial assets: loans and receivables	Assets and liabilities at fair value through profit and loss	Total
£000	£000	£000		£000	£000	£000
-	906	906	Interest expense	-	818	818
-	**906**	**906**	**Total expense in deficit on the provision of services**	**-**	**818**	**818**
(2,804)	-	(2,804)	Interest income	(2,182)	-	(2,182)
(2,804)	**-**	**(2,804)**	**Total income in deficit on the provision of services**	**(2,182)**	**-**	**(2,182)**
(2,804)	**906**	**(1,898)**		**(2,182)**	**818**	**(1,364)**

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					31 March 2017			
Council		Group			Council		Group	
Carrying amount	Fair value	Carrying amount	Fair value		Carrying amount	Fair value	Carrying amount	Fair value
£000	£000	£000	£000		£000	£000	£000	£000
				Financial assets				
43,652	43,652	43,471	43,471	Long term debtors	49,039	49,039	48,003	48,003
32,569	33,106	32,569	33,106	Short term investments	38,081	38,621	38,081	38,621
9,074	9,074	9,095	9,095	Cash and cash equivalents	4,695	4,695	4,725	4,725
85,295	**85,832**	**85,135**	**85,672**		**91,815**	**92,355**	**90,809**	**91,349**
				Financial liabilities				
(12,475)	(12,475)	(12,475)	(12,475)	Long term creditors	(14,461)	(14,461)	(14,461)	(14,461)
(23,593)	(26,685)	(23,593)	(26,685)	Long term borrowing	(23,410)	(27,708)	(23,410)	(27,708)
(36,068)	**(39,160)**	**(36,068)**	**(39,160)**		**(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 Council	31 March 2016 Group		31 March 2017 Council	31 March 2017 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 Council and group		31 March 2017 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 Council	31 March 2016 Group		31 March 2017 Council	31 March 2017 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 Council	31 March 2016 Group		31 March 2017 Council	31 March 2017 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 NNDR appeals	Council and group: Long term 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 Council and group		31 March 2017 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 Debits	Credits	Balance 31 March 2016	Movements Debits	Credits	Balance 31 March 2017
	£000	£000	£000	£000	£000	£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 Debits	Credits	Balance 31 March 2016	Movements Debits	Credits	Balance 31 March 2017
	£000	£000	£000	£000	£000	£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 Debits	Credits	Balance 31 March 2016	Movements Debits	Credits	Balance 31 March 2017
	£000	£000	£000	£000	£000	£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 1 April 2015	Movements Debits	Movements Credits	Balance 31 March 2016	Movements Debits	Movements Credits	Balance 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 Council	2015/16 Group		2016/17 Council	2016/17 Group
£000	£000		£000	£000
(13,554)	(17,511)	Balance at 1 April	(14,111)	(18,452)
(557)	(941)	Upward revaluation of assets	(7,298)	(8,013)
-	-	Depreciation written back to revaluation reserve	(1,371)	(1,371)
(557)	**(941)**	**Surplus on revaluation of non-current assets not posted to the deficit on the provision of services**	**(8,669)**	**(9,384)**
(14,111)	**(18,452)**	**Balance at 31 March**	**(22,780)**	**(27,836)**

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 Council and group £000	£000		2016/17 Council and group £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		
3,071		● Charges for depreciation and impairment of non-current assets	704	
-		● Revaluation increases/(decreases) recognised in the (surplus)/deficit on the provision of services	(2,086)	
385		● Revenue expenditure funded from capital under statute	306	
16,222		● 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	
	19,678	Net written out amount of the non-current assets consumed in the year		(648)
		Capital financing applied in the year		
	(5,785)	● Use of the capital receipts reserve to finance new capital expenditure		(3,753)
	(3,039)	● Application of grants to capital financing from the capital grants unapplied account and earmarked reserves		(974)
	(1,536)	● Statutory provision for the financing of capital investment charged against the general fund		(1,702)
	(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 Council and group £000		2016/17 Council and group £000
(28,769)	Balance at 1 April	(43,962)
(15,302)	Transfer of deferred sales proceeds credited as part of the loss on disposal to the comprehensive income and expenditure statement	-
109	Transfer to the capital receipts reserve upon receipt of cash	618
(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 Council and group £000	2015/16 Council and group £000		2016/17 Council and group £000	2016/17 Council and group £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
	7,310	Reversal of items relating to retirement benefits debited or credited to the (surplus)/deficit on the provision of services in the comprehensive income and expenditure statement		6,817
	(3,854)	Employer's pensions contributions and direct payments to 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 Council and group £000		2016/17 Council and group £000
597	Balance at 1 April	385
(212)	Amount by which council tax income and non domestic rates income credited to the comprehensive income and expenditure statement is different from council tax and non domestic rates income calculated for the year in accordance with statutory requirements	(1,314)
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 Council and group £000	2015/16 Council and group £000		2016/17 Council and group £000	2016/17 Council and group £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	
	(4)	Amount by which officer remuneration charged to the comprehensive income and expenditure statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		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 Council	2015/16 Group		2016/17 Council	2016/17 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 Council and group		2016/17 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 Council and group		2016/17 Council and group
£000		£000
2,817	Interest received	2,275
(923)	Interest paid	(824)

29. Cash flow statement - investing activities

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

31. Distribution attributable to joint venture

2015/16 Council £000		2016/17 Council £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 Council and group £000		2016/17 Council and group £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 Council and group Turnover £000	2015/16 Council and group (Surplus)/ deficit £000		2016/17 Council and group Turnover £000	2016/17 Council and group (Surplus)/ deficit £000
(880)	(79)	Trade waste	(1,001)	123
(726)	(135)	Garden waste	(862)	(259)
(2,885)	(716)	Car parks	(3,254)	(838)
(479)	(16)	Building control - chargeable	(540)	(23)
(87)	4	Market management	(88)	17
(529)	(84)	Land charges	(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 Council and group		2016/17 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**

	Identifier	2015/16 Council and group 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 Council and group Number of employees		2016/17 Council and group 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 £000		2016/17 Council and group £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 £000		31 March 2017 Council and group £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 £000		2016/17 Council and group £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 £000		2016/17 Council and group £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 Council and group		31 March 2017 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 Council and group			31 March 2017 Council and group	
Gross investment in lease	Minimum lease payments		Gross investment in lease	Minimum lease payments
£000	£000		£000	£000
(879)	(209)	Not later than one year	(879)	(218)
(3,517)	(930)	Later than one year and not later than five years	(3,517)	(970)
(25,586)	(14,438)	Later than five years	(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 Council and group		2016/17 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 Council and group £000		2016/17 Council and group £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	£000	£000
Counterparty Rating	A	B	C	(A*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 Council and group		31 March 2017 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 Council tax	2015/16 NNDR	2015/16 Total		note	2016/17 Council tax	2016/17 NNDR	2016/17 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)**	**(52,325)**	**(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)	74	(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	48,888	162,624
1,207	**(942)**	**265**	**(Surplus)/deficit for the year**		**454**	**(3,437)**	**(2,983)**
(2,844)	2,467	(377)	Accumulated (surplus)/deficit b/fwd		(1,637)	1,525	(112)
1,207	(942)	265	(Surplus)/deficit for the year		454	(3,437)	(2,983)
(1,637)	**1,525**	**(112)**	**Accumulated (surplus)/deficit c/fwd**		**(1,183)**	**(1,912)**	**(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
69,183		73,242		70,237		74,577
		(1,172)	Allowance for non-collection			(1,192)
		(4,168)	Council tax support scheme			(3,976)
		67,902	**Council tax base**			69,409
		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)**

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Agenda Item 11

Audit Committee
24 July 2017

AUDIT COMMITTEE WORK PROGRAMME

1 Purpose

1.1 To discuss, amend and approve the future work programme for 2017/18 for the Audit Committee.

2 Recommendations/for decision

2.1	The Committee is asked to review, amend and approve the proposed work programme. Appendix 1

3 Supporting information

3.1 The proposed programme has been prepared taking into account the comments and requests made at previous Audit Committee meetings and the requirements of the Internal and External Audit process.

3.2 The Committee is asked to consider whether they wish to add or remove any items and whether the timing of items is appropriate to their needs.

3.3 The Committee is also asked to consider whether there are any additional areas or topics not included in the current work programme which they would like to add.

4 Reasons for Recommendation

4.1 To allow members of the Audit Committee to amend and agree their work programme.

5 Resource implications

5.1 There are no additional direct resource requirements arising from this report.

Contact Officer	Kate Mulhearn – Corporate Governance Manager Tel: 01296 585724
Background Documents	None

Appendix 1

AUDIT COMMITTEE WORK PROGRAMME 2017-18

Item	Contact Officer	27 Mar 2017	12 June* 2017	24 July 2017	25 Sep 2017	13 Nov 2017	22 Jan 2018	26 Mar 2018
Audit Committee Work Programme	Kate Mulhearn	X	X	X	X	X	X	X
Member Training / Briefing Sessions (TBC)	Kate Mulhearn	X			X	X	X	X
Audit Committee Annual Report	Kate Mulhearn				X			
Audit Committee Review of Effectiveness	Kate Mulhearn				X			
External Audit Plan & fee letter	Adrian Balmer (EY)						X	
External Audit - Audit Results Report (ISA 260)	Adrian Balmer (EY)				X			
External Audit Annual Letter	Adrian Balmer (EY)				X			
External Audit AGR for Grant Claims	Adrian Balmer (EY)						X	
External Audit Update / Progress Report	Adrian Balmer (EY)	X		X		X		X
Annual Internal Audit Strategy and Plan	Kate Mulhearn			X				X
Internal Audit Progress Report & Internal Audit Review Reports	Kate Mulhearn	X	X	X	X	X	X	X
Risk Management Report	Kate Mulhearn	X	X		X	X	X	X
Fraud Update Report	Kate Mulhearn				X			
Internal Audit Annual Report	Kate Mulhearn			X				
Company Governance	Kate Mulhearn	X			X			
(Draft) Annual Governance Statement	Kate Mulhearn		(X)	X				X
Statement of Accounts	Andrew Small			X				
Post Audit Statement of Accounts	Andrew Small				X			
Working Balances	Andrew Small	X						X

*Additional meeting agreed in March 2017