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AYLESBURY VALE DISTRICT COUNCIL

Democratic Services

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AYLESBURY VALE DISTRICT COUNCIL

14 September 2017

AUDIT COMMITTEE

A meeting of the **Audit Committee** will be held at **7.00 pm** (or as soon as possible after the conclusion of a Members' training session on the "Connected Knowledge Programme" **on Monday 25 September 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)

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

AGENDA

1. APOLOGIES

2. TEMPORARY CHANGES TO MEMBERSHIP

Any changes will be reported at the meeting.

3. MINUTES (Pages 3 - 12)

To approve as a correct record the Minutes of the meeting held on 24 July 2017, copy attached as an appendix.

4. DECLARATION OF INTEREST

Members to declare any interests.

5. EXTERNAL AUDIT - AUDIT RESULTS (ISA 260) AND LETTER OF REPRESENTATION (Pages 13 - 62)

To consider the attached report.

Contact Officer: Simon Wasteney (01296) 585164

6. EXTERNAL AUDIT ANNUAL AUDIT LETTER (Pages 63 - 90)

To consider the attached report.

Contact Officer: Simon Wasteney (01296) 585164

7. INTERNAL AUDIT PROGRESS REPORT (Pages 91 - 98)

To consider the attached report.

Contact Officer: Kate Mulhearn (01296) 585724

8. REVIEWS OF COMPANY GOVERNANCE - AYLESBURY VALE BROADBAND UPDATE ON IMPLEMENTATION OF RECOMMENDATIONS (Pages 99 - 108)

To consider the attached report.

Contact Officer: Kate Mulhearn (01296) 585724

9. POST AUDIT STATEMENT OF ACCOUNTS (Pages 109 - 200)

To consider the attached report.

Contact Officer: Simon Wasteney (01296) 585164

10. WORK PROGRAMME (Pages 201 - 202)

To consider the Committee's future work programme, copy attached.

Contact Officer: Kate Mulhearn (01296) 585724

11. RISK MANAGEMENT (Pages 203 - 210)

To consider the attached report.

Contact Officer: Kate Mulhearn (01296) 585724

12. EXCLUSION OF THE PUBLIC

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

RESOLVE –

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

Item No. 13 – Risk Management Report The public interest in maintaining the exemption outweighs the public interest in disclosing the information because the report contains information relating to the financial or business affairs of organisations (including the Authority holding that information) and disclosure of commercially sensitive information would prejudice negotiations for contracts and land disposals or transactions.

13. RISK MANAGEMENT REPORT (Pages 211 - 214)

To consider the attached confidential report.

Contact Officer: Kate Mulhearn (01296) 585724

AUDIT COMMITTEE

24 JULY 2017

PRESENT: Councillor K Hewson (Chairman); Councillors C Branston, R Newcombe and R Stuchbury

APOLOGIES: Councillors B Chapple OBE, C Adams, A Harrison, P Irwin, D Town and H Mordue.

1. MINUTES

RESOLVED –

That the minutes of the meeting held on 12 June 2017 be approved as a correct record.

2. EXTERNAL AUDIT PROGRESS REPORT

The Committee received a verbal update from the external auditors and were informed that audit work on the draft 2016/17 Statement of Accounts was progressing satisfactorily. There were no significant issues to report to Members.

The external auditors had asked the Council's Officers to provide some additional information regarding valuations. It was anticipated that the audit work on the accounts would be concluded in the next few weeks, subject to any issues that might arise in that time.

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 Accounts Receivable review had been completed and been classified as high risk. The full report was attached as Appendix 4 to the agenda and had found that there was 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 were no corporate performance indicators to identify areas which were performing less well in their debt management to allow more effective corrective action to be taken. There was 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 recognised these challenges and in November 2016 had 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 ensured information on housing benefit overpayment debt was consistent and reconciled between the finance system (Tech One) and the Benefits system (Northgate). During June-July 2017 the project team had been working to reconcile the two systems and clear any discrepancies. At the time of concluding the report all electronic matching and sorting had been completed on the data from both systems. The task in process was to work through manually each unmatched item and investigate both systems to correct the difference. At this stage it was not believed that this would result in a material adjustment to the reported debt figures.

Work was also progressing with the software providers to address the underlying issue around the interface between Tech One and Northgate. In the mean time, dedicated resource had been identified to ensure manual processes operated effectively to maintain ongoing updates and accuracy.

Further findings had also been made regarding:
- Invoices for trade waste collection had not been issued promptly.
- Invoices not being subject to the correct approval in line with delegated limits when re-directed from the original approver.
- Back up documentation to evidence credit notes was not held on Tech One.

The following work was being progressed:-

- Debt Recovery – the Corporate Debt project work was ongoing, with the progress being monitored by internal audit.

- Service Charges – management approval was being awaited on the draft report.

Overdue Recommendations and Follow Up Work

The Committee was informed that the implementation of actions and recommendations raised by internal audit reviews were monitored to ensure that the control weaknesses identified had been satisfactorily addressed.

The overall progress and detail of those actions/recommendations that were considered overdue was set out in Appendix 3. To the end of June 2017, there were 14 “high” and “medium” agreed audit actions due of which 7 were still outstanding and had been given a revised date for implementation.

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

Internal Audit Resource

Members were informed that the situation regarding the resources available to undertake internal audit work had not changed since the report made to the June 2017 meeting.

Internal Audit Plan and progress tracker

Progress and changes against the approved 2016/17 Annual Internal Audit Plan was detailed at Appendix 2 to the Committee report. The Committee was informed that the Annual Internal Audit Strategy and Plan for 2017/18 was the subject of a separate agenda and report to the meeting.

Members sought further information and were informed:-

(i) on the work that was being done to reconcile housing benefit overpayment debt between Tech One and Northgate, which had been a significant piece of work. Two people were now responsible for ensuring this happened although it was expected that the process would be automated in time. Tech One and Northgate were also looking at how their systems could work better together.

(ii) that some of the issues raised in the Accounts Receivable review were as a direct result of the new finance system (Tech One) that had been introduced last year. Processes had not been documented and this had led to some of the issues raised occurring when there had been a number of staff/team changes due to the Commercial AVDC Programme. It was explained that it was internal audit's job to highlight these issues and then ensure that proper controls were put in place.

(iii) that the control design for approving invoices when an approver was not available through Annual Leave or due to sickness had been identified as a weakness in last year's audit. Significant work had been done since then to update the Scheme of Delegations and match these through to Cost Centres so that Officers would only receive requests to approve invoices for which they had the necessary authorisation.

Members commented that in these circumstances it would be preferable to delegate approval authority upwards to a person's Line Manager.

RESOLVED –

That the progress reported be noted.

4. INTERNAL AUDIT ANNUAL REPORT 2017-18

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

The Committee received a report detailing the Corporate Governance Manager's opinion on risk management, control and governance and their effectiveness in achieving the Council's agreed objectives for 2016-17. The report also incorporated a summary of the work undertaken to support the opinion and a statement on conformance with the Public Sector Internal Audit Standards. Based on this work, the Corporate Governance Manager had provided the following opinion:-

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

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

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

In forming this opinion the Corporate Governance Manager had confirmed that internal audit activity throughout 2016-17 had been independent from the rest of the organisation and had not been subject to interference in the level or scope of the audit work completed.

The key factors that contributed to the opinion were summarised as follows:-

- Overall the weaknesses in control design and operating effectiveness identified were medium or low risk. Improvements had been made during the year in some key financial systems (Accounts Payable, General Ledger, Budget Management) to strengthen the overall control environment.
- Improvements were still required in a number of areas. High risk reports had been issued for Accounts Receivable and Housing Benefits.

- A number of internal audit reports had 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.

A total of 13 assurance reviews had been completed in 2016/17 of which 2 had been classified as having a “high” risk, 6 a “medium” risk and 5 a “low” risk classification. This had 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. This compared to 9 assurance reviews (6 high, 22 medium and 9 low priority recommendations) in 2015/16, although a direct comparison could not be made.

A summary of the reviews undertaken and the opinion given was detailed at Section 3 of the Corporate Governance Manager’s report.

A number of weaknesses had been identified that needed to be reported in the Annual Governance Statement, and which related to the “high risk” reports issued for Accounts Receivable and Housing Benefits and a general theme about lack of management information. A summary of these high risks was also detailed in Section 3 of the Corporate Governance Manager’s report.

Other internal audit work undertaken during the year had included regularly reviewing and reporting of the corporate risk register to the Commercial Board, Audit Committee and to Cabinet.

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

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 Auditing Standards (PSIAS) had been conducted in 2013 and the gap analysis and action plan had been last updated in July 2015. During 2016, the requirements of PSIAS had been considered and there are no areas of concern to indicate that the current arrangements were not fully compliant with the Standards. During 2017/18 a new co-source contract would be procured and compliance with PSIAS would be considered as part of the service specification.

Members requested further information and were informed that the Report risk rating at the Summary of Internal Audit Activity for 2016/17 was based on the risk rating findings relating to the individual reviews. A definition of the risk classifications (critical, high, medium and low) was detailed at Appendix 2 to the Committee report.

Members expressed their thanks to Officers for the good quality of the audit work undertaken during 2016/17.

RESOLVED –

That the content of the Corporate Governance Manager’s annual report for 2016-17 be noted.

5. ANNUAL INTERNAL AUDIT STRATEGY AND PLAN 2017-18

The Committee received a report which detailed a risk assessment of Internal Audit and plans for audit work for 2017/18. Following the Commercial AVDC re-structure a full assessment had been undertaken of the "Audit Universe" which was the identifiable auditable units within the Council and included consideration of processes that ran across a number of different areas of the Council. Each auditable unit had been risk assessed at a high level to determine the priority for internal audit, represented by the frequency of audit review.

Corporate level objectives and risks had been considered when preparing the internal audit plan, and input had also been obtained from Directors, Assistant Directors and Senior Managers to take into account any areas they specifically identified for review.

The core financial systems, housing benefits and collection fund remained on the list each year but the scope of the reviews would be tailored to look at different areas of risk each year as well as the key controls. Additional areas of focus for 2017-18 were the key services delivered by Customer Fulfilment. This will provide assurance over the end-to-end processes following team restructures and system changes.

The Internal Audit Plan would be reviewed on a quarterly basis to allow for flexibility to pick up new areas of risk or organisational change. It would be reported to the Audit Committee as part of the progress reports.

Members sought further information on the Plan for 2017/18 and were informed:-

(i) on the Corporate level objectives and risks that had been considered when preparing the internal audit plan.

(ii) on the methodology that had been used for assessing auditable units for inherent risk and the strength of their control environment (The methodology was detailed in more depth at Appendices 1 and 2 to the Committee report).

(iii) that a standard set of terms of reference had been developed and was used as the starting point for each piece of audit work. Auditors then worked with management to identify specific issues to include in the review. This could also include talking with Members and allowing them to feed into the scope. All of this was to ensure that there was a robust audit process.

Members expressed some concerns about the Planning and Planning Enforcement audit (planned for quarter one, 2017/18) and that it should include looking at staffing (high turnover, high number of vacancies) and the planning complaints recording process. Members who had particular concerns were asked to provide this information to the Corporate Governance Manager.

RESOLVED –

That the Internal Audit Strategy and Plan for 2017-18 be approved.

6. DRAFT ANNUAL GOVERNANCE STATEMENT

The Annual Governance Statement (AGS) for Aylesbury Vale District Council, that would be signed by the Leader of the Council and the Chief Executive when approved by the Audit Committee, formed part of the Council's formal accounts for the financial year 2016-17.

The AGS had 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).

The statement explained how AVDC had complied with the principles of corporate governance and also met the requirements of regulations 4(2) and 4(3) of the Accounts and Audit Regulations 2011, which required all relevant bodies 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".

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

Internal audit work in 2016/17 had 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 had been made during the year in some key financial systems (Accounts Payable, General Ledger and Budget Management) to strengthen the overall control environment. Improvements were still required in a number of areas, most notably Accounts Receivable and Housing Benefits.

Members were informed that a number of internal audit reports had highlighted the 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 to inform decision. This has also been highlighted in the Corporate Risk Register. The re-structure had created two new posts to support enhancing business intelligence across the Council and investment had been made in software to enable data extraction and reporting across all the systems. This would be an area of focus during 2017/18.

Having critically reviewed the Annual Governance Statement 2016-17 and the robustness of the Council's governance arrangements, it was

RESOLVED –

(1) That the content of the Annual Governance Statement 2016-17, be noted.

(2) That the Annual Governance Statement 2016-17 be approved for inclusion in the Council's Statement of Accounts for 2016-17.

7. 2016/17 DRAFT STATEMENT OF ACCOUNTS AND YEAR END POSITION

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

Members were informed that whilst the Quarterly Finance Digest (QFD) did not form part of the statutory accounts, it did provide a more understandable guide to the financial events that had taken place in the last year by comparing them with the expected or budgeted equivalent figures.

The Statutory Accounts presented actual expenditure and income, without reference to budgeted levels. Therefore, whilst the accounts presented the definitive position on the

Authority by way of its financial resources, they did not inform the reader as to whether this was the planned or expected position.

The main financial events of 2016/17 were explained in the Digest but the key issues were:

The outturn position for the year shown in the Digest was a reduction in balances of £0.726m. This was 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).

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 was 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 related 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.

Budget variances reported throughout the year contributing to the final outturn position had been 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 had gone the other way included consultancy / agency / redundancy costs associated with Information Technology & Facilities Management, reduced rental income from UCAV & lower service charges from Waterside properties.

The table below detailed the balances position at the year end after taking into account the outturn position. The balance position was higher than the agreed prudent level that should be held, therefore, a report on its use would be submitted 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**

The latest Quarterly Finance Digest had also detailed the top 5 underspends and overspends by service areas for 2016/17, and showed that the General Fund Statement of Balances position at the year end was £2.774m after taking into account the outturn position.

During 2016/2017, transfers to and from reserves had been as follows:-

- That £7.7m had been transferred out of reserves and £8.5m transferred into reserves, making a net increase of £0.8m.
- The largest use of reserves had been from the New Homes Bonus reserve, where £5m had been used to fund a reduction in Superannuation Scheme Deficit. This was an internal borrowing arrangement and the NHB Reserve would be repaid over a number of years.
- The other sizeable movement had been spending of £0.95m from the NNDR Appeals provision, due to successful appeals submitted from local businesses.
- Other significant movements had been £0.277m from the Superannuation reserve to fund pension costs, £0.248m from the Repair and Renewals fund to meet the costs of planned operational building repairs and £0.396m from the Planning Reserve to fund Planning Appeals & VALP.
- There had been two sizeable contributions to reserves and one was £7.05m of NHB into the NHB reserve. This gave a year end balance of £11.5m, of which £1.8m was earmarked for parish initiatives.
- Whilst the reserves were showing a net increase for the year, this was solely due to NHB contributions. However, this reserve had committed £5m to the Council's East / West rail contribution (Council 17 July 2013), with the commitment spread over a number of years. Other commitments included £3m towards the Waterside North project, £2m for the Silverstone Heritage Centre, £0.986m for the Pembroke Road depot, £0.69m ring-fenced for housing and £0.582m for Parish initiatives. Without this contribution then the total amount held in reserves would have fallen to £25.9m.

The full list of reserves and provisions was detailed at Appendix B to the Committee report. A review of them would be carried out in advance of the 2018/19 budget setting process.

The Council had an approved capital programme for 2016/17 of £14.2m, of which £4.1m was for the Waterside North Phase 1 project and £9.2m for the purchase and upgrade of the Pembroke Road depot.

The actual spend had been £4.7m, of which the key area of significant spend had been £3.6m for the purchase and upgrade of the Pembroke Road depot. This was £9.5m less expenditure than expected and had been due to delays relating to the refurbishment of the depot, timing on the Waterside North Phase 1 project and no refuse vehicle replacements had been purchased in the year.

The Council was still in the position that it could not generate significant sums of capital receipts as the majority of assets had been sold. 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 had also received £405,000 from the sale of Elmhurst Community Centre.

During 2016/17 no new long term borrowing had been taken out. This took the total borrowing at the end of the year to £23.5m. 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 2017 had been £41.5 million.

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

The Council's Chief Financial Officer had certified the draft accounts by 30 June and had published them on the Council's website. Guidance from the Accounts and Audit

Regulations suggested that, while there was not a requirement to do so, it was best practice to give Members an early notification of the financial outcome of the previous financial year. As such, Members had been provided with the previous year's full statements and were asked to consider these alongside the year-end financial information contained in the Quarterly Finance Digest (QFD).

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

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

There had not been any significant issues that had been required to be reflected in the 2016/17 accounts. However, some of the main information points were:-

- Fixed Assets – The only assets revalued at the end of the year were the public toilets, leisure buildings, pavilions and surface car parks.
- Companies – the accounts include the Council's new companies, AV Broadband and Vale Commerce and reflected the material interests in Aylesbury Vale Estates LLP.
- That the year end position was that Aylesbury Vale Estates (AVE) owed the Council £37.1m, made up of £27.8m deferred receipts, £7.9m Hale Leys loan and a debtor of £1.4m.

During the course of the year the deferred receipts balance had reduced by £408,000 with AVE making repayments against one remaining loan.
The provisional year end position of the AVE group was a £0.467m profit, which was made up of a AVE LLP small profit of £94,000 and a Hale Leys LLP profit of £669,000. The group profit was after realising a profit of £1.075m on the sale of investment properties. However, these figures were reflected differently in the AVDC and AVE accounts as they were prepared using different accounting regulations.

Members sought further information and were informed:-

(i) that full Council had agreed when setting the budget in February 2017 that a lump sum contribution should be made from the New Homes Bonus reserves towards the Pensions Fund deficit prior to March 2017. An appropriate proportion of the resultant reductions in Employers Pension contributions would then be repaid back to the NHB reserves.

(ii) that financial information on Aylesbury Vale Estates and Aylesbury Vale Broadband had been consolidated into the group accounts and information that was required to be reported had been included in the statutory accounts. The business cases for both of these for the next year would be reported to scrutiny and Cabinet in September 2017. The 6 month review against the internal audit review of AVB and resulting recommendations would also be reported to the Audit Committee in September 2017.

(iii) that the difference between the December 2016 Quarterly Finance Digest forecast of an overall underspend of £0.596m for the year and the final outturn position at March 2017 of £21,857 represented a variance of £0.618m. This was made up of a number of ups and downs although the main variance was due to redundancy and pension strain costs which were charged to service budgets resulting from the on-going organisation re-structuring.

Members were informed that the cost of the Commercial AVDC Programme and behaviour assessments had been budgeted for, although a provision had not been made for redundancies costs / exit payments. As the Council had undertaken the vast majority of behaviour assessments from January 2017 onwards, information on the number of people that might leave AVDC in the future had not been available when the December Digest had been put together.

Given the extreme residual risk rating in the Corporate Risk Register for staff related issues associated with the Commercial AVDC Programme, Officers acknowledged that it would have been helpful to provide a forecast for redundancy costs, although this forecast may not have been accurate.

The Committee was of the view that it would be prudent to forecast for some redundancies and that it was not good practice to not have a budget for staff recruitment / redundancies (relating to the Commercial AVDC Programme). It was suggested that this arrangement should be reviewed for the future so that the position could then be monitored.

(iv) that, overall, the provisional year end position of Aylesbury Vale Estates had been a profit of £94,000, which comprised a loss of £575,000 for AVE LLP and a £669,000 profit for Hale Leys LLP. For the first time, AVE had also paid AVDC a dividend this year.

RESOLVED –

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

(2) That Officers be thanked for the work done in preparing the statutory accounts.

8. WORK PROGRAMME

The Committee considered the Work Programme for 2017-18 which took account of comments and requests made at previous Committee meetings, particular views expressed at the meeting, and the Annual Internal Audit Strategy and Plan 2017-18 that had been considered at the meeting.

RESOLVED –

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

Audit Committee
25 September 2017

EXTERNAL AUDIT – AUDIT RESULTS REPORT (ISA 260) AND LETTER OF REPRESENTATION

1 Purpose

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

2. Recommendations/for decision

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

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

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

3. Supporting information

3.1 The Council is required to receive the report from the External Auditors to those charged with governance at a formal committee meeting before the end of September 2017.

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

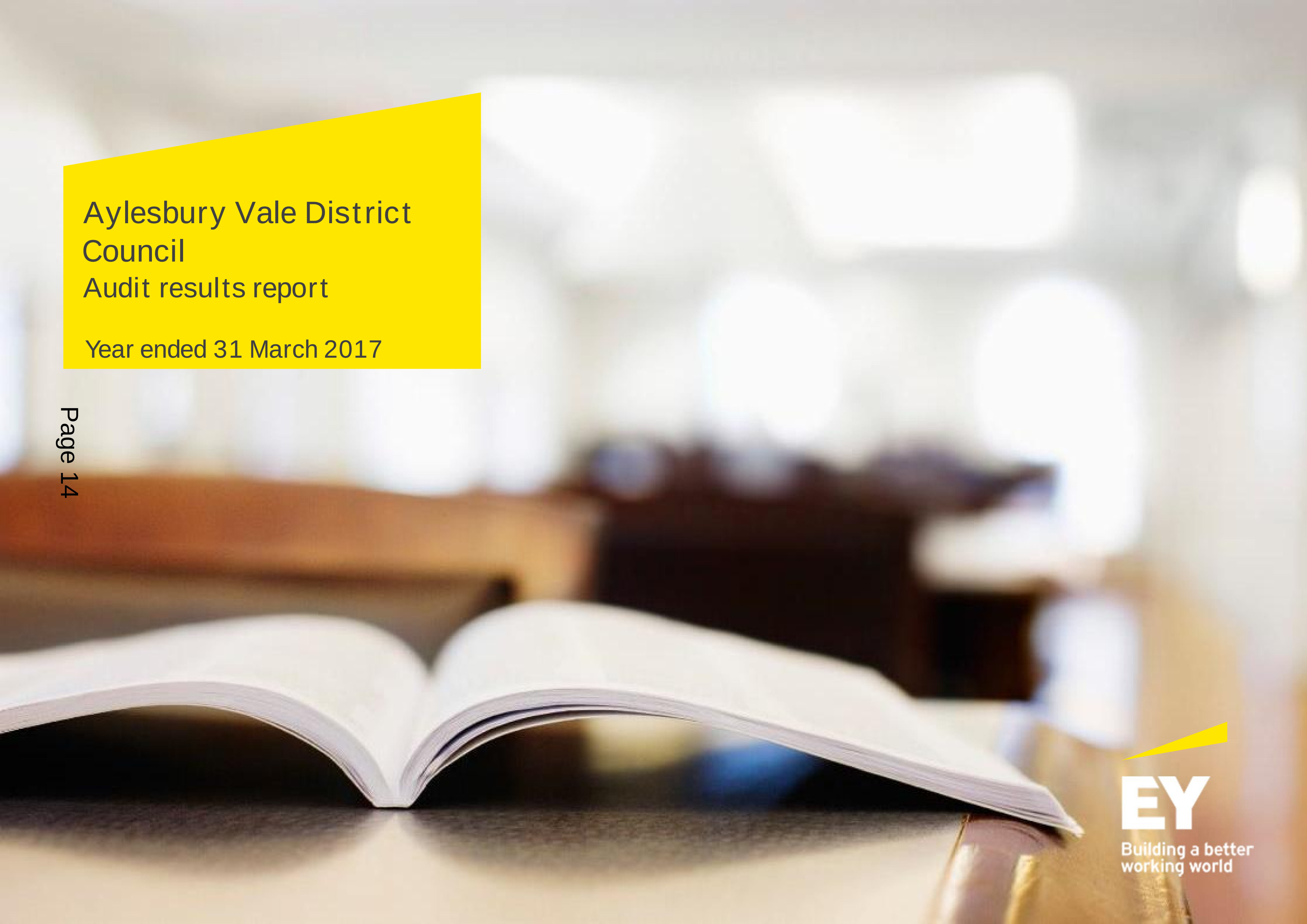
4. Reasons for Recommendation

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

5. Resource implications

None.

Contact Officer	Simon Wasteney 01296 585164
Background Documents	None



Aylesbury Vale District Council

Audit results report

Year ended 31 March 2017

EY

Building a better working world

Private and Confidential 8 September 2017

Dear Audit Committee Members

We have substantially completed our audit of Aylesbury Vale District Council (the Authority) for the year ended 31 March 2017.

Subject to concluding the outstanding matters listed in our report, we confirm that we expect to issue an unqualified audit opinion on the financial statements in the form at Section 3, before the statutory deadline of 30th September 2017. We also have no matters to report on your arrangements to secure economy, efficiency and effectiveness in your use of resources.

This report is intended solely for the use of the Audit Committee, other members of the Authority, and senior management. It should not be used for any other purpose or given to any other party without obtaining our written consent.

We would like to thank your staff for their help during the engagement.

We look forward to discussing with you any aspects of this report or any other issues arising from our work.

Yours faithfully

Maria Grindley
Executive Director

For and on behalf of Ernst & Young LLP

United Kingdom

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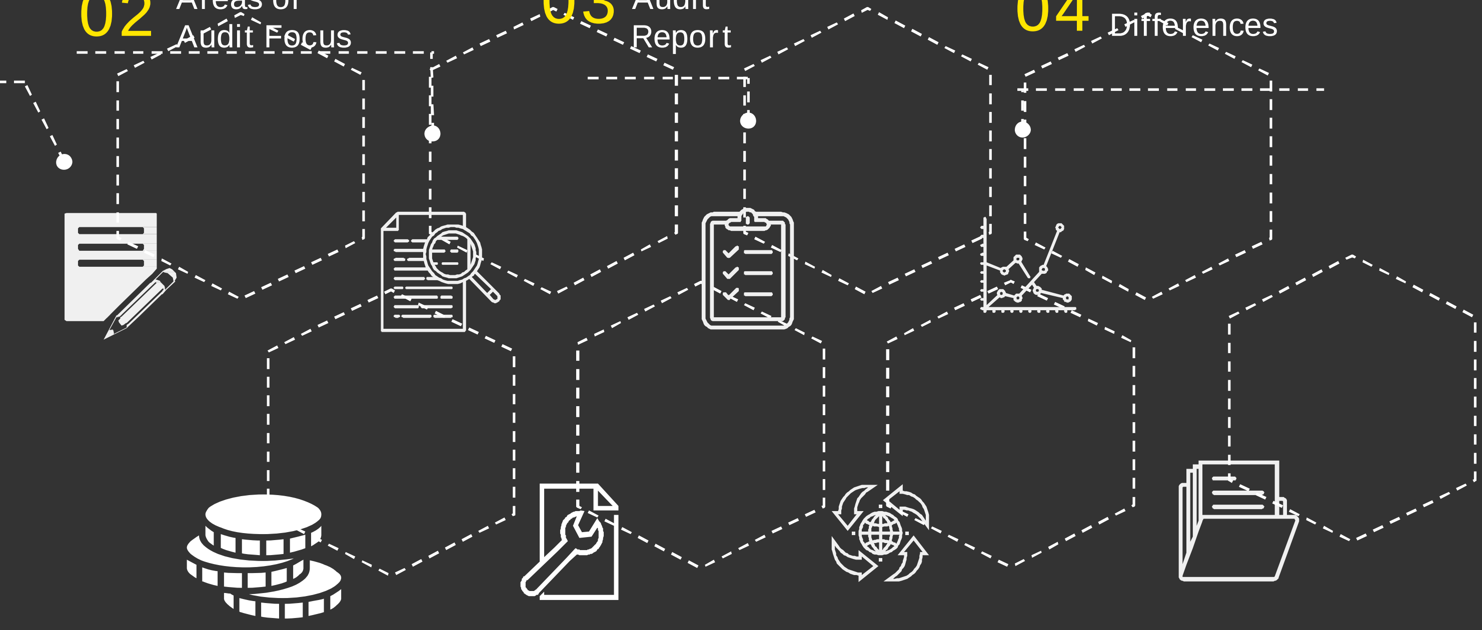


In April 2015 Public Sector Audit Appointments Ltd (PSAA) issued "Statement of responsibilities of auditors and audited bodies". It is available via the PSAA website (www.PSAA.co.uk).

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

The "Terms of Appointment (updated February 2017)" issued by the PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature..

This report is made solely to the Audit Committee, other members of the Authority and management of Aylesbury Vale District Council in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Audit Committee, other members of the Authority and management of Aylesbury Vale District Council those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Audit Committee, other members of the Authority and management of Aylesbury Vale District Council for this report or for the opinions we have formed. It should not be provided to any third-party without obtaining our written consent.

01 Executive Summary

Executive Summary

Overview of the audit

Scope and materiality

In our Audit Plan presented at the 23rd January 2017 Audit Committee meeting, we gave you an overview of how we intended to carry out our responsibilities as your auditor. We carried out our audit in accordance with this plan. We note the following changes:

We planned our procedures using a materiality of £1.962m. We reassessed this using the actual year-end figures which have decreased this amount to £1.910m. The threshold for reporting audit differences has decreased from £98k to £96k. The basis of our assessment of materiality has remained consistent with prior years at 2% of Gross Revenue Expenditure.

We also identified areas where misstatement at a lower level than materiality might influence the reader and developed a specific audit strategy for them. They include:

- Remuneration disclosures including any severance payments, exit packages and termination benefits.
- Related party transactions.

Status of the audit

We have substantially completed our audit of Aylesbury Vale District Council's financial statements for the year ended 31st March 2017 and have performed the procedures outlined in our Audit plan. Subject to satisfactory completion of the following outstanding items, we expect to issue an unqualified opinion on the Authority's financial statements in the form which appears at Section 3. However until the following work is complete and final tasks reviewed, further amendments may arise:

- review of the final version of the financial statements;
- completion of subsequent events review; and
- receipt of the signed management representation letter.

Executive summary (continued)

Status of the audit (continued)

We expect to issue the audit certificate at the same time as the audit opinion.

Audit differences

We identified one audit difference in the draft financial statements which management has chosen not to adjust. We ask that it be corrected or a rationale given as to why it is not corrected to be approved by the Audit Committee and included in the Letter of Representation. The aggregated impact of unadjusted audit differences is £650k. We agree with management's assessment that the impact is not material.

We have also identified a number of audit differences which have been adjusted by management. Details can be found in Section 4 Audit Differences.

Areas of audit focus

Our Audit Plan identified key areas of focus for our audit of Aylesbury Vale District Council's financial statements. This report sets out our observations and conclusions, including our views on areas which might be conservative, and where there is potential risk and exposure. We summarise our consideration of these matters, and any others identified, in the "Key Audit Issues" section of this report.

We ask you to review these and any other matters in this report to ensure:

- There are no other considerations or matters that could have an impact on these issues;
- You agree with the resolution of the issue; and
- There are no other significant issues to be considered.

There are no matters, apart from those reported by management or disclosed in this report, which we believe should be brought to the attention of the Audit Committee.

Executive summary (continued)

Other reporting issues

We have reviewed the information presented in the Annual Governance Statement for consistency with our knowledge of the Authority. We have no matters to report as a result of this work.

We have considered if we were required to perform the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts submission. We found that Aylesbury Vale District Council was under the threshold for detailed testing.

We have no other matters to report.

Value for money

We have considered your arrangements to take informed decisions, deploy resources in a sustainable manner, and work with partners and other third parties. In our Audit Plan we did not identify a VFM significant risk.

We have no matters to report about your arrangements to secure economy efficiency and effectiveness in your use of resources.

Executive summary (continued)

Control observations

We have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statements and which is unknown to you.

We have adopted a fully substantive approach, so have not performed detailed testing on the operation of controls.

During the audit we identified observations and/or improvement recommendations for management’s financial processes and controls. We provide further information at Section 7 Control Observations within this report.

We have also identified an issue where the advertisement in respect of the public inspection period. Although covering 30 working days, the inspection period did not fully include the mandatory period (3-14 July) per the NAO.

Independence

Please refer to Appendix B for our update on Independence.

02 Areas of Audit Focus

Audit issues and approach: Revenue and Expenditure Recognition

Revenue and Expenditure Recognition

What are our conclusions?

Our testing has not identified any material misstatements from revenue and expenditure recognition.

Overall our audit work did not identify any material issues or unusual transactions to indicate any misreporting of the Authority's financial position.

What is the risk?

Risk of fraud in revenue recognition

Under ISA240 there is a presumed risk that revenue may be misstated due to improper recognition of revenue. In this public sector this requirement is modified by Practice Note 10, issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by manipulating expenditure recognition.

One particular area of focus will be the capitalisation of revenue expenditure on Property, Plant and Equipment given the extent of the Council's capital programme.

Significant Risk

What did we do?

- We reviewed and tested revenue and expenditure recognition policies;
- We reviewed and discussed with management any accounting estimates on revenue or expenditure recognition for evidence of bias;
- We developed a testing strategy to test material revenue and expenditure streams;
- We reviewed and tested revenue cut-off at the period end date; and
- We reviewed and tested Capital spend to ensure the appropriateness of capital/revenue spending and coding.

Audit issues and approach: Management Override

Management override

What is the risk?

Risk of management override

As identified in ISA 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and to prepare fraudulent financial statements by overriding controls that otherwise seem to be operating effectively. We identify and respond to this fraud risk on every audit engagement.

Significant Risk

What did we do?

- We tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in preparing the financial statements;
- We reviewed accounting estimates for evidence of management bias; and
- We evaluated the business rationale for any significant unusual transactions.

What are our conclusions?

We have not identified any material weaknesses in controls or evidence of material management override.

We have not identified any instances of inappropriate judgements being applied.

We did not identify any other transactions during our audit which appeared unusual or outside the Authority's normal course of business.

We noted a number of material errors in PPE but none which were indicative of management override. Further details of these errors can be found at Sections 4 and 7 within this report.

Audit issues and approach: Reliance on experts

Reliance on experts

Reliance on experts highlighted in the Audit Plan

We identified two major areas in our Audit Plan where we place reliance on experts: Pensions Valuation and Property Valuation. This also fitted with our tow 'Other Areas of Audit Focus: Pensions Valuation and Property Valuation.

In accordance with Auditing Standards, we have evaluated each specialist's professional competence and objectivity, considering their qualifications, experience and available resources, together with the independence of the individuals performing the work.

We have also considered the work performed by the specialist in light of our knowledge of Aylesbury Vale District Council's environment and processes and our assessment of audit risk in the particular area. As part of this work we have performed the following procedures:

- ► Analysed source data and make inquiries as to the procedures used by the expert to establish whether the source date is relevant and reliable;
- ► Assessed the reasonableness of the assumptions and methods used;
- ► Considered the appropriateness of the timing of when the specialist carried out the work; and
- ► Assessed whether the substance of the specialist's findings are properly reflected in the financial statements.

We set out our findings in relation to the two specialists we have relied on below:

Pension disclosures:

We have assessed and are satisfied with the competency and objectivity of the Council's actuary: Barnett Waddingham. EY Pensions team and PwC (Consulting Actuary to the NAO) have reviewed the work of the actuaries. We challenged the significant movement in the actuarial valuation and found no indication of management bias in this estimate. We have noted that PWC as part of their central review have reported that the discount rate applied by Barnett Waddingham falls outside the top end of their expected range. Our EY pensions team agree with this conclusion. In respect of Barnett Waddingham their conclusion was that 'the methodologies used to derive the discount rate and RPI inflation assumptions are not robust as they do not take adequate account of the duration of the schemes liabilities. In future years this could lead to unacceptable assumptions'. We noted no specific issue for Aylesbury Vale District Council in the current year as their estimated duration of scheme liabilities fell within the accepted range.

Property valuations:

We have assessed and are satisfied with the competency and objectivity of the valuers, Wilks Head & Eve

We have undertaken appropriate audit procedures to verify and challenge critically the basis of valuation adopted by the valuer in relation to the Authority's assets, focusing in particular on specialist assets valued on a depreciated replacement costs basis. Our work in this area is concluded and we have not identified any issues that we need to report to you.

03 Audit Report

Draft audit report

Our opinion on the financial statements

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AYLESBURY VALE DISTRICT COUNCIL

Opinion on the Authority's financial statements

We have audited the financial statements of Aylesbury Vale District Council for the year ended 31 March 2017 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Aylesbury Vales District Council and Group Movement in Reserves Statement,
- Aylesbury Vale District Council and Group Comprehensive Income and Expenditure Statement,
- Aylesbury Vale District Council and Group Balance Sheet,
- Aylesbury Vale District Council and Group Cash Flow Statement,
- Related Notes to support the financial statements 1 to 43, and
- Collection Fund and the related notes 1 to 4

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

This report is made solely to the members of Aylesbury Vale District Council, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than Aylesbury Vale District Council and Aylesbury Vale District Council's members as a body, for our audit work, for this report, or for the opinions we have formed.

Draft audit report (continued)

Our opinion on the financial statements

Respective responsibilities of the Director and auditor

As explained more fully in the Statement of the Director's Responsibilities set out on page 6, the Director with responsibility for Finance is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to Aylesbury Vale District Council and Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Director with responsibility for Finance; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Statement of Accounts 2016/17 to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of Aylesbury Vale District Council and Group as at 31 March 2017 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

Draft audit report (continued)

Our opinion on the financial statements

Opinion on other matters

In our opinion, the information given in the Statement of Accounts 2016/17 for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Council;
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

Conclusion on Aylesbury Vale District Council’s arrangements for securing economy, efficiency and effectiveness in the use of resources

Authority’s responsibilities

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

Draft audit report (continued)

Our opinion on the financial statements

Auditor's responsibilities

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our conclusion relating to proper arrangements.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General (C&AG) in November 2016, as to whether Aylesbury Vale District Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether Aylesbury Vale District Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, Aylesbury Vale District Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Draft audit report (continued)

Our opinion on the financial statements

Conclusion

On the basis of our work, having regard to the guidance issued by the C&AG in November 2016, we are satisfied that, in all significant respects, Aylesbury Vale District Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

Certificate

We certify that we have completed the audit of the accounts of Aylesbury Vale District Council and Group in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.

Maria Grindley (senior statutory auditor)
for and on behalf of Ernst & Young LLP, Appointed Auditor
Reading
25th September 2017

The following foot note should be added to the audit report when it is published or distributed electronically:
The maintenance and integrity of the Aylesbury Vale District Council web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.
Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

04 Audit Differences

Audit differences

In any audit, we may identify misstatements between amounts we believe should be recorded in the financial statements and disclosures and amounts actually recorded. These differences are classified as 'known' or 'judgemental'. Known differences represent items that can be accurately quantified and relate to a definite set of facts or circumstances. Judgemental differences generally involve estimation and relate to facts or circumstances that are uncertain or open to interpretation.

Summary of adjusted differences

We have included all known amounts greater than £1.433m relating to Aylesbury Vale District Council in our summary of misstatements table below.

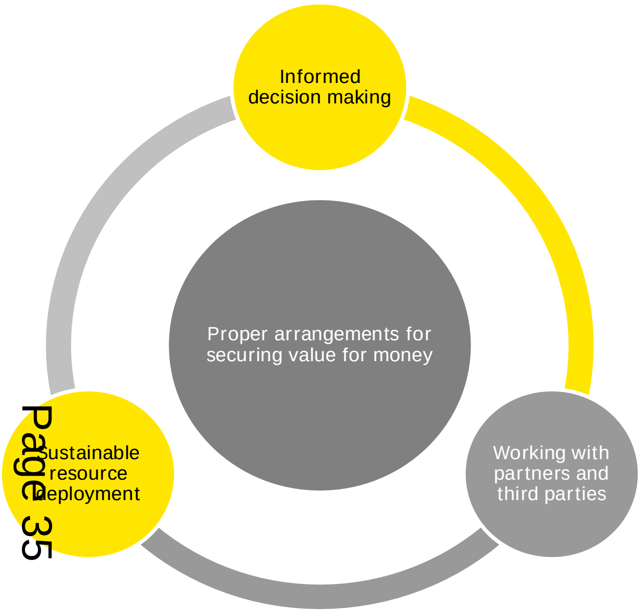
We highlight the following misstatements in the financial statements or disclosures identified during the audit. These have been corrected by management:

- We noted that the revised revaluation figures had been input incorrectly into the Fixed Asset Register. The values should have been input split in line with their asset category i.e. Land or Buildings. Instead they had all been input as either Land or Buildings. As a result all of the revaluations had to be removed and re-input correctly. The total value of revalued assets was approximately £37.5m.
- We also identified a number of assets which should have been revalued and had not. These were subsequently revalued after the balance sheet date and were revalued at an increased value. The total value of assets which needed to be subsequently revalued was £9.729m. The asset classification of these assets was also changed from Surplus Assets to Other Land and Buildings.

There was one uncorrected misstatement.
We highlight the following misstatement in the financial statements and/or disclosures which were not corrected by management. We ask you to correct these uncorrected misstatements or give a rationale as to why they have not been corrected. This should be considered and approved by the Audit Committee and included in the Letter of Representation:
This was in respect of the overstatement of car park assets post revaluation. This occurred because of an incorrect entry on revaluations. The value of this error is approximately £650k with the Land element of a number of car parks being overstated post revaluation. In line with statutory requirements we have asked management and the Audit Committee to specify the reason/s for non-adjustment in the Letter of Representation.

05 Value for Money

Value for Money



Economy, efficiency and effectiveness

We must consider whether you have ‘proper arrangements’ to secure economy, efficiency and effectiveness in your use of resources. This is known as our value for money conclusion.

Proper arrangements are defined by statutory guidance issued by the National Audit Office. They comprise your arrangements to:

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

In considering your proper arrangements, we use the CIPFA/SOLACE framework for local government to ensure that our assessment is made against an already existing mandatory framework which you use in documents such as your Annual Governance Statement.

Overall conclusion

We did not identify any significant risks around these criteria

We therefore expect having no matters to report about your arrangements to secure economy, efficiency and effectiveness in your use of resources.

Value for Money

VFM risks

We are only required to determine whether there is any risk that we consider significant within the Code of Audit Practice, where risk is defined as:

"A matter is significant if, in the auditor's professional view, it is reasonable to conclude that the matter would be of interest to the audited body or the wider public"

Our risk assessment supports the planning of enough work to deliver a safe conclusion on your arrangements to secure value for money, and enables us to determine the nature and extent of any further work needed. If we do not identify a significant risk we do not need to carry out further work.

We did not identify a VFM Significant Risk.

What are our findings?

We noted as part of our review that the financial sustainability of Aylesbury Val e District Council has remained consistent year on year in respect of the Usable Reserves at the disposal of the Council. General Fund Balances (including Earmarked Reserves) decreased slightly from £36.011m to £35 .711m. This gives Aylesbury Vale District Council a degree of certainty in uncertain times. This position is supplemented by a strong cash and short-term investment position of approximately £43m. We note from discussions with officers that a number of different options are being investigated in respect of optimising returns on investments assets and wider income generation.

We note the Aylesbury Vale Transformation programme which commenced in 2016/17 and will conclude in 2017/18. This will bring considerable pressures on internal teams as the new structures develop and embed within the organisation. We also note that the impact of the Transformation programme is adequately reflected in the corporate risk register. This will need to continue to be actively monitored in the coming financial year and closely monitored against key Internal Audit Reports to assess any potential impact on the control environment. Discussions with officers in respect of this significant change have confirmed that this is an area which will be closely monitored in the coming year. We will revisit this area as part of our annual audit in 2017/18.

The next few years will undoubtedly bring further challenges including, but not limited to, a further reduction in core Government grants such as the Revenue Support Grant and New Homes Bonus as well as further continued pressures on areas of income previously classed as significant. Other challenges and uncertainty include the proposed retention of NDR which was announced by the then Chancellor at the time George Osborne. Recent performance has highlighted that the Council continues to respond well to the challenges it faces and will need to apply such an aptitude in the coming years as well. The Corporate Risk Register details those risks with clearer evidence that the Risk Register being used effectively to manage the risk environment in which the Council operates.

06 Other reporting issues

Other reporting issues

Consistency of other information published with the financial statements, including the Annual Governance Statement

We must give an opinion on the consistency of the financial and non-financial information in the Statement of Accounts 2016/17 with the audited financial statements.

We must also review the Annual Governance Statement for completeness of disclosures, consistency with other information from our work, and whether it complies with relevant guidance.

Financial information in the Statement of Accounts 2016/17 and published with the financial statements was consistent with the audited financial statements.

We have reviewed the Annual Governance Statement and can confirm it is consistent with other information from our audit of the financial statements and we have no other matters to report.

Whole of Government Accounts

Alongside our work on the financial statements, we also review and report to the National Audit Office on your Whole of Government Accounts return. The extent of our review, and the nature of our report, is specified by the National Audit Office. As Aylesbury Vale District Council was under the threshold for Whole of Government Accounts detailed work, we have nothing to report.

Other powers and duties

We have a duty under the Local Audit and Accountability Act 2014 to consider whether to report on any matter that comes to our attention in the course of the audit, either for the Authority to consider it or to bring it to the attention of the public (i.e. “a report in the public interest”). We did not identify any issues which required us to issue a report in the public interest.

We also have a duty to make written recommendations to the Authority, copied to the Secretary of State, and take action in accordance with our responsibilities under the Local Audit and Accountability Act 2014. We did not identify any issues.

Other reporting issues

Other matters

As required by ISA (UK&I) 260 and other ISAs specifying communication requirements, we must tell you significant findings from the audit and other matters if they are significant to your oversight of the Authority's financial reporting process. They include the following:

- Significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures;
- Any significant difficulties encountered during the audit;
- Any significant matters arising from the audit that were discussed with management;
- Written representations we have requested;
- Expected modifications to the audit report;
- Any other matters significant to overseeing the financial reporting process;
- Related parties;
- External confirmations;
- Going concern;
- Consideration of laws and regulations; and
- Group audits

We have nothing significant to report in respect of these areas here. We do highlight some findings and recommendations at *Section 7 Assessment of Control Environment*

07 Assessment of Control Environment

Financial controls

It is the responsibility of the Authority to develop and implement systems of internal financial control and to put in place proper arrangements to monitor their adequacy and effectiveness in practice. Our responsibility as your auditor is to consider whether the Authority has put adequate arrangements in place to satisfy itself that the systems of internal financial control are both adequate and effective in practice.

As part of our audit of the financial statements, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. As we have adopted a fully substantive approach, we have therefore not tested the operation of controls.

Although our audit was not designed to express an opinion on the effectiveness of internal control we are required to communicate to you significant deficiencies in internal control.

We have identified the following in respect of Property, Plant and Equipment (PPE):

There were a number of errors identified this year, and previous years, in respect of the accounting for and financial reporting of PPE within the financial statements. There was also an internal audit report which raised some findings on PPE. Given some of the staffing changes within the Finance team, it is vital that this area of the financial statements is appropriately managed and controlled to ensure that the errors identified are not replicated in future years. Below, we note the key findings and recommendations:

1. 5 Year Valuation Policy:

An approved 5 year valuation plan should be prepared and reviewed to ensure that all assets are scheduled to be revalued within a 5 year cycle. We noted this year a number of assets which were outside that cycle and so had to be reviewed on ad hoc basis during the summer.

2. Valuation Postings:

Checking of valuation adjustments should be completed by an appropriately qualified member of staff to ensure that postings can be agreed back to the valuers report. We noted this year a number of errors in this area and as a result additional work had to be completed internally and externally to correct these. As we move towards the Faster Close Arrangements for the 2017/18 audit and timescales become tighter, it will be vital that errors are minimised where possible to ensure certification of the audit on time.

3. Economic Lives:

We also noted an issue in respect of how useful lives were being used to calculate depreciation. Depreciation was being calculated on updated asset lives determined at the year end. The correct treatment should have been to use the brought forward useful lives. As a result the depreciation postings had to be unwound, re-input and re-assessed.

08 Appendices

Required communications with the Audit Committee

There are certain communications that we must provide to the Audit Committees of UK clients. We have done this by:

Required communications	What is reported?	Our Reporting to you: When and where
Terms of engagement	Confirmation by the Audit Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Planning and audit approach	Communication of the planned scope and timing of the audit, including any limitations.	We presented our Audit Plan to the Audit Committee meeting on 23 January 2017
Significant findings from the audit	• Our view of the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures • Any significant difficulties encountered during the audit • Any significant matters arising from the audit that were discussed with management • Written representations we have requested • Expected modifications to the audit report • Any other matters significant to overseeing the financial reporting process	We presented our Audit Results Report to the Audit Committee meeting on 25 September 2017
Going concern	Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including: ▸ Whether the events or conditions constitute a material uncertainty ▸ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▸ The adequacy of related disclosures in the financial statements	No conditions or events were identified, either individually or together to raise any doubt about Aylesbury Vale District Council's ability to continue for the 12 months from the date of our report.
Misstatements	▸ Uncorrected misstatements and their effect on our audit opinion ▸ The effect of uncorrected misstatements related to prior periods ▸ A request that any uncorrected misstatement be corrected ▸ Significant corrected misstatements, in writing	We presented our Audit Results Report to the Audit Committee meeting on 25 September 2017

Appendix B

Required communications	What is reported?	Our Reporting to you: When and where
Fraud	▸ Asking the audit committee whether they have knowledge of any actual, suspected or alleged fraud affecting the Authority ▸ Unless all those charged with governance are involved in managing the entity, any fraud identified or information obtained indicating that a fraud may exist involving: (a) management; (b) employees with significant roles in internal control; or (c) others where the fraud results in a material misstatement in the financial statements. ▸ A discussion of any other matters related to fraud, relevant to Audit Committee responsibility.	We have asked management and those charged with governance about arrangements to prevent or detect fraud. We have not become aware of any fraud or illegal acts during our audit.
Related parties	Significant matters arising during the audit in connection with the Authority's related parties including, where applicable: ▸ Non-disclosure by management ▸ Inappropriate authorisation and approval of transactions ▸ Disagreement over disclosures ▸ Non-compliance with laws and/or regulations ▸ Difficulty in identifying the party that ultimately controls the entity	We have no matters to report.
Subsequent events	▸ Where appropriate, asking the audit committee whether any subsequent events have occurred that might affect the financial statements.	We have asked management and those charged with governance. We have no matters to report.
Other information	▸ Where material inconsistencies are identified in other information included in the document containing the financial statements, but management refuses to make the revision.	We have no matters to report.
External confirmations	▸ Management's refusal for us to request confirmations ▸ We were unable to obtain relevant and reliable audit evidence from other procedures.	We have received all requested confirmations.
Consideration of laws and/or regulations	▸ Audit findings of non-compliance where it is material and believed to be intentional. This communication is subject to compliance with legislation on "tipping off" ▸ Asking the audit committee about possible instances of non-compliance with laws and/or regulations that may have a material effect on the financial statements, and known to the audit committee.	We have asked management and those charged with governance. We have not identified any material instances or non-compliance with laws and regulations.

Appendix B

		Our Reporting to you
Required communications	What is reported?	When and where
Significant deficiencies in internal controls identified during the audit	► Significant deficiencies in internal controls identified during the audit.	Audit Results Report and Annual Audit Letter presented to the Audit Committee on 25 September 2017.
Group Audits	► An overview of the type of work to be performed on the financial information of the components ► An overview of the group audit team's planned involvement in the component auditors' work on the financial information of significant components ► Instances where the group audit team's evaluation of a component auditor's work of gave rise to a concern about its quality Any limitations on the group audit, for example, where the group engagement team's access to information may have been restricted ► Fraud or suspected fraud involving group or component management, employees with significant roles in group-wide controls, or others where the fraud resulted in a material misstatement of the group financial statements.	We presented our Audit Plan to the Audit Committee meeting on 23 January 2017 and the Audit Results Report to the Audit Committee on 25 September 2017.
Independence	Communication of all significant facts and matters that have a bearing on EY's objectivity and independence. Communicating key elements of the audit engagement partner's consideration of independence and objectivity such as: ► The principal threats ► Safeguards adopted and their effectiveness ► An overall assessment of threats and safeguards ► Information on the firm's general policies and processes for maintaining objectivity and independence Communications whenever significant judgments are made about threats to objectivity or independence and the appropriateness of safeguards,	We presented our Audit Plan to the Audit Committee meeting on 23 January 2017 and the Audit Results Report to the Audit Committee on 25 September 2017.
Fee Reporting	Breakdown of fee information when the audit plan is agreed Breakdown of fee information at the completion of the audit Any non-audit work	We presented our Audit Plan to the Audit Committee meeting on 23 January 2017 and the Audit Results Report to the Audit Committee on 25 September 2017.
Certification work	Summary of certification work	We will report on our certification work after the certification deadline of 30th November 2017.

Independence

We confirm that there are no changes in our assessment of independence since our confirmation in our audit planning board report dated 23January 2017.

We complied with the APB Ethical Standards and the requirements of the PSAA's Terms of Appointment. In our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning of regulatory and professional requirements.

We consider that our independence in this context is a matter which you should review, as well as us. It is important that you and your Audit Committee consider the facts known to you and come to a view. If you would like to discuss any matters concerning our independence, we will be pleased to do this at the meeting of the Audit Committee on 25th September 2017.

As part of our reporting on our independence, we set out below a summary of the fees paid for the year ended 31 March 2017.
We confirm that we have not undertaken non-audit work outside the PSAA Code requirements in 2016/17.

Description	Final Fee 2016/17	Planned Fee 2016/17	Scale Fee 2016/17	Final Fee 2015/16
Audit Fee – code work	56,785	56,785	56,785	56,785
Additional Fee*	TBC	0	0	0
Total Audit Fee – code work	TBC	56,785	56,785	56,785

Additional Fee*
As a result of errors identified during the audit in respect of Property, Plant and Equipment we needed additional resource beyond that originally planned. We will discuss this with senior officers in advance of being billed. In line with the requirements of the PSAA this will need to be formally approved by the PSAA before being confirmed and billed.

Appendix C

Outstanding matters

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

Item	Actions to resolve	Responsibility
Final review of audited accounts incorporating agreed audit adjustments	Final review of audited accounts incorporating agreed audit adjustments	EY and management
Management representation letter	Receipt of signed management representation letter	Management
Subsequent events review	Completion of subsequent events procedures to the date of signing the audit report	EY and management
Outstanding Issues	Completion of any outstanding issues	EY and management

Appendix D

Accounting and regulatory update

Accounting update

Since the date of our last report to the Audit Committee, new accounting standards and interpretations have been issued. The following table provides a high level summary of those that have the potential to have the most significant impact on you:

Name	Summary of key measures	Impact on Aylesbury Vale District Council
IFRS 9 Financial Instruments	Applicable for local authority accounts from the 2018/19 financial year and will change: • How financial assets are classified and measured • How the impairment of financial assets are calculated • Financial hedge accounting • The disclosure requirements for financial assets. • Transitional arrangements are included within the accounting standard, however as the 2018/19 Accounting Code of Practice for Local Authorities has yet to be issued it is unclear what the impact on local authority accounting will be and whether any accounting statutory overrides will be introduced to mitigate any impact.	Although some initial thoughts on the approach to adopting IFRS 9 have been issued by CIPFA, until the Code is issued and any statutory overrides are confirmed there remains some uncertainty. However, what is clear is that the Council will have to: • Reclassify existing financial instrument assets • Remeasure and recalculate potential impairments of those assets; and • Prepare additional disclosure notes for material items The Council is awaiting clarification of the exact requirements before investing time in the above work.

Appendix D

IFRS 15 Revenue from Contracts with Customers	Applicable for local authority accounts from the 2018/19 financial year. This new standard deals with accounting for all contracts with customers except: • Leases; • Financial instruments; • Insurance contracts; and • for local authorities; Council Tax and NDR income. The key requirements of the standard cover the identification of performance obligations under customer contracts and the linking of income to the meeting of those performance obligations. • There are transitional arrangements within the standard; however as the 2018/19 Accounting Code of Practice for Local Authorities has yet to be issued it is unclear what the impact on local authority accounting will be.	As with IFRS 9, some initial thoughts on the approach to adopting IFRS 15 have been issued by CIPFA. However, until the Code is issued there remains some uncertainty. However, what is clear is that for all material income sources from customers the Council will have to: • Disaggregate revenue into appropriate categories • Identify relevant performance obligations and allocate income to each • Summarise significant judgements The Council is awaiting clarification of the exact requirements before investing time in the above work.
IFRS 16 Leases	IFRS 16 will be applicable for local authority accounts from the 2019/20 financial year. Whilst the definition of a lease remains similar to the current leasing standard; IAS 17, for local authorities who lease in a large number of assets the new standard will have a significant impact, with nearly all current leases being included on the balance sheet. There are transitional arrangements within the standard, although as the 2019/20 Accounting Code of Practice for Local Authorities has yet to be issued it is unclear what the impact on local authority accounting will be or whether any statutory overrides will be introduced.	Until the 2019/20 Accounting Code is issued and any statutory overrides are confirmed there remains some uncertainty in this area. However, what is clear is that the Council will need to undertake a detailed exercise to classify all of its leases and therefore must ensure that all lease arrangements are fully documented. The Council is as yet to commence work in this area due to the timing of implementation.

Accounting and regulatory update (continued)

Progress report on implementation of new standards and regulations

In previous reports to the Audit Committee, we highlighted the issue of new accounting standards and regulatory developments. The following table summarises progress on implementation:

Name	Summary of key measures	Impact on Aylesbury Vale District Council
Earlier deadline for production and audit of the financial statements from 2017/18	The Accounts and Audit Regulations 2015 introduced a significant change in statutory deadlines from the 2017/18 financial year. From that year the timetable for the preparation and approval of accounts will be brought forward with draft accounts needing to be prepared by 31 May and the publication of the audited accounts by 31 July.	We acknowledge the work completed by the Council's staff in achieving a hard close to the accounts and preparation of the draft financial statements by 31st May 2017. The council achieved this by critically reviewing and amending the closedown process to achieve draft accounts production by 31st May for 2016/17; To build on this achievement and prepare for this change in 2017/18 the Council could undertake a number of steps as outlined below: • Streamlining the Statement of Accounts removing all non-material disclosure notes; • Bringing forward the commissioning and production of key externally provided information such as IAS 19 pension information, asset valuations; • Provided training to departmental finance staff regarding the requirements and implications of earlier closedown; • Re-ordering tasks from year-end to monthly/quarterly timing, reducing year-end pressure; • Establishing and agreeing working materiality amounts with external audit. As auditors, nationally we have: • Issued a thought piece on early closedown; • As part of the strategic Alliance with CIPFA jointly presented accounts closedown workshops across England, Scotland and Wales ; • Presented at CIPFA early closedown events and on the subject at the Local Government Accounting Conferences in July 2017. Locally we have had regular discussions through the year on the Council's proposals to bring forward the closedown timetable Together with the Council we agreed areas for early work which have included testing of major income and expenditure streams at month 9, reviewing calculation and allocation of depreciation charges, discussing and agreeing material estimation procedures by end of March. We also tested other areas of the accounts where possible including, for example, exit packages.

Management representation letter

Aylesbury Vale District Council Management Representation Letter 2016-17

Management Rep Letter

[To be prepared on the entity's letterhead]

25th September 2017

Maria Grindley
EY LLP
Apex Plaza
Forbury Road
Reading
RG1 1YE

Dear Maria,

This letter of representations is provided in connection with your audit of the consolidated and council financial statements of Aylesbury Vale District Council ("the Group and Council") for the year ended 31 March 2017. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the consolidated and council financial statements give a true and fair view of the Group and Council financial position of Aylesbury Vale District Council as of 31 March 2017 and of its financial performance (or operations) and its cash flows for the year then ended in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

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

Management representation letter (continued)

Aylesbury Vale District Council Management Representation Letter 2016-17

Management Rep Letter

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

A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

2. We acknowledge, as members of management of the Group and Council, our responsibility for the fair presentation of the consolidated and council financial statements. We believe the consolidated and council financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of the Group in accordance with [the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 and are free of material misstatements, including omissions. We have approved the consolidated and council financial statements.

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

4. As members of management of the Group and Council, we believe that the Group and Council have a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 for the Group and Council that are free from material misstatement, whether due to fraud or error.

5. We believe that the effects of any unadjusted audit differences, summarised in the accompanying schedule, accumulated by you during the current audit and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the consolidated and council financial statements taken as a whole. We have not corrected these differences identified by and brought to the attention from the auditor because we consider that a wider review of the way in which car parks have previously been valued is necessary in order to improve consistency.

Management representation letter (continued)

Aylesbury Vale District Council Management Representation Letter 2016-17

Management Rep Letter

It was therefore agreed that a full revaluation of the Council's car parks will be undertaken in 2017/18 to ensure consistency of approach and correction of the issue identified by the auditors..

B. Fraud

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

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

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

C. Compliance with Laws and Regulations

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

Management representation letter (continued)

Aylesbury Vale District Council Management Representation Letter 2016-17

Management Rep Letter

D. Information Provided and Completeness of Information and Transactions

1. We have provided you with:
   - Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
   - Additional information that you have requested from us for the purpose of the audit; and
   - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
2. All material transactions have been recorded in the accounting records and are reflected in the consolidated and council financial statements.
3. We have made available to you all minutes of the meetings of the Council, Cabinet and Audit Committees held throughout the year up to the 25th September 2017.
4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Group and Council's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the year ended, as well as related balances due to or from such parties at the year end. These transactions have been appropriately accounted for and disclosed in the consolidated and council financial statements.
5. We believe that the significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.

Management representation letter (continued)

Aylesbury Vale District Council Management Representation Letter 2016-17

Management Rep Letter

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

E. Liabilities and Contingencies

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

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

F. Subsequent Events

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

G. Other information

1. We acknowledge our responsibility for the preparation of the other information. The other information comprises Narrative Report and the Annual Governance Statement 2016/17.

2. We confirm that the content contained within the other information is consistent with the financial statements.

Management representation letter (continued)

Aylesbury Vale District Council Management Representation Letter 2016-17

Management Rep Letter

H. SERCOP Re-statement

Comparative information – comparative financial statements

In connection with your audit of the comparative financial statements for the year ended 31st March 2107, we represent, to the best of our knowledge and belief, the following:

1. The comparative amounts have been correctly restated to reflect the above matter and appropriate note disclosure of this restatement has also been included in the current year's financial statements.

2. There have been no significant errors or misstatements, or changes in accounting policies, other than the matters described above, that would require a restatement of the comparative amounts in the current year's financial statements. Other differences in the amounts shown as comparative amounts from the amounts in the financial statements for the year ended 31st March 2017 are solely the result of reclassifications for comparative purposes.

I. Ownership of Assets

1. Except for assets capitalised under finance leases, the Group and Council has satisfactory title to all assets appearing in the balance sheet(s), and there are no liens or encumbrances on the Group and Council's assets, nor has any asset been pledged as collateral. All assets to which the Group and Council has satisfactory title appear in the balance sheet(s).

2. All agreements and options to buy back assets previously sold have been properly recorded and adequately disclosed in the consolidated and council financial statements.

Management representation letter (continued)

Aylesbury Vale District Council Management Representation Letter 2016-17

Management Rep Letter

3. We have no plans to abandon lines of product or other plans or intentions that will result in any excess or obsolete inventory, and no inventory is stated at an amount in excess of net realisable value.

4. There are no formal or informal compensating balance arrangements with any of our cash and investment accounts. We have no other line of credit arrangements.

J. Reserves

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

K. Contingent Liabilities

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

2. We are unaware of any known or probable instances of non-compliance with the requirements of regulatory or governmental authorities, including their financial reporting requirements, and there have been no communications from regulatory agencies or government representatives concerning investigations or allegations of non-compliance, except as follows:

   (1) Matters of routine, normal, recurring nature (e.g., examinations by bank and insurance examiners, examinations by taxing authorities), none of which involves any allegations of noncompliance with laws or regulations that should be considered for disclosure in the consolidated and council financial statements or as a basis for recording a loss contingency.

Management representation letter (continued)

Aylesbury Vale District Council Management Representation Letter 2016-17

Management Rep Letter

L. Use of the Work of a Specialist

1. We agree with the findings of the specialists that we engaged to evaluate the valuation of property, plant and equipment and the valuation of IAS 19 actuarial valuations of pension fund liabilities and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the consolidated and council financial statements and the underlying accounting records. We did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.

M. Estimates

Pensions Liability and Property Plant and Equipment Valuations

1. We believe that the measurement processes, including related assumptions and models, used to determine the accounting estimates have been consistently applied and are appropriate in the context *of* CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

2. We confirm that the significant assumptions used in making the estimates in respect of the property, plant and equipment and pensions liability valuation estimates appropriately reflect our intent and ability to carry out specific courses of action on behalf of the entity.

3. We confirm that the disclosures made in the consolidated and council financial statements with respect to the accounting estimates are complete and made in accordance with CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

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

Management representation letter (continued)

Aylesbury Vale District Council Management Representation Letter 2016-17

Management Rep Letter

N. Retirement benefits

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

Yours faithfully,

____

Andrew Small – Director of Finance

____

Councillor Kevin Hewson - Chairman of the Audit Committee

EY | Assurance | Tax | Transactions | Advisory

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ED None

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Aylesbury Vale District Council

Unadjusted Summary of Audit Differences Schedule 2016-17

Car Park Revaluations (NB Car Parks Overstated)

DR	Revaluation Reserve	£649,500
CR	Other Land and Buildings	(£649,500)

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Audit Committee
25 September 2017

EXTERNAL AUDIT – ANNUAL AUDIT LETTER

1. Purpose

The Council's external auditors have issued their Annual Audit Letter which provides an overall summary on completion of the Audit Commission's work at the Council. The report draws on audit work carried out at the Council relating to the 2016/17 financial year.

2. Recommendations/for decision

2.1 The Committee is asked to agree the contents of the external auditor's Annual Audit Letter.

3. Supporting information

3.1 The external auditor's Annual Audit Letter for 2016/17 is attached at Appendix 1. In previous years, this report has been presented to the November Audit Committee meeting.

3.2 The Audit Committee's Terms of Reference include dealing with external and internal audit issues. This report allows formal recognition of our external auditor's report by a Committee of the Council.

3.3 The external auditor's Annual Audit Letter will be made available to the public on the Council's web site after it has been discussed at this meeting

4. Options considered

4.1 None

5 Reasons for Recommendation

5.1 The Annual Audit Letter is an essential element of the independent external audit process. This report has to be presented to a Committee of the Council for their consideration.

6 Resource implications

6.1 None.

Contact Officer Simon Wasteney 01296 585164
Background Documents None

Aylesbury Vale District Council

Annual Audit Letter for the year ended 31 March 2017

September 2017

Ernst & Young LLP

Building a better working world

Contents

Public Sector Audit Appointments Ltd (PSAA) have issued a ''Statement of responsibilities of auditors and audited bodies". It is available from the Chief Executive of each audited body and via the PSAA website (www.psaa.co.uk)

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

The "Terms of Appointment (updated 23 February 2017)" issued by PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and statute, and covers matters of practice and procedure which are of a recurring nature.

This Annual Audit Letter is prepared in the context of the Statement of responsibilities. It is addressed to the Members of the audited body, and is prepared for their sole use. We, as appointed auditor, take no responsibility to any third party.

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

Executive Summary

Executive Summary

We are required to issue an annual audit letter to Aylesbury Vale District Council (the Council) following completion of our audit procedures for the year ended 31 March 2017.

Below are the results and conclusions on the significant areas of the audit process.

Area of Work	Conclusion
Opinion on the Council's: ► Financial statements	Unqualified – the financial statements give a true and fair view of the financial position of the Council as at 31 March 2017 and of its expenditure and income for the year then ended.
► Consistency of other information published with the financial statements	Other information published with the financial statements was consistent with the Annual Accounts.
Concluding on the Council's arrangements for securing economy, efficiency and effectiveness	We concluded that you have put in place proper arrangements to secure value for money in your use of resources.

Area of Work	Conclusion
Reports by exception: ► Consistency of Governance Statement	The Governance Statement was consistent with our understanding of the Council.
► Public interest report	We had no matters to report in the public interest.
► Written recommendations to the Council, which should be copied to the Secretary of State	We had no matters to report.
► Other actions taken in relation to our responsibilities under the Local Audit and Accountability Act 2014	We had no matters to report.

Area of Work	Conclusion
Reporting to the National Audit Office (NAO) on our review of the Council's Whole of Government Accounts return (WGA).	The Council is below the specified audit threshold of £350 million. Therefore, we did not perform any audit procedures on the consolidation pack.

As a result of the above we have also:

Area of Work	Conclusion
Issued a report to those charged with governance of the Council communicating significant findings resulting from our audit.	Our Audit Results Report was issued on 25th September 2017.
Issued a certificate that we have completed the audit in accordance with the requirements of the Local Audit and Accountability Act 2014 and the National Audit Office's 2015 Code of Audit Practice.	Our certificate was issued on 25th September 2017.

In January 2018 we will also issue a report to those charged with governance of the Council summarising the certification work we have undertaken.

We would like to take this opportunity to thank the Council's staff for their assistance during the course of our work.

Maria Grindley

Executive Director
For and on behalf of Ernst & Young LLP

Purpose

Purpose

The Purpose of this Letter

The purpose of this annual audit letter is to communicate to Members and external stakeholders, including members of the public, the key issues arising from our work, which we consider should be brought to the attention of the Council.

We have already reported the detailed findings from our audit work in our 2016/17 Audit Results Report to the 25th September 2017 Audit Committee, representing those charged with governance. We do not repeat those detailed findings in this letter. The matters reported here are the most significant for the Council.

Responsibilities

Responsibilities

Responsibilities of the Appointed Auditor

Our 2016/17 audit work has been undertaken in accordance with the Audit Plan that we issued on 23rd January 2017 and is conducted in accordance with the National Audit Office's 2016 Code of Audit Practice, International Standards on Auditing (UK and Ireland), and other guidance issued by the National Audit Office.

As auditors we are responsible for:

- Expressing an opinion:
  - On the 2016/17 financial statements; and
  - On the consistency of other information published with the financial statements.
- Forming a conclusion on the arrangements the Council has to secure economy, efficiency and effectiveness in its use of resources.
- Reporting by exception:
  - If the annual governance statement is misleading or not consistent with our understanding of the Council;
  - Any significant matters that are in the public interest;
  - Any written recommendations to the Council, which should be copied to the Secretary of State; and
  - If we have discharged our duties and responsibilities as established by thy Local Audit and Accountability Act 2014 and Code of Audit Practice.

Alongside our work on the financial statements, we also review and report to the National Audit Office (NAO) on you Whole of Government Accounts return. The Council is below the specified audit threshold of £350 million. Therefore, we did not perform any audit procedures on the return. This is in line with the NAO Group instructions.

Responsibilities of the Council

The Council is responsible for preparing and publishing its statement of accounts accompanied by an Annual Governance Statement. In the AGS, the Council reports publicly each year on how far it complies with its own code of governance, including how it has monitored and evaluated the effectiveness of its governance arrangements in year, and any changes planned in the coming period. The Council is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Financial Statement Audit

Financial Statement Audit

Key Issues

The Council's Statement of Accounts is an important tool for the Council to show how it has used public money and how it can demonstrate its financial management and financial health.

We audited the Council's Statement of Accounts in line with the National Audit Office's 2015 Code of Audit Practice, International Standards on Auditing (UK and Ireland), and other guidance issued by the National Audit Office and issued an unqualified audit report on 25th September 2017.

Our detailed findings were reported to the 25th September Audit Committee.

The key issues identified as part of our audit were as follows:

Significant Risk	Conclusion
Management override of controls A risk present on all audits is that management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly, and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Auditing standards require us to respond to this risk by testing the appropriateness of journals, testing accounting estimates for possible management bias and obtaining an understanding of the business rationale for any significant unusual transactions. For local authorities the potential for the incorrect classification of revenue spend as capital is a particular area where there is a risk of management override. We therefore review capital expenditure on property, plant and equipment to ensure it meets the relevant accounting requirements to be capitalised.	• We tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in preparing the financial statements; • We reviewed accounting estimates for evidence of management bias; and • We evaluated the business rationale for any significant unusual transactions. We have not identified any material weaknesses in controls or evidence of material management override. We have not identified any instances of inappropriate judgements being applied. We did not identify any other transactions during our audit which appeared unusual or outside the Authority's normal course of business. We noted a number of material errors in PPE but none which were indicative of management override. Further details of these errors can be found within the Other Reporting Issues Section within this report.

Revenue and expenditure recognition Auditing standards also required us to presume that there is a risk that revenue and expenditure may be misstated due to improper recognition or manipulation. We respond to this risk by reviewing and testing material revenue and expenditure streams and revenue cut-off at the year end. For local authorities the potential for the incorrect classification of revenue spend as capital is a particular area where there is a risk of management override. We therefore review capital expenditure on property, plant and equipment to ensure it meets the relevant accounting requirements to be capitalised.	► We reviewed and tested revenue and expenditure recognition policies; ► We reviewed and discussed with management any accounting estimates on revenue or expenditure recognition for evidence of bias; ► We developed a testing strategy to test material revenue and expenditure streams; ► We reviewed and tested revenue cut-off at the period end date; and ► We reviewed and tested Capital spend to ensure the appropriateness of capital/revenue spending and coding. Our testing has not identified any material misstatements from revenue and expenditure recognition. Overall our audit work did not identify any material issues or unusual transactions to indicate any misreporting of the Authority's financial position.

Other Key Findings	Conclusion
Pension disclosures:	We have assessed and are satisfied with the competency and objectivity of the Aylesbury Vale actuary: Barnett Waddingham. EY Pensions team and PwC (Consulting Actuary to the NAO) have reviewed the work of the actuaries. We challenged the significant movement in the actuarial valuation and found no indication of management bias in this estimate. We have noted that PWC as part of their central review have reported that the discount rate applied by Barnett Waddingham falls outside the top end of their expected range. Our EY pensions team agree with this conclusion. In respect of Barnett Waddingham their conclusion was that 'the methodologies used to derive the discount rate and RPI inflation assumptions are not robust as they do not take adequate account of the duration of the schemes liabilities. In future years this could lead to unacceptable assumptions'. We noted no specific issue for Aylesbury Vale District Council in the current year as their estimated duration of scheme liabilities fell within the accepted range.
Property valuations:	We have assessed and are satisfied with the competency and objectivity of the valuers, Wilks Head & Eve We have undertaken appropriate audit procedures to verify and challenge critically the basis of valuation adopted by the valuer in relation to the Authority's assets, focusing in particular on specialist assets valued on a depreciated replacement costs basis. Our work in this area is concluded and we have not identified any issues that we need to report to you.
Notice of Public Inspection Period	As part of the 2016/17 audit we noted that Aylesbury Vale District Council had not fully complied with the NAO requirement that all audits needed to have a common inspection period. For 2016/17 audits this needed to include the first 10 working days of July i.e 3rd July – 14th July 2017. The other key requirements of the Notice of Public Inspection Period were fully complied with.

The Council's Statement of Accounts is an important tool for the Council to show how it has used public money and how it can demonstrate its financial management and financial health.

Our application of materiality

When establishing our overall audit strategy, we determined a magnitude of uncorrected misstatements that we judged would be material for the financial statements as a whole.

Item	Thresholds applied
Planning materiality	We determined planning materiality to be £1.910 million (2015/16: £1.957 million), which is 2% of Gross Revenue Expenditure reported in the accounts adjusted for any additional elements of expenditure reported below the line. The total amount upon which the calculation was based was £95.512 million. We consider Gross Revenue Expenditure to be one of the principal considerations for stakeholders in assessing the financial performance of the Council.
Reporting threshold	We agreed with the Audit Committee that we would report to the Committee all audit uncorrected differences in excess of £0.096 million (2015/16: £0.098 million.

We also identified the following areas where misstatement at a level lower than our overall materiality level might influence the reader. For these areas we developed an audit strategy specific to these areas. The areas identified and audit strategy applied include:

- Remuneration disclosures including any severance payments, exit packages and termination benefits;
- Related party transactions.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations.

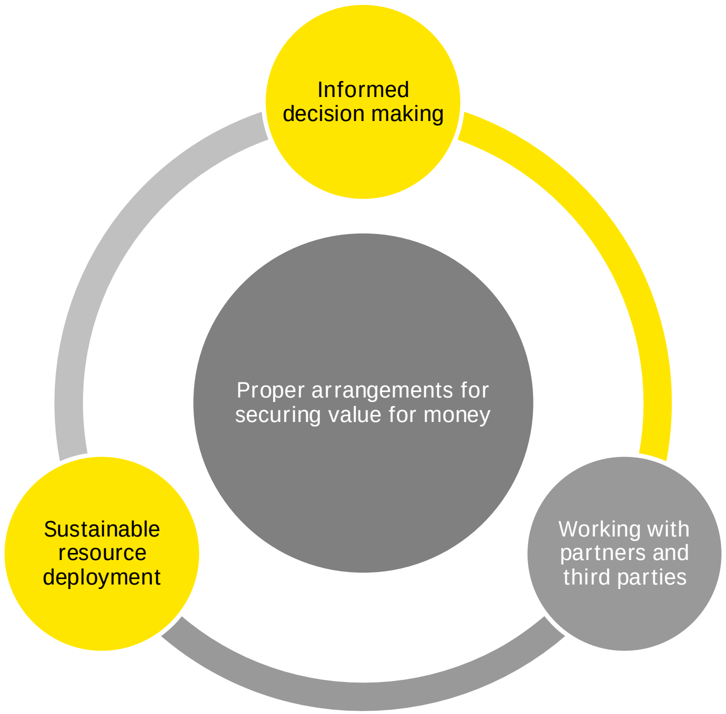
Value for Money

Value for Money

We are required to consider whether the Council has put in place ‘proper arrangements’ to secure economy, efficiency and effectiveness on its use of resources. This is known as our value for money conclusion.

Proper arrangements are defined by statutory guidance issued by the National Audit Office. They comprise your arrangements to:

- Take informed decisions;
- Deploy resources in a sustainable manner; and
- Work with partners and other third parties.



We did not identify any significant risks in relation to these criteria.

We have performed the procedures outlined in our audit plan. We did not identify any significant weaknesses in the Council's arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

We therefore issued an unqualified value for money conclusion on 25th September 2017.

What were our findings?
We noted as part of our review that the financial sustainability of Aylesbury Val e District Council has remained consistent year on year in respect of the Usable Reserves at the disposal of the Council. General Fund Balances (including Earmarked Reserves) decreased slightly from £36.011 million to £35.711 million. This gives Aylesbury Vale District Council a degree of certainty in uncertain times. This position is supplemented by a strong cash and short-term investment position of approximately £43 m. We note from discussions with officers that a number of different options are being investigated in respect of optimising returns on investments assets and wider income generation.
We note the Aylesbury Vale Transformation programme which commenced in 2016/17 and will conclude in 2017/18. This will bring considerable pressures on internal teams as the new structures develop and embed within the organisation. We also note that the impact of the Transformation programme is adequately reflected in the corporate risk register. This will need to continue to be actively monitored in the coming financial year and closely monitored against key Internal Audit Reports to assess any potential impact on the control environment. Discussions with officers in respect of this significant change have confirmed that this is an area which will be closely monitored in the coming year. We will revisit this area as part of our annual audit in 2017/18.
The next few years will undoubtedly bring further challenges including, but not limited to, a further reduction in core Government grants such as the Revenue Support Grant and New Homes Bonus as well as further continued pressures on areas of income previously classed as significant. Other challenges and uncertainty include the proposed retention of NDR which was announced by the then Chancellor at the time George Osborne. Recent performance has highlighted that the Council continues to respond well to the challenges it faces and will need to apply such an aptitude in the coming years as well. The Corporate Risk Register details those risks with clearer evidence that the Risk Register being used effectively to manage the risk environment in which the Council operates.

Other Reporting Issues

Other Reporting Issues

Whole of Government Accounts

The Council is below the specified audit threshold of £350 million. Therefore, we did not perform any audit procedures on the consolidation pack.

Annual Governance Statement

We are required to consider the completeness of disclosures in the Council's annual governance statement, identify any inconsistencies with the other information of which we are aware from our work, and consider whether it is misleading.

We completed this work and did not identify any areas of concern.

Report in the Public Interest

We have a duty under the Local Audit and Accountability Act 2014 to consider whether, in the public interest, to report on any matter that comes to our attention in the course of the audit in order for it to be considered by the Council or brought to the attention of the public.

We did not identify any issues which required us to issue a report in the public interest.

Written Recommendations

We have a duty under the Local Audit and Accountability Act 2014 to designate any audit recommendation as one that requires the Council to consider it at a public meeting and to decide what action to take in response.

We did not identify any issues which required us to issue a written recommendation.

Objections Received

We did not receive any objections to the 2016/17 financial statements from members of the public.

Other Powers and Duties

We identified no issues during our audit that required us to use our additional powers under the Local Audit and Accountability Act 2014.

Independence

We communicated our assessment of independence in our Audit Results Report to the Audit Committee on 25 September 2017. In our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning regulatory and professional requirements.

Control Themes and Observations

As part of our work, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. Although our audit was not designed to express an opinion on the effectiveness of internal control, we are required to communicate to you significant deficiencies in internal control identified during our audit.

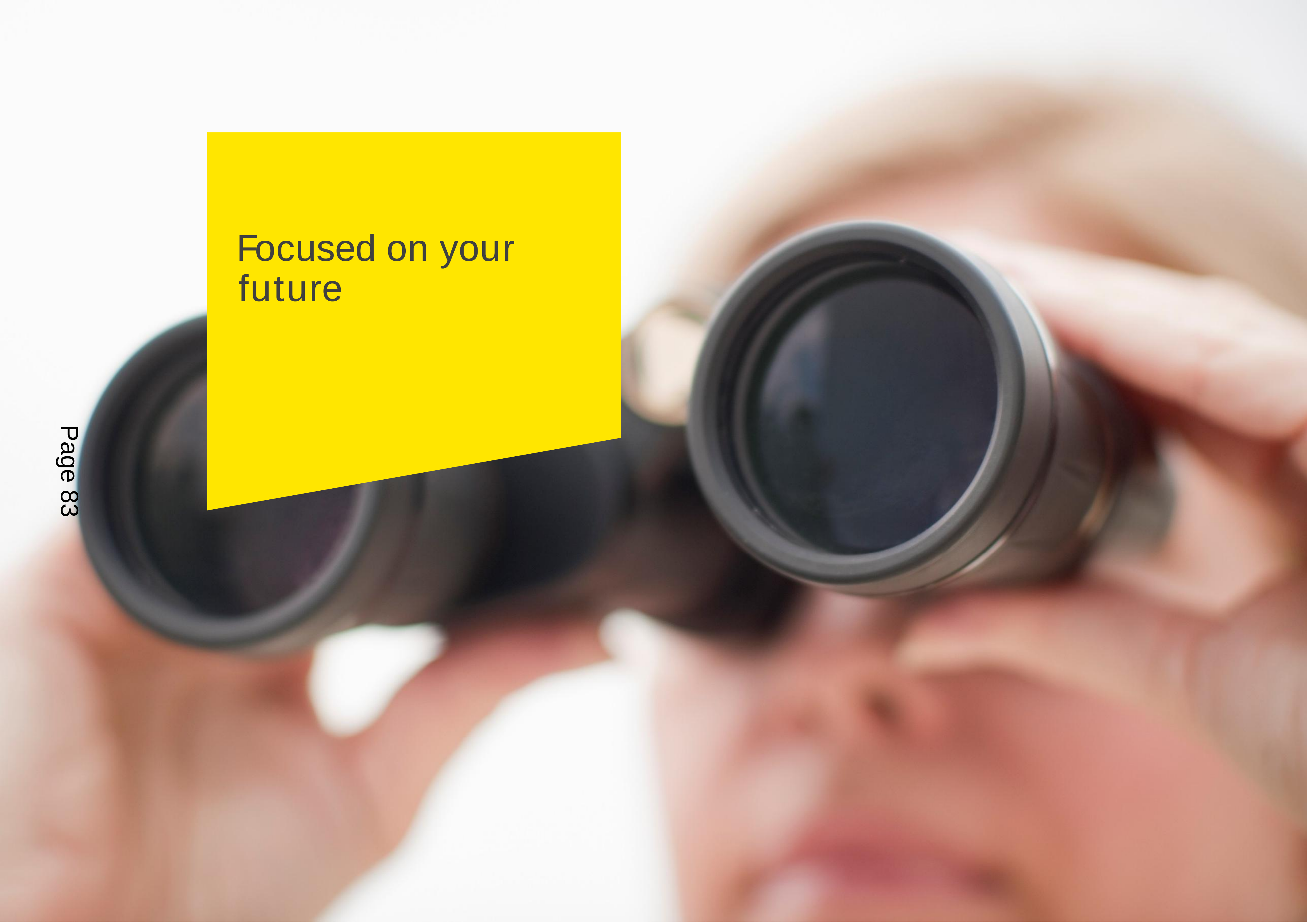
We have adopted a fully substantive approach and have therefore not tested the operation of controls.

There were a number of errors identified this year, and previous years, in respect of the accounting for and financial reporting of PPE within the financial statements. There was also an internal audit report which raised some findings on PPE. Given some of the staffing changes within the Finance team, it is vital that this area of the financial statements is appropriately managed and controlled to ensure that the errors identified are not replicated in future years. Below, we note the key findings and recommendations:

The matters reported are shown below and are limited to those deficiencies that we identified during the audit and that we concluded are of sufficient importance to merit being reported.

Description	Impact
1. 5 Year Valuation Policy:	An approved 5 year valuation plan should be prepared and reviewed to ensure that all assets are scheduled to be revalued within a 5 year cycle. We noted this year a number of assets which were outside that cycle and so had to be reviewed on ad hoc basis during the summer.
2. Valuation Postings:	Checking of valuation adjustments should be completed by an appropriately qualified member of staff to ensure that postings can be agreed back to the valuers report. We noted this year a number of errors in this area and as a result additional work had to be completed internally and externally to correct these. As we move towards the Faster Close Arrangements for the 2017/18 audit and timescales become tighter, it will be vital that errors are minimised where possible to ensure certification of the audit on time.
3. Economic Lives:	We also noted an issue in respect of how useful lives were being used to calculate depreciation. Depreciation was being calculated on updated asset lives determined at the year end. The correct treatment should have been to use the brought forward useful lives. As a result the depreciation postings had to be unwound, re-input and re-assessed.

Focused on your future



Focused on your future

Accounting Update

Since the date of our last report to the Audit Committee, new accounting standards and interpretations have been issued. The following table provides a high level summary of those that have the potential to have the most significant impact on you:

Area	Issue	Impact
IFRS 9 Financial Instruments	Applicable for local authority accounts from the 2018/19 financial year and will change: • How financial assets are classified and measured • How the impairment of financial assets are calculated • Financial hedge accounting • The disclosure requirements for financial assets. Transitional arrangements are included within the accounting standard, however as the 2018/19 Accounting Code of Practice for Local Authorities has yet to be issued it is unclear what the impact on local authority accounting will be and whether any accounting statutory overrides will be introduced to mitigate any impact.	Although some initial thoughts on the approach to adopting IFRS 9 have been issued by CIPFA, until the Code is issued and any statutory overrides are confirmed there remains some uncertainty. However, what is clear is that the Council will have to: • Reclassify existing financial instrument assets • Remeasure and recalculate potential impairments of those assets; and • Prepare additional disclosure notes for material items The Council is awaiting clarification of the exact requirements before investing time in the above work.
IFRS 15 Revenue from Contracts with Customers	Applicable for local authority accounts from the 2018/19 financial year. This new standard deals with accounting for all contracts with customers except: • Leases; • Financial instruments; • Insurance contracts; and • for local authorities; Council Tax and NDR income. The key requirements of the standard cover the identification of performance obligations under	As with IFRS 9, some initial thoughts on the approach to adopting IFRS 15 have been issued by CIPFA. However, until the Code is issued there remains some uncertainty. However, what is clear is that for all material income sources from customers the Council will have to: • Disaggregate revenue into appropriate categories; • Identify relevant performance obligations and allocate income to each; and • Summarise significant judgements. The Council is awaiting clarification of the exact requirements before investing time in the above work.

Area	Issue	Impact
	customer contracts and the linking of income to the meeting of those performance obligations. There are transitional arrangements within the standard; however as the 2018/19 Accounting Code of Practice for Local Authorities has yet to be issued it is unclear what the impact on local authority accounting will be.	
IFRS 16 Leases	IFRS 16 will be applicable for local authority accounts from the 2019/20 financial year. Whilst the definition of a lease remains similar to the current leasing standard; IAS 17, for local authorities who lease in a large number of assets the new standard will have a significant impact, with nearly all current leases being included on the balance sheet. There are transitional arrangements within the standard, although as the 2019/20 Accounting Code of Practice for Local Authorities has yet to be issued it is unclear what the impact on local authority accounting will be or whether any statutory overrides will be introduced.	Until the 2019/20 Accounting Code is issued and any statutory overrides are confirmed there remains some uncertainty in this area. However, what is clear is that the Council will need to undertake a detailed exercise to classify all of its leases and therefore must ensure that all lease arrangements are fully documented. The Council is as yet to commence work in this area due to the timing of implementation.
Earlier deadline for production and audit of the financial statements from 2017/18	The Accounts and Audit Regulations 2015 introduced a significant change in statutory deadlines from the 2017/18 financial year. From that year the timetable for the preparation and approval of accounts will be brought forward with draft accounts needing to be prepared by 31 May and the publication of the audited accounts by 31 July.	We acknowledge the work completed by the Council's staff in achieving a hard close to the accounts and preparation of the draft financial statements by 31st May 2017. The council achieved this by critically reviewing and amending the closedown process to achieve draft accounts production by 31st May for 2016/17; To build on this achievement and prepare for this change in 2017/18 the Council could undertake a number of steps as outlined below: • Streamlining the Statement of Accounts removing all non-material

Area	Issue	Impact
		disclosure notes; • Bringing forward the commissioning and production of key externally provided information such as IAS 19 pension information, asset valuations; • Provided training to departmental finance staff regarding the requirements and implications of earlier closedown; • Re-ordering tasks from year-end to monthly/quarterly timing, reducing year-end pressure; • Establishing and agreeing working materiality amounts with external audit. As auditors, nationally we have: • Issued a thought piece on early closedown; • As part of the strategic Alliance with CIPFA jointly presented accounts closedown workshops across England, Scotland and Wales; and • Presented at CIPFA early closedown events and on the subject at the Local Government Accounting Conferences in July 2017. Locally we have: Had regular discussions through the year on the Council's proposals to bring forward the closedown timetable Together with the Council we agreed areas for early work which have included testing of major income and expenditure streams at month 9, reviewing calculation and allocation of depreciation charges, discussing and agreeing material estimation procedures by end of March. We also tested other areas of the accounts where possible including, for example, exit packages.

Appendix A

Audit Fees

Appendix A Audit Fees

Our fee for 2016/17 is in line with the scale fee set by the PSAA and reported in our 23 January 2017 Audit Plan.

Description	Final Fee 2016/17 £	Planned Fee 2016/17 £	Scale Fee 2016/17 £	Final Fee 2015/16 £
Total Audit Fee – Code work	56,785	56,785	56,785	56,785
Total Audit Fee – Certification of claims and returns –	TBC	12,450	12,450	17,411**
Total Audit Fee – Fee for additional work in respect of errors identified*	TBC	N/A	N/A	N/A
Total	TBC	69,235	69,235	74,196

NB We have not completed the work yet in respect of the 2016/17 Housing Benefit subsidy audit. The deadline for completion of that work is 30th November 2017. We will bring an update in respect of the final fee on the Housing Benefit subsidy audit to a later Audit Committee post certification.

*We identified a number of errors on PPE which required additional time to complete. We will calculate the impact of these in terms of any additional fee to be charged and should an additional fee be required we will consult with senior officers. In line with the requirements of the PSAA any additional fee will need to be formally approved by them before being billed.

** Includes an additional fee charged in 2015/16 in light of the errors identified on the Housing Benefit certification claim.

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

EY | Assurance | Tax | Transactions | Advisory

Ernst & Young LLP

ED None

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Audit Committee
25 September 2017

INTERNAL AUDIT PROGRESS REPORT – SEPTEMBER 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 2017/18 Internal Audit Plan and includes information on:

- Summary of internal audit reviews completed and in progress
- Overdue recommendations and follow up work
- Internal audit resource

3.2 The Committee requested that all internal audit reports are presented in full. There have been no assurance reports issued since the date of the last meeting.

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

September 2017

Contents

1. *Activity and progress*

The 2017/18 internal audit plan was approved by the Audit Committee in July 2017. 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.

Final reports issued since the previous Committee meeting

Name of review	***Conclusion****	***Date of final report***	***No of recommendations made****			
			Critical	**High**	**Medium**	**Low**
Commercial AVDC – Financial Commitments Tracking	N/A - Advisory	12 September	-	-	-	-

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

The result of the review is summarised below:

Commercial AVDC – Financial Commitments Tracking

This was a non assurance review to support the Council in ensuring that financial commitments made as part of the Commercial AVDC transformation programme can be readily tracked and reported i.e.:

- Do we know what we want to deliver?
- Do we know how we are going to check we are delivering it?
- Have we got a plan for how we are going to deliver it?

The Council does have a clear and coherent process for tracking delivery of Commercial AVDC commitments. However the review highlights several changes which the Council should make so that this process works better. As the Council is switching to implementation of Commercial AVDC, with a new Programme Management Office (PMO) Lead recently in place, and ahead of the budget cycle for FY 18/19, this is an ideal time to implement these recommendations. The review makes the following recommendations:

- Further develop "Business Reviews" until they are at a level of detail which means Assistant Directors will sign up to being accountable for delivery of associated commitments
- Finance Business Partners and Assistant Directors should work together to restructure the Council's cost centres so that they are suitable for tracking delivery of commitments

- Develop SMART Indicators for each priority commitment
- Develop a Benefit Profile to support each SMART Indicator
- Prepare dashboard of SMART Indicators for review as a standing agenda item at Strategic Board
- Commission Council's Business Intelligence Team to collate data according to 'rules of the game' set out in Benefit Profile associated with each SMART Indicator
- Commission Finance Business Partners to use SMART Indicators to drive annual MTFP budget cycle and associated Benefit Profiles to track delivery
- Incorporate performance against SMART Indicators into relevant appraisal processes.

The recommendations raised have been agreed with management and will be implemented as part of the ongoing programme management and budget setting processes.

2017/18 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*
Planning & Planning Enforcement	Terms of reference agreed and audit work is in progress

2. Overdue recommendations and follow up work

We routinely monitor the implementation of actions and recommendations raised by internal audit reviews to ensure that the control weaknesses identified have been satisfactorily addressed. No internal audit follow up work has been completed since the last audit committee. A further update will be provided at the November meeting.

3. 2017/18 internal audit resource

Since the last Audit Committee meeting, the tender for the internal audit contract has been issued and responses evaluated. It is anticipated that by the time of the committee meeting the procurement will have concluded with the internal audit team set to be in place from 1 October 2017.

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 2017/18 Annual Internal Audit Plan was approved by members of the Audit Committee in July 2017. Progress and changes are reported below.

Review	Description	Status/Comment	Overall Risk Rating
General Ledger	Assurance over control design and operating effectiveness of key financial processes.		
Debtors			
Creditors			
Payroll			
ITCG for TechOne	Review T1 application controls to ensure the data is complete, accurate and valid.		
Budget Management			
Governance & Risk Management	Review of compliance with CIPFA framework.		
Housing Benefits			
Council Tax & Business Rates			
Planning & Planning Enforcement	Processes for applications/appeals, data validation and enforcement.	Terms of reference agreed and work is in progress	
Building Control	Include fire safety checks.		
Licensing	Focus on taxi licensing and safeguarding controls.		
Commercial AVDC Programme Assurance	Focus on structures and processes to monitor and report savings & income commitments.	Complete	Advisory
Aylesbury Vale Estates	Assess governance arrangements for the Council's wholly or partly owned companies.		
Vale Commerce			
Aylesbury Vale Broadband (follow up)		Complete	Advisory
Follow up audit actions	Validation that agreed internal audit actions have been implemented.	Ongoing	
Disabled Facilities Grant	Grant compliance requirements	In progress	

Audit Committee
25 September 2017

COMPANY GOVERNANCE ARRANGEMENTS – UPDATE ON AYLESBURY VALE BROADBAND

1 Purpose

1.1 To update Members on the status of implementation of recommendations raised in the March 2017 internal audit report.

2 Recommendations/for decision

2.1 To note the contents of the report.

3 Supporting information

3.1 The governance of any company owned or invested in by AVDC is important as there is a need to

- Ensure that it is clear for staff, public, members and the company staff who is responsible for what, when and why?
- Ensure that AVDC and the company is clear on its roles and responsibilities
- Ensure that nothing is developed that conflicts with AVDC, or places AVDC in a positon of challenge
- Ensure that any and all legal or contractual issues are complied with
- Ensure that the company is operating ethically and transparently and complies with the Council's legal obligations.

3.2 Good corporate governance is aimed at ensuring continuing maintenance of the reputation of both the company and AVDC, and overall to ensure that the company delivers against its objectives and its business plan.

3.3 Guidance on the principles to be applied in the governance arrangements of the Council's owned (part or whole) companies is set out in the document "Guidance to creation and working with companies in which AVDC has a financial interest". This guide was approved by Council in March 2016, and is available to view on the web-site.

3.4 At the Council meeting on 22 February 2017 some Members raised questions relating to Aylesbury Vale Broadband (AVB). The Audit Committee Chairman informed Members that information on the governance arrangements for AVB would be reported at the March meeting of the this Committee, in accordance with the Audit Committee Terms of Reference.

3.5 The Directors and Members recognise the importance of effective governance arrangements over the Council's whole or partly owned Companies. Accordingly an Internal Audit review had been planned as part of the 2017/18 programme of work to provide insight to the current governance status of all the Council's wholly or part owned companies, and inform further areas of focus.

3.6 A review of the Council's governance arrangements over AVB, including findings and recommendations for improvement, were reported to the Audit Committee meeting on 27 March 2017. At that meeting, the Committee was fully supportive of all the recommendations contained in the internal audit report and requested that a further review be performed in six months time to assess the implementation of the recommendations.

3.7 The update report on Aylesbury Vale Broadband is attached.

4 Reasons for Recommendation

4.1 To update Members on the status of implementation of recommendations raised in the March 2017 internal audit report.

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

Aylesbury Vale District Council

Internal Audit Report 2017/18

Company Governance: Aylesbury Vale Broadband

Implementation of audit recommendations

SEPTEMBER 2017

Contents

Distribution list:

Andrew Small – Director, Section 151 Officer

Cllr Neil Blake – Leader, AVB Shareholder Representative

Andrew Grant – Chief Executive

Andy Barton – Assistant Director, Commercial & Business Strategy

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. Introduction

Guidance on the principles to be applied in the governance arrangements of the Council’s owned (part or whole) companies is set out in the document “Guidance to creation and working with companies in which AVDC has a financial interest”. This “Guide” was approved by Council in March 2016. Good corporate governance is aimed at ensuring continuing maintenance of the reputation of both the company and AVDC, and overall to ensure that the company delivers against its objectives and its business plan.

In March 2017 an internal audit review was undertaken to assess the adequacy of the Council’s governance arrangements relating to Aylesbury Vale Broadband Ltd (AVB). AVDC has a 95% shareholding in AVB; a company set up to deliver super-fast broadband to rural areas of Aylesbury Vale. Using the “Guide to creation and working with companies” as a reference, the review evaluated the adequacy and effectiveness of key governance arrangements, including:

- Start up
- Roles of members and staff
- Role of Scrutiny Committee
- Appointment of directors
- Adequacy and effectiveness of reporting and performance monitoring, including:
  - Quarterly financials and performance compared to business plan
  - Annual report and business plan
- Loans

The findings highlighted in the March 2017 report required urgent attention to strengthen the governance arrangements over the Council’s investment in AVB. The findings were also communicated to the Directors of AVB in a letter dated 11 May 2017, along with a proposed set of actions for the consideration of AVB Directors that would support the achievement of the recommendations.

It was agreed that a further review be performed in six months time to assess the implementation of recommendations. This report sets out the progress made for each of the agreed recommendations identified.

2. *Agreed recommendations and progress update*

1 Performance monitoring and reporting

In March 2017 we reported that there had been a lack of information shared with the AVDC Shareholder Representative on progress against agreed targets and financial performance compared to forecast. This impedes the Council's ability to perform its own assessment of risk of the investment and provide transparent reporting to Members.

Recommendations	*Update*
1.1 The Shareholder Representative and AVB Directors should agree the specific AVDC quarterly reporting requirements and format (such as those outlined above). This information should be provided for the year to 31 March 2017, and quarterly thereafter.	AVB Board agreed a set of KPI's and the frequency that these would be reported. We understand that due to operational pressures, the MD has been unable to provide performance information to the Board to report against the agreed KPIs. This has highlighted issues of resource capacity within the business.
1.2 A revised Business Plan be prepared by AVB and approved by Cabinet, reflecting actual results to 31 March 2017, detailed forecast for the year to 31 March 2018 and projections for at least two further years. Thereafter, the targets set out in this Business Plan should form the basis of quarterly reporting to AVDC.	The revised business plan was due to be presented to Cabinet in September 2017. A draft Business Plan was shared with the AVDC Shareholder Representative, via the AVB Board, in July and additional information was requested. It has since become apparent that the competitive landscape in which AVB is operating has changed. The Business Plan has been deferred for the AVB Board to review future direction in light of competition in the market place.
1.3 AVB be requested to change its accounting year end to 31 March to align with AVDC.	Done. AVB Board agreed to change the year end to 31 March at its meeting in April 2017.

2 *Role of Scrutiny Committees*

Neither of the scrutiny committee terms of reference specifically covers review of performance of the Council's commercial interests. The objective of the Economy and Business Development Scrutiny Committee is to; "attract new businesses to the Vale, improve our infrastructure, deliver town centre projects, improve our communications and interaction with our customers". Now that AVB and its business aims have been established, focus is on financial performance and the security of AVDC's investment. It should be considered whether the Finance and Services Scrutiny Committee should play a greater role in the ongoing scrutiny and oversight arrangements.

AVB's concern around the treatment of confidential information has contributed to the lack of quality performance information that has been with shared AVDC and Members to date. In order for the spirit of transparency between AVDC and its companies to be maintained, there must be absolute confidence that information marked confidential will remain so.

Recommendations	*Update*
2.1 The roles of the Scrutiny committees with respect to ongoing monitoring of AVB performance should be considered and the Terms of Reference be revised to reflect the role of Scrutiny with respect to the Council's whole or partly owned companies.	The terms of reference for the Scrutiny committees were reviewed and it was agreed that Economy and Business Development was the appropriate committee to scrutinise AVB performance.
2.2 The content and frequency of review of the performance of the Council's investment in AVB by Scrutiny should be considered and recorded in the appropriate committee forward plan.	See 1.2. When the revised business plan is presented, the frequency of further review will be scheduled in the forward plan.
2.3 Commercially sensitive information, appropriately marked as such, must remain confidential.	The Member Code of Conduct already reflects this and Members are routinely reminded of the code. New member induction includes code of conduct training.

2.4 In addressing the recommendations in finding 1, AVDC, the Shareholder Representative and AVB Directors should clearly identify which information is commercially sensitive, and which is suitable for presentation in documents which are able to be made available to the public.	Ongoing consideration of commercial sensitivity is in place and documented in the AVB minutes. Further review will be undertaken once the revised business plan is approved, of which KPIs can be shared as part of publically available information.

3 Role of members and staff

The "Guide" outlines the requirement for AVDC and the Company to be aware of which entity staff/Members are working for and what their role involves. This is particularly important when they are working for both AVDC and the company. At the time of the March audit report, some aspects of AVB's payment process were being administered by an AVDC officer.

Consideration should be given as to whether there is any potential for conflict of interest caused by the Cabinet Member for Finance, Resources and Compliance being a Director of AVB.

Recommendations	*Update*
2.5 A review be undertaken to identify any AVDC staff currently working on behalf of AVB and arrangements be formalised with appropriate recharging of costs.	Done. Time recording processes are in place to recharge annually.
2.6 Consideration is given as to whether there is any potential for conflict of interest for the Councillor Directors. The outcome should be documented.	In April 2017, the Cabinet Member for Finance, Resources and Compliance resigned as a Director of AVB to avoid any potential for conflict of interest. In accordance with the provisions set out in the Articles of Association the current AVB Directors are; Cllr Janet Blake (Councillor Director); Teresa Lane (Officer Director); Tracey Aldworth (Officer Director) and; Andrew Mills (Managing Director).

4 Loans and drawdown arrangements

Agreements are in place with AVB for each of the approved loan facilities, totalling £1.25m. Loan terms, including interest rates and payback period, reflect appropriate consideration of risk and are on commercial terms. The loans are secured on the assets of AVB. The Council's financial exposure is limited to the amount drawn down on the loan facility. In March 2017 we noted that whilst the overall loan facility with AVB has been approved by Council, in order to mitigate risk of financial exposure, AVDC should formalise its procedures for the approval of the release of funds by the Director with Section 151 Officer responsibility, or nominated deputy.

Recommendations	*Update*
4.1 AVDC formalise its arrangements for approval of the drawdown of funds against the loan facility.	Done. Draw down against the loan facility have been approved by the Director with Section 151 Officer responsibility.

Audit Committee
25 September 2017

STATEMENT OF ACCOUNTS 2016-17

1 Purpose

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

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

2 Recommendations/for decision

2.1 Members of the committee are requested to consider the final Statement of Accounts for 2016-17 (Appendix A) and

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

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

3 The Accounts Approval Process

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

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

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

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

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

4 Changes / Revisions to the Accounts

4.1 During the course of the audit it was identified that a number of adjustments were required to the core statements presented in the draft accounts. The Statement of Accounts attached to this report has been amended to reflect the correct position for each item disclosed below. Reference page numbers in the sections below relate to the final version of the document appended to this report:

4.1.1 The level of short term debtors attributed to the closing Housing Benefit and associated grant position was overstated in the draft accounts requiring correction to properly reflect the accurate position.

4.1.2 The level of balances carried forward into 2016/17 associated with LEAP funding was overstated in the draft accounts, requiring correction to accurately reflect the true position.

4.1.3 The value of a number of Council assets were reported incorrectly in the draft accounts, requiring subsequent revaluation and restatement in the final accounts.

4.1.4 The Expenditure and Funding Analysis statement was presented in the Core Financial Statements of the draft accounts. This has been moved to the notes section (page 23) based on the auditor's recommendation.

4.2 A number of minor amendments have been made arising from the audit of the draft 2016/17 accounts:

4.2.1 In the Narrative Statement (page 3), casting errors in the General Fund Revenue 2016/17 Budget in the draft 2016/17 accounts have been corrected.

4.2.2 Cross-referencing of note numbers in the Comprehensive Income and Expenditure statement (page 7) have been adjusted to correctly align with the final document.

4.2.3 Note 1.14 (page 17) has been amended to remove reference to SeRCOP.

4.2.4 Note 1.16.2 (page 18) has been redrafted to add a bullet-point confirming the valuation method for Heritage Assets.

4.2.5 The notes in 1.16.2 and 13.1 (pages 18 and 32) have been redrafted to confirm consistency of the asset measurement basis applied.

4.2.6 Note 2 (page 20) has been redrafted to remove reference to changes in accounting standards that have already been disclosed in the 2015/16 accounts, meaning this did not require restatement in the 2016/17 final accounts.

4.2.7 In notes 11 and 12 (page 32), cross-referencing of note numbers have been adjusted to correctly align with the 2016/17 final accounts.

4.2.8 In Note 32 (page 48), grant figures were misstated, requiring correction in the 2016/17 final accounts document.

4.2.9 In note 35.2 (page 50), the number of officers reported in each pay banding for 2016/17 has been adjusted to reflect the correct position.

4.2.10 The second table in note 38 (page 53) removes reference to 'increase' in the total rows, as both years reflect a decrease.

4.2.11 In Note 39.7 (page 57), the difference between the expected and actual return on assets has been adjusted to 14.24% for 2016/17 to reflect the accurate position.

4.2.12 In the final paragraph of note C3 (page 64), the value of total non-domestic rateable value at 31/03/2017 was marginally understated in the draft accounts. This has been corrected, with additional alignment of dates in the final note.

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

5 Unadjusted Issues in the Accounts

5.1 Inconsistencies were identified in the valuation and presentation of AVDC's car parks as part of the Property, Plant and Equipment (PPE) asset register review of the draft 2016/17 accounts. In consultation with AVDC, the external auditor has agreed that this need not be adjusted in the 2016/17 accounts as it does not represent a material issue. It has been agreed that the 2017/18 accounts will be adjusted for this issue, based on consistent valuation of land and buildings of the Council's car parks.

6 Reasons for Recommendation

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

7 Resource implications

7.1 These are covered within the body of the report.

8 Response to Key Aims and Objectives

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

Contact Officer	Simon Wasteney 01296-585164
Background Documents	N/A

Aylesbury Vale District Council

Statement of Accounts for the Year Ended 31 March 2017

Contents

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 underspend was £77,000. A summary of the financial position is shown below:

General Fund Revenue	2016/17 Budget £000	2016/17 Actual £000
Expenditure	89,264	88,665
Income	(70,653)	(67,648)
Net Cost of Services	18,611	21,017
Cost of Borrowing	2,366	818
Other Costs	(1,325)	111
Investment Interest	(2,028)	(2,182)
Income from Grants	(7,881)	(10,189)
Net Expenditure	9,743	9,575
Local Taxpayers	(9,652)	(9,652)
Net Balance	91	(77)

General Fund Balances	2016/17 Budget £000	2016/17 Actual £000
Balance 1st April	(4,191)	(3,975)
Net Balance from Fund	91	(77)
Special application of balances	600	1,179
Balance 31st March	(3,500)	(2,873)

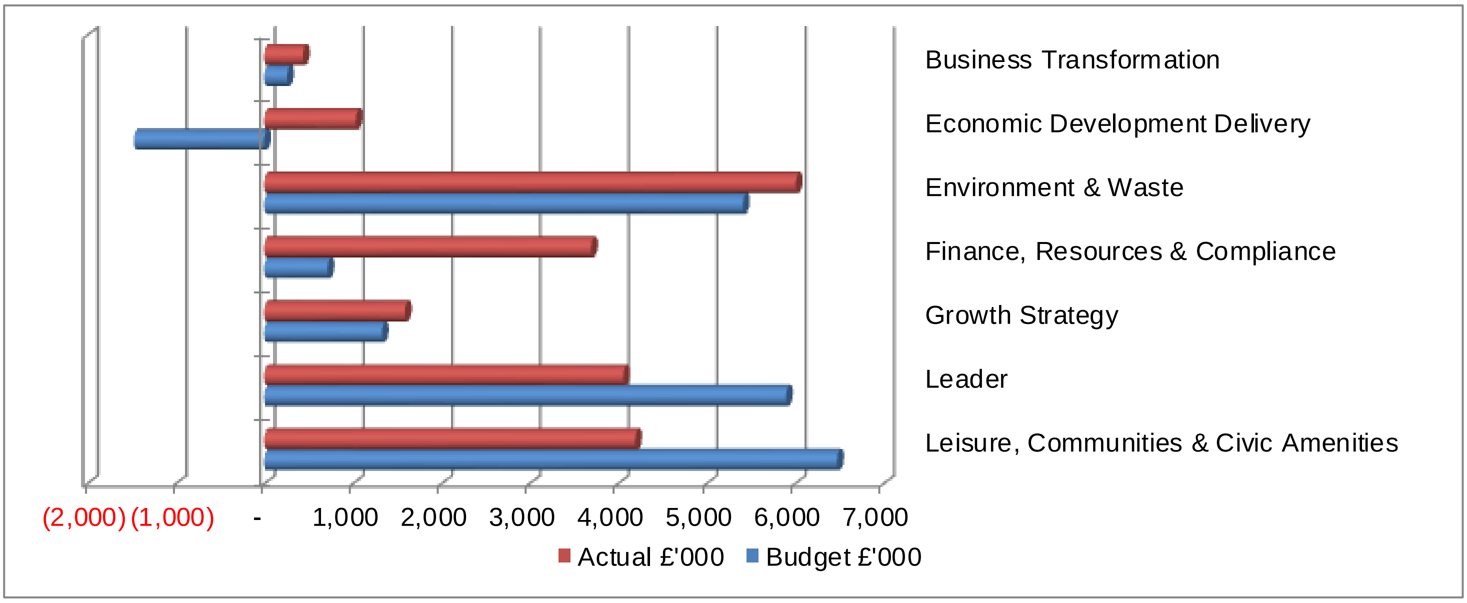
The actual figures presented in the table above significantly vary from the budget for the year due to the year end accounting entries that are required covering IAS19, depreciation, impairment (see 5. Brief note of significant items in the core financial statements), revenue expenditure funded from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

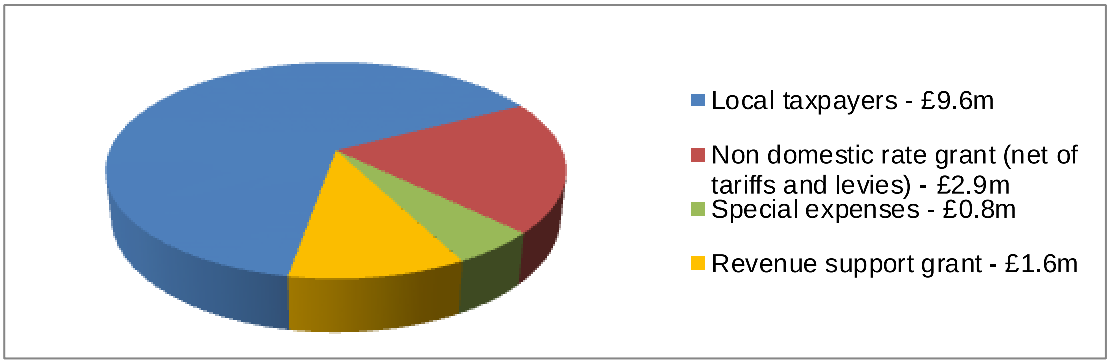
The main areas where variances from budget have been reported through the year in the Quarterly Financial Digest can be summarised as follows:

	Actual Outturn £	Forecast Outturn £	
Top 5 Under Budget			
Housing Benefits	(322,850)	-	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 £8,111,000 of earmarked reserves in support of revenue spend and transferred £8,629,000 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

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 Restated								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		4,074	(3,041)	1,033	4,074	(3,041)	1,033
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	(48,376)	3,696	52,072	(48,376)	3,696
6,122	(4,876)	1,246	6,122	(4,876)	1,246	Growth strategy		5,858	(4,270)	1,588	5,858	(4,270)	1,588
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		10,215	(6,021)	4,194	10,215	(6,021)	4,194
88,510	**(67,642)**	**20,868**	**88,510**	**(67,642)**	**20,868**	**Cost of services**		**88,665**	**(67,648)**	**21,017**	**88,665**	**(67,648)**	**21,017**
		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			(31,912)			(31,912)
		(4,619)			**(4,537)**	**(Surplus)/deficit on provision of services**				**(7,991)**			**(7,232)**
		(557)			(941)	Surplus on revaluation of property, plant and equipment assets	27.1			(10,848)			(11,563)
		(10,830)			(10,830)	Remeasurement of net defined benefit	27.5			24,924			24,924
		(11,387)			**(11,771)**	**Other comprehensive income and expenditure**				**14,076**			**13,361**
		(16,006)			**(16,308)**	**Total comprehensive income and expenditure**				**6,085**			**6,129**

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 - Restated	**(36,079)**	**(6,362)**	**(1,950)**	**(44,391)**	**(47,139)**	**(91,530)**
Movement in reserves during 2016/17						
Total comprehensive income and expenditure	(7,991)	-	-	(7,991)	14,076	6,085
Adjustments between accounting basis & funding basis under regulations (Note 8.2)	8,575	(447)	(993)	7,135	(7,135)	-
(Increase)/decrease in 2016/17	**584**	**(447)**	**(993)**	**(856)**	**6,941**	**6,085**
Balance at 31 March 2017	**(35,495)**	**(6,809)**	**(2,943)**	**(45,247)**	**(40,198)**	**(85,445)**

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 - Restated	**(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	(7,232)	-	-	(7,232)	14,076	6,844	(731)	6,113
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)	8,575	(447)	(993)	7,135	(7,135)	-	-	-
(Increase)/decrease in 2016/17	**1,206**	**(447)**	**(993)**	**(234)**	**6,941**	**6,707**	**(594)**	**6,113**
Balance at 31 March 2017	**(32,986)**	**(6,809)**	**(2,943)**	**(42,738)**	**(40,198)**	**(82,936)**	**(3,767)**	**(86,703)**

Analysis of the general fund balance

2015/16			2016/17	
Council	**Group**		**Council**	**Group**
£000	£000		£000	£000
(32,104)	(32,104)	Amounts earmarked (note 9)	(32,622)	(32,622)
(3,975)	(2,088)	Amounts uncommitted	(2,873)	(364)
(36,079)	**(34,192)**		**(35,495)**	**(32,986)**

Reconciliation of movement in reserves statement to balance sheet

31 March 2016		31 March 2017
Group only		**Group only**
£000		£000
(92,816)	Total reserves in the movement in reserves statement	(86,703)
10	Minority interest share of reserves of subsidiaries	26
(92,806)	**Total reserves in the balance sheet**	**(86,677)**

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	132,183	132,183
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	1	1
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**		**134,855**	**135,358**
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**		**185,593**	**186,876**
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	11,158	11,254
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**		**58,433**	**58,559**
(10,935)	(10,985)	Short term creditors	19,23	(13,775)	(13,952)
(1,744)	(1,744)	Provisions	24	(797)	(797)
(12,679)	**(12,729)**	**Current liabilities**		**(14,572)**	**(14,749)**
(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**		**85,445**	**86,677**
(44,391)	(41,336)	Usable reserves	MiRS, 26	(45,247)	(41,449)
(47,139)	(51,470)	Unusable reserves	MiRS, 27	(40,198)	(45,228)
(91,530)	**(92,806)**	**Total reserves**		**(85,445)**	**(86,677)**

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		7,991	7,232
23,412	23,515	Adjustment to surplus on the provision of services for non cash movements	28.1	3,413	4,684
(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**		**4,695**	**4,725**

1. Accounting Policies

1.1 General principles

The statement of accounts summarises the Council's transactions for the 2016/17 financial year and its position at 31 March 2017. The Council is required to prepare an annual statement of accounts by the Accounts and Audit (England) Regulations 2015 (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, 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 overheads and support services are charged to service segments in accordance with the Council's arrangements for accountability and financial performance.

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
- heritage assets – 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. The accounting changes introduced in the 2017/18 Code relate to the reporting of pension fund scheme transactions and have no impact.

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.

6.1 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	1,033	(2,263)	(1,230)	1,033	(2,263)	(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	3,696	(577)	3,119	3,696	(577)	3,119
1,246	(458)	788	1,246	(458)	788	Growth strategy	1,588	(354)	1,234	1,588	(354)	1,234
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	4,194	723	4,917	4,194	723	4,917
20,868	**(3,982)**	**16,886**	**20,868**	**(3,982)**	**16,886**	**Net cost of services**	**21,017**	**(1,625)**	**19,392**	**21,017**	**(1,625)**	**19,392**
(25,487)	4,053	(21,434)	(25,405)	4,048	(21,357)	Other income and expenditure	(29,008)	10,200	(18,808)	(28,249)	10,063	(18,186)
		(4,548)			**(4,471)**	**(Surplus)/deficit**			**584**			**1,206**
		(31,531)			(29,721)	Opening general fund balance at 1 April			(36,079)			(34,192)
		(4,548)			(4,471)	(Surplus)/deficit for the year			584			1,206
		(36,079)			**(34,192)**	**Closing general fund balance at 31 March**			**(35,495)**			**(32,986)**

6.2 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)	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	-	(17)	-	(17)	-	(17)	-	(17)
Economic development delivery	(2,155)	(108)	-	(2,263)	(2,155)	(108)	-	(2,263)
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	1,158	(435)	-	723	1,158	(435)	-	723
Net cost of services	**(1,345)**	**(280)**	**-**	**(1,625)**	**(1,345)**	**(280)**	**-**	**(1,625)**
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	64,309	64,309
(135)	(135)	Support service recharges	(39)	(39)
3,071	3,071	Depreciation & impairment	1,039	1,039
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	340	340
97,911	**97,916**	**Total expenditure**	**97,739**	**97,876**
		Income		
(66,522)	(66,522)	Fees, charges & other service income	(67,648)	(67,648)
(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	(10,817)	(10,817)
(77)	-	Dividends receivable	(622)	-
(247)	(247)	Other income	(189)	(189)
(102,530)	**(102,453)**	**Total income**	**(105,730)**	**(105,108)**

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 £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)	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)	194	-	(1,967)
Total adjustments to the revenue resources	**3,291**	**-**	**(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	**8,575**	**(447)**	**(993)**

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

9. Movements in earmarked reserves

This note sets out the amounts set aside from general fund balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet general fund expenditure in 2015/16 and 2016/17.

Council and group	Balance 1 April 2015	Transfers out 2015/16	Transfers in 2015/16	Balance 31 March 2016	Transfers out 2016/17	Transfers in 2016/17	Balance 31 March 2017
	£000	£000	£000	£000	£000	£000	£000
Capital purposes							
Amenity areas	(2,506)	-	(242)	(2,748)	-	(172)	(2,920)
Property sinking	(2,312)	500	-	(1,812)	-	-	(1,812)
Information technology	(1,229)	78	(297)	(1,448)	176	(297)	(1,569)
Property strategy	(540)	-	-	(540)	-	-	(540)
Future vehicle costs	(4)	-	-	(4)	-	(135)	(139)
	(6,591)	**578**	**(539)**	**(6,552)**	**176**	**(604)**	**(6,980)**
Revenue purposes							
New homes bonus	(7,001)	1,454	(5,074)	(10,621)	6,176	(7,052)	(11,497)
Interest equalisation	(2,795)	619	(658)	(2,834)	167	(230)	(2,897)
Planning fees	(1,190)	-	(1,156)	(2,346)	396	(60)	(2,010)
Business rates	(2,001)	-	-	(2,001)	-	-	(2,001)
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)
Aylesbury special expenses	(519)	15	-	(504)	-	(48)	(552)
Self insurance	(577)	-	-	(577)	36	-	(541)
Benefit subsidy	(1,534)	727	-	(807)	374	-	(433)
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	(5)	(140)
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)**	**7,935**	**(8,025)**	**(25,642)**
	(27,766)	**3,768**	**(8,106)**	**(32,104)**	**8,111**	**(8,629)**	**(32,622)**

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

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

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

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

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

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

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

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

(h) 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 31)	(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 32)	(10,189)
(2,277)	Capital grants and contributions	(628)
(29,450)		**(31,912)**

13. Property, plant and equipment

13.1 Measurement bases used

The gross carrying amount of assets has been determined on the following 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
- heritage assets – historic 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	8,901	314	-	-	-	-	9,215
Revaluation increases/(decreases) recognised in the (surplus)/deficit on the provision of services	(752)	-	-	-	-	-	(752)
Impairment written out to the (surplus)/deficit on the provision of services	-	-	-	-	-	(212)	(212)
Other movements in cost or valuation	9,718	-	-	(9,718)	-	-	-
At 31 March 2017	**137,114**	**6,422**	**19**	**11**	**220**	**1,118**	**144,904**
Accumulated depreciation							
At 1 April 2016	(6,848)	(4,759)	-	-	-	-	(11,607)
Depreciation charge	284	(349)	-	(10)	-	-	(75)
Depreciation written out to the revaluation reserve	1,633	-	-	-	-	-	1,633
At 31 March 2017	**(4,931)**	**(5,108)**	**-**	**(10)**	**-**	**-**	**(10,049)**
Net book value							
At 31 March 2017	**132,183**	**1,314**	**19**	**1**	**220**	**1,118**	**134,855**
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
	£000	£000	£000	£000	£000	£000	£000
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	8,901	314	-	-	-	-	9,215
Revaluation increases/(decreases) recognised in the (surplus)/deficit on the provision of services	(752)	-	-	-	-	-	(752)
Impairment written out to the (surplus)/deficit on the provision of services	-	-	-	-	-	(212)	(212)
At 31 March 2017	**137,114**	**6,925**	**19**	**11**	**220**	**1,118**	**145,407**
Accumulated depreciation							
At 1 April 2016	(6,848)	(4,759)	-	-	-	-	(11,607)
Depreciation charge	284	(349)	-	(10)	-	-	(75)
Depreciation written out to the revaluation reserve	1,633	-	-	-	-	-	1,633
At 31 March 2017	**(4,931)**	**(5,108)**	**-**	**(10)**	**-**	**-**	**(10,049)**
Net book value							
At 31 March 2017	**132,183**	**1,817**	**19**	**1**	**220**	**1,118**	**135,358**
At 1 April 2016	**108,919**	**1,349**	**19**	**9,729**	**220**	**85**	**120,321**

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

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

18. Assets held for resale

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

19. Financial instruments

19.1 Categories of financial instruments

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

31 March 2016					31 March 2017			
Council		Group			Council		Group	
Long term	Current	Long term	Current		Long term	Current	Long term	Current
£000	£000	£000	£000		£000	£000	£000	£000
				Investments				
-	32,569	-	32,569	Loans and receivables	-	38,081	-	38,081
-	**32,569**	**-**	**32,569**	**Total investments**	**-**	**38,081**	**-**	**38,081**
				Debtors				
43,652	4,387	43,471	4,387	Loans and receivables	49,039	4,496	48,003	4,496
-	7,905	-	7,932	Financial assets carried at contract amounts	-	8,615	-	8,711
43,652	**12,292**	**43,471**	**12,319**	**Total debtors**	**49,039**	**13,111**	**48,003**	**13,207**
				Cash and cash equivalents				
-	9,074	-	9,095	Financial assets carried at contract amount	-	4,695	-	4,725
-	**9,074**	**-**	**9,095**	**Total cash and cash equivalents**	**-**	**4,695**	**-**	**4,725**
				Borrowings				
(23,593)	-	(23,593)	-	Financial liabilities at amortised cost	(23,410)	-	(23,410)	-
(23,593)	**-**	**(23,593)**	**-**	**Total borrowings**	**(23,410)**	**-**	**(23,410)**	**-**
				Creditors				
-	(7,665)	-	(7,715)	Financial liabilities carried at contract amount	-	(8,468)	-	(8,645)
-	**(7,665)**	**-**	**(7,715)**	**Total creditors**	**-**	**(8,468)**	**-**	**(8,645)**

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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	696	696
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	12,608	12,704
14,016	14,043		13,960	14,056
(2,752)	(2,752)	Provision for impairment of bad debts	(2,802)	(2,802)
11,264	**11,291**		**11,158**	**11,254**

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	(3,356)	(3,356)
(95)	(95)	NHS bodies	(118)	(118)
(5,029)	(5,079)	Other entities and individuals	(7,011)	(7,188)
(10,935)	**(10,985)**		**(13,775)**	**(13,952)**

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	Movements Credits	Balance 31 March 2016	Movements Debits	Movements Credits	Balance 31 March 2017
	£000	£000	£000	£000	£000	£000	£000
General fund balance	(3,765)	129,163	(129,373)	(3,975)	122,969	(121,867)	(2,873)
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)	8,111	(8,629)	(32,622)
	(42,407)	**141,755**	**(143,739)**	**(44,391)**	**135,807**	**(136,663)**	**(45,247)**

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
General fund balance	(1,955)	129,303	(129,436)	(2,088)	122,969	(121,245)	(364)
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)	8,111	(8,629)	(32,622)
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)**	**136,238**	**(136,351)**	**(41,449)**

27. Unusable reserves

Movement in unusable reserves are summarised below:

Council only	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	(13,554)	-	(557)	(14,111)	-	(10,848)	(24,959)
Capital adjustment account	(81,772)	19,678	(10,360)	(72,454)	1,021	(5,677)	(77,110)
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)**	**54,289**	**(47,348)**	**(40,198)**

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)	-	(11,563)	(30,015)
Capital adjustment account	(81,772)	19,678	(10,360)	(72,454)	1,021	(5,677)	(77,110)
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)**	**54,305**	**(48,063)**	**(45,228)**

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	(9,215)	(9,930)
-	-	Depreciation written back to revaluation reserve	(1,633)	(1,633)
(557)	**(941)**	**Surplus on revaluation of non-current assets not posted to the deficit on the provision of services**	**(10,848)**	**(11,563)**
(14,111)	**(18,452)**	**Balance at 31 March**	**(24,959)**	**(30,015)**

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			2016/17 Council and group	
£000	£000		£000	£000
	(81,772)	Balance at 1 April		(72,454)
		Reversal of items relating to capital expenditure debited to the comprehensive income and expenditure statement		
3,071		● Charges for depreciation and impairment of non-current assets	287	
-		● Revaluation increases/(decreases) recognised in the (surplus)/deficit on the provision of services	752	
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		1,773
		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**		**(77,110)**

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		2016/17 Council and group
£000		£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			2016/17 Council and group	
£000	£000		£000	£000
	90,307	Balance at 1 April		82,933
1,401		Return on plan assets in excess of interest	(14,053)	
-		Other actuarial losses on assets	(1,421)	
(12,225)		Change in financial assumptions	45,661	
-		Change in demographic assumptions	(2,505)	
(6)		Experience gain on defined benefit obligation	(2,758)	
	(10,830)	Remeasurement of net defined benefit		24,924
	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		2016/17 Council and group
£000		£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			2016/17 Council and group	
£000	£000		£000	£000
	74	Balance at 1 April		70
(74)		Settlement or cancellation of accrual made at the end of the preceding year	(70)	
70		Amount accrued at the end of the current year	172	
	(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	1,039	1,039
(256)	(206)	(Decrease)/increase in creditors	3,914	4,041
800	1,031	Decrease in debtors	885	2,293
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**		**3,413**	**4,684**

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	£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	(389)
(8,598)		**(10,189)**
	Credited to services	
(417)	Renovation grants	(754)
(227)	Council tax/NNDR collection grant	(227)
(289)	Planning delivery	(126)
-	Homelessness	(62)
(45)	Individual elector registration	(56)
(142)	Land searches	(10)
(1,120)		**(1,235)**

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			2016/17 Council and group	
Turnover	(Surplus)/ deficit		Turnover	(Surplus)/ deficit
£000	£000		£000	£000
(880)	(79)	Trade waste	(1,001)	123
(726)	(135)	Garden waste	(862)	(259)
(2,885)	(716)	Car parks	(3,254)	483
(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)**	**337**

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:

	Identifier	2016/17 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	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 - Business Strategy & 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	9
-	£55,000 - £59,999	4
4	£60,000 - £64,999	4
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	5,702
6,274		**5,702**

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		2016/17 Council and group
£000		£000
37,365	**Opening capital financing requirement**	35,883
	Capital investment	
2,411	Property, plant and equipment	3,480
6,083	Assets under construction	1,245
(1)	Long term investments	-
385	Revenue expenditure funded from capital under statute	306
	Sources of finance	
(5,785)	Capital receipts	(3,753)
(3,039)	Government grants and other contributions	(974)
	Sums set aside from revenue:	
(1,536)	Minimum revenue provision	(1,702)
35,883	**Closing capital financing requirement**	**34,485**
	Explanation of movements in year	
(1,482)	Decrease in underlying need to borrow (unsupported by government financial assistance)	(1,398)
(1,482)	**Decrease 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 amount of actuarial gains and losses recognised in the comprehensive income and expenditure statement during 2016/17 is a loss of £24,924,000 (a gain of £10,830,000 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 2017:

	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	14.24
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	2,041
4,505		**4,841**

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		note	£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 £132,466,388 (31 March 2016: £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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AYLESBURY VALE DISTRICT COUNCIL

Opinion on the Authority's financial statements
We have audited the financial statements of Aylesbury Vale District Council for the year ended 31 March 2017 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Aylesbury Vales District Council and Group Movement in Reserves Statement,
- Aylesbury Vale District Council and Group Comprehensive Income and Expenditure Statement,
- Aylesbury Vale District Council and Group Balance Sheet,
- Aylesbury Vale District Council and Group Cash Flow Statement,
- Related Notes to support the financial statements 1 to 43, and
- Collection Fund and the related notes 1 to 4

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

This report is made solely to the members of Aylesbury Vale District Council, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than Aylesbury Vale District Council and Aylesbury Vale District Council's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Director and auditor
As explained more fully in the Statement of the Director's Responsibilities set out on page 6, the Director with responsibility for Finance is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to Aylesbury Vale District Council and Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Director with responsibility for Finance; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Statement of Accounts 2016/17 to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements
In our opinion the financial statements:

- give a true and fair view of the financial position of Aylesbury Vale District Council and Group as at 31 March 2017 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

Opinion on other matters
In our opinion, the information given in the Statement of Accounts 2016/17 for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Council;
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

Conclusion on Aylesbury Vale District Council's arrangements for securing economy, efficiency and effectiveness in the use of resources

Authority's responsibilities

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

Auditor's responsibilities

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our conclusion relating to proper arrangements.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General (C&AG) in November 2016, as to whether Aylesbury Vale District Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether Aylesbury Vale District Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, Aylesbury Vale District Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Conclusion

On the basis of our work, having regard to the guidance issued by the C&AG in November 2016, we are satisfied that, in all significant respects, Aylesbury Vale District Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

Certificate

We certify that we have completed the audit of the accounts of Aylesbury Vale District Council and Group in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.

Maria Grindley (senior statutory auditor)
for and on behalf of Ernst & Young LLP, Appointed Auditor
Reading
25 September 2017

The maintenance and integrity of the Aylesbury Vale District Council web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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

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

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

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

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

CIPFA
This is the Chartered Institute of Public Finance and Accountancy.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

AYLESBURY VALE DISTRICT COUNCIL

Aylesbury Vale District Council

Annual Governance Statement 2016/17

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:

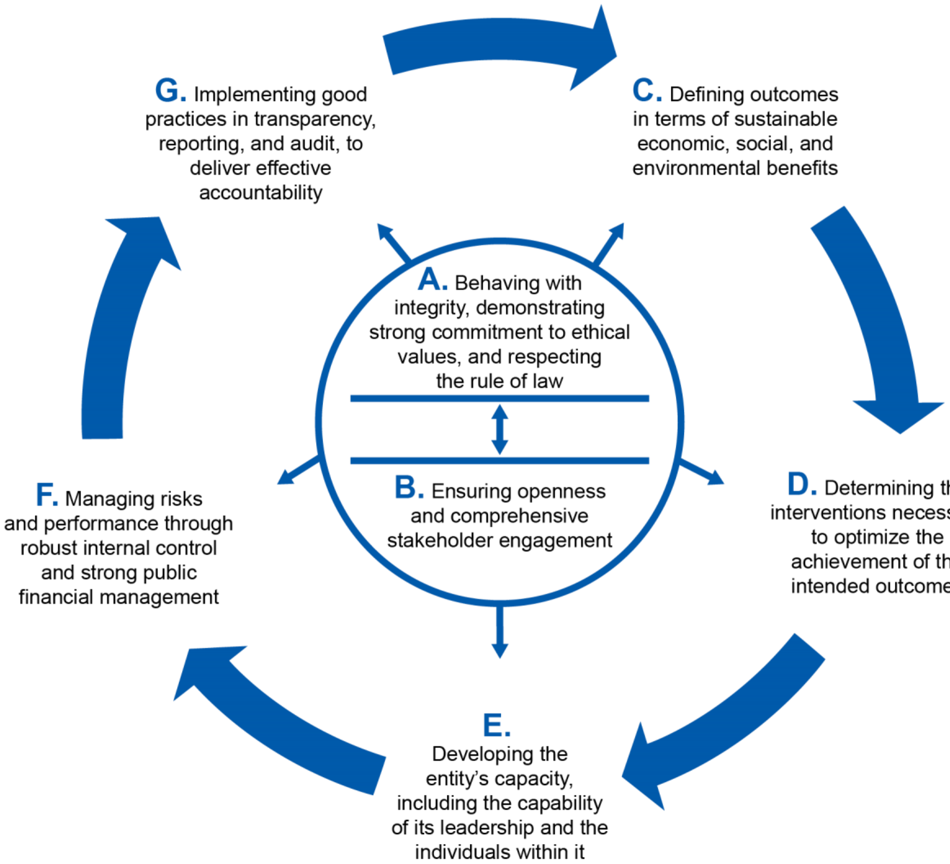
"To deliver good governance in the public sector, both governing bodies and individuals working for public sector entities must try to achieve their entity's objectives while acting in the public interest at all times. Acting in the public interest implies primary consideration of the benefits for society,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

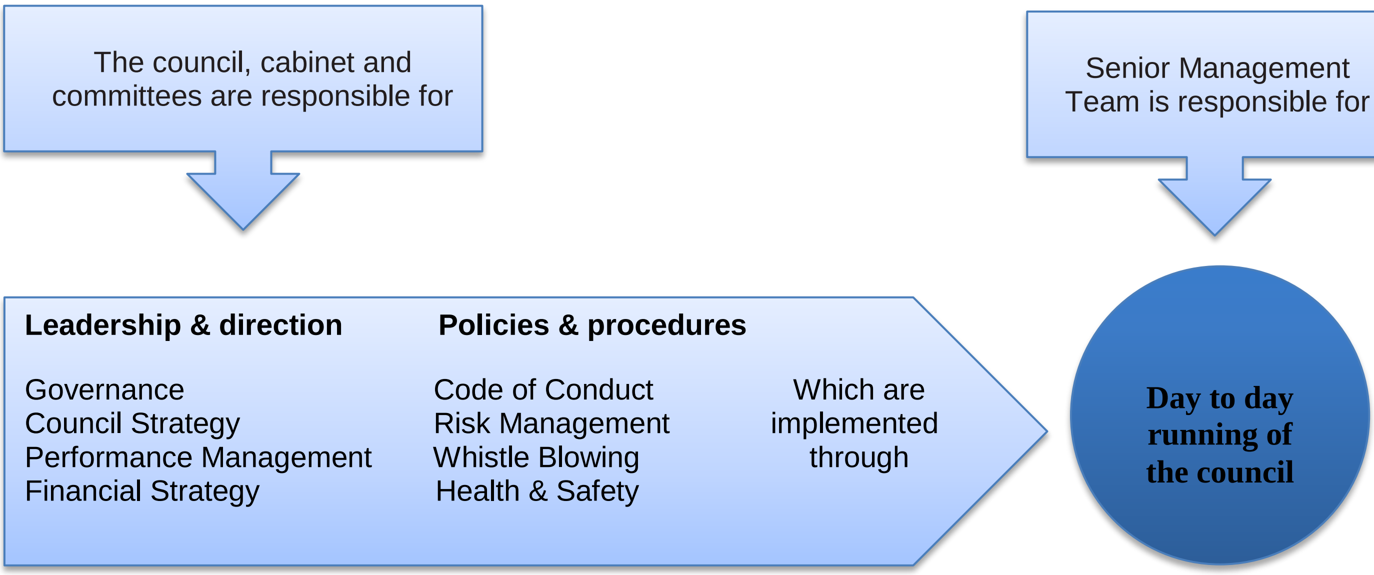
Licensing Committee

- 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, 5 Assistant Directors 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.

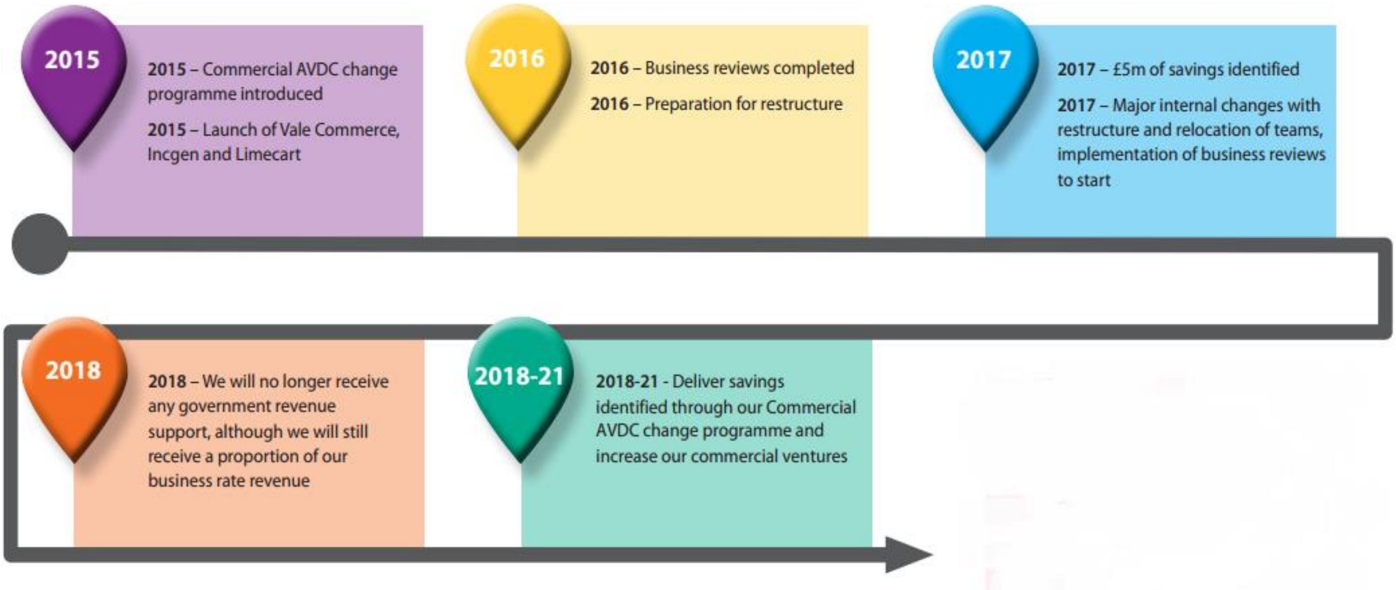
Regular communication channels include the residents' magazine delivered to all households, a proactive media relations programme (radio, TV, newspapers), parish and community noticeboards, poster sites and targeted literature. Social media including text messaging, Twitter, Facebook and web casting 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.

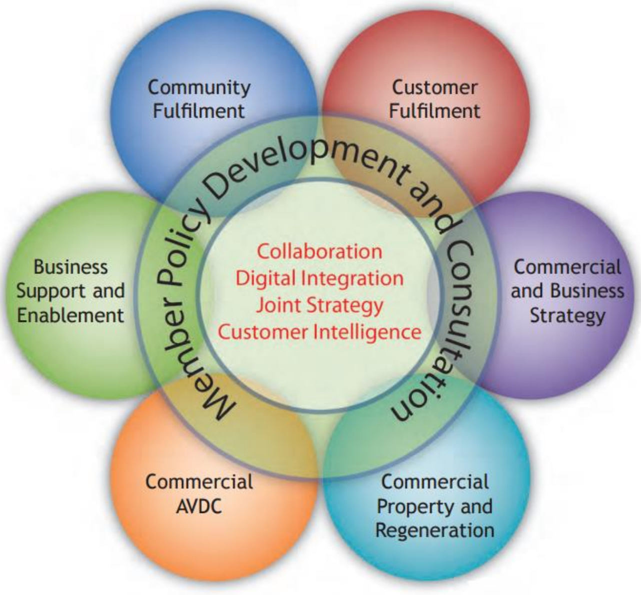
This has been achieved through both efficiencies and new income streams. We have identified the £5m of savings we needed to achieve in 2017 and AVDC is now moving forward to deliver these savings through the implementation of business reviews and increasing our commercial ventures. AVDC is becoming a 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), 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.

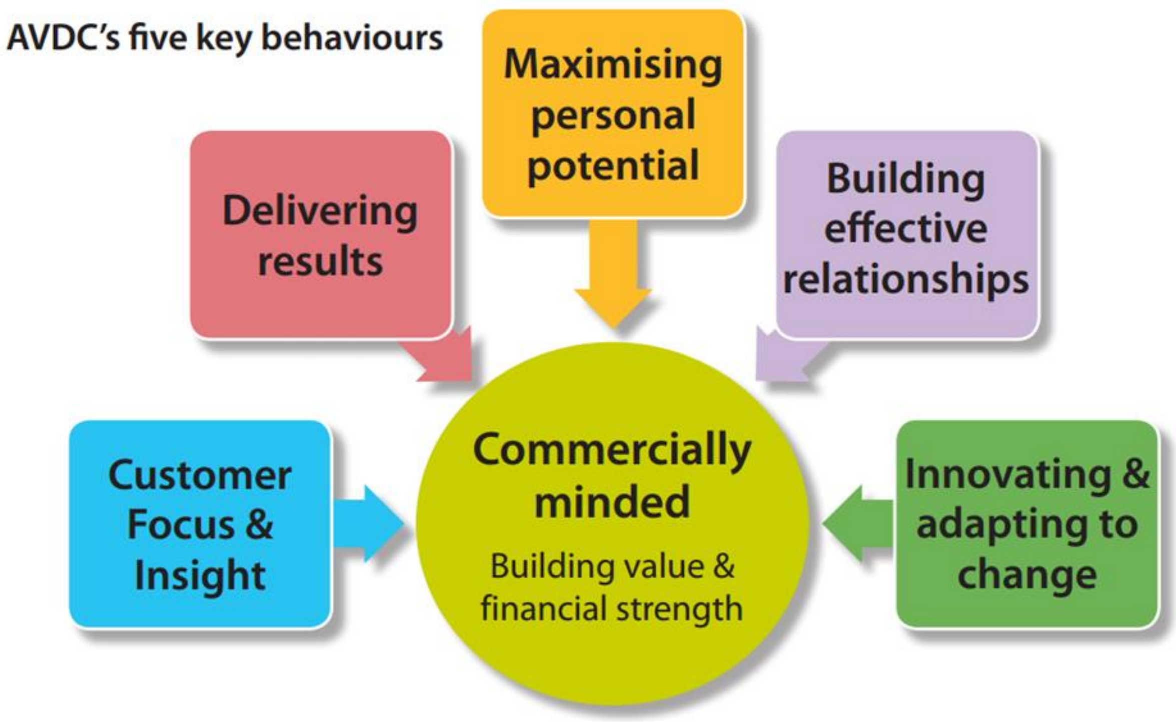


This diagram shows how AVDC will work with **collaboration, digital integration, joint strategy and customer intelligence** central to the organisation and driving AVDC forward.

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 policies 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 progress 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

Agenda Item 10

Audit Committee
25 September 2017

AUDIT COMMITTEE WORK PROGRAMME – SEPTEMBER 2017

1. Purpose

1.1 To discuss, amend and approve the future work programme up to March 2019 for the Audit Committee.

2. Recommendations/for decision

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

3. Supporting information

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

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

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

4. Reasons for Recommendation

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

5. Resource implications

5.1 An allowance is always included in the Annual Business Assurance Plan to support the work of the Audit Committee. There are no additional direct resource requirements arising from this report.

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

Appendix 1

AUDIT COMMITTEE WORK PROGRAMME 2017-18 & 2018-19

Item	Contact Officer	25 Sep 2017	13 Nov 2017	22 Jan 2018	26 Mar 2018	26 Jun 2018	23 July 2018	8 Oct 2018	28 Jan 2019	25 Mar 2019
Audit Committee Work Programme	Kate Mulhearn	X	X	X	X	X	X	X	X	X
Member Training / Briefing Sessions (TBC)	Kate Mulhearn	X	X	X	X	X	X	X	X	X
Audit Committee Annual Report	Kate Mulhearn	X						X		
Audit Committee Review of Effectiveness	Kate Mulhearn	X						X		
External Audit Plan & fee letter	Strategic Finance Manager *			X					X	
External Audit - Audit Results Report (ISA 260)	Strategic Finance Manager *	X					X			
External Audit Annual Letter	Strategic Finance Manager *	X					X			
External Audit AGR for Grant Claims	Strategic Finance Manager *			X					X	
External Audit Update / Progress Report	Strategic Finance Manager *				X	X				
Annual Internal Audit Strategy and Plan	Kate Mulhearn				X					X
Internal Audit Annual Report	Kate Mulhearn					X				
(Draft) Annual Governance Statement	Kate Mulhearn				(X)	X				
Internal Audit Progress Report & Internal Audit Review Reports	Kate Mulhearn	X	X	X	X	X	X	X	X	X
Risk Management Report	Kate Mulhearn	X	X	X	X	X	X	X	X	X
Fraud Update Report	Kate Mulhearn		X					X		
Reviews of Company Governance	Kate Mulhearn	X	X							
Statement of Accounts	Andrew Small					X				
Post Audit Statement of Accounts	Andrew Small	X					X			
Working Balances	Andrew Small				X					X

* Reports will be prepared and presented by External Audit Manager, Adrian Balmer (EY)

Audit Committee
25 September 2017

CORPORATE RISK REGISTER – SEPTEMBER 2017

1 Purpose

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

2 Recommendations/for decision

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

3 Corporate Risk Register - Supporting information

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

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

3.3 The risk register is reviewed regularly by Commercial Board and reported to the Audit Committee.

4 Reasons for Recommendation

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

5 Resource implications

5.1 None

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

Corporate Risk Register Update

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

The CRR was reviewed by Cabinet on 28 June 2017 and was updated by Commercial Board on 11 September 2017. Since the previous Audit Committee meeting in June 2017 the following risks have changed:

Risk Ref	Change	Comment
5) Depot & workshop development project fails to address H&S and Environmental concerns and achieve commercial objectives.	High risk - Removed	The depot redevelopment plan is now in place and the Corporate H&S Manager is working alongside the depot. The risk has been incorporated into 6) Major Projects and 8) Health and Safety
18) 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	Extreme → High ↓	There has been no further indication on likely timing of decision.
7) Fail to Deliver the new Vale of Aylesbury Local Plan	High → Moderate ↓	Plan is drafted and due for Scrutiny in September.
9) Fail to plan for a major or large scale incident. Risk to safety of public & staff. Business interruption affecting the Council's resources and its ability to deliver critical services.	Moderate → High ↑	Business Continuity plans need to be revised following restructure. Emergency plan is now part of Community Safety, work is ongoing to reengage with local partners and ensure robust plans are in place and fully resourced. Risk will reduce when internal procedures have been embedded.
11) Safeguarding arrangements, internal policies and processes are not adequate to address concerns about /protect vulnerable adults & children.	Low → Moderate ↑	Risk increased to reflect findings from May2017 internal audit report. Work is ongoing to fully address actions, the risk will then reduce.
20) Failure to identify and respond to current and potential changes in legislative/regulatory environment.	High → Moderate ↓	Assistant Directors are now in post for each sector and vacant manager positions being filled. As new structures embed, this becomes part of business as usual.

Note on impact of Brexit – Management continue to considered the risks arising following the Brexit decision. At this stage there is too much uncertainty about the specific implications on the strategic objectives and day to day operations of the Council to put anything meaningful on the CRR.

There are **20 risks** on the corporate risk register. The residual risk rating is summarised as follows:

Residual Risk Rating			
Low risk **2**	**Moderate risk** **6**	**High Risk** **11**	**Extreme risk** **1**
14) Fraud, corruption, malpractice by internal or external threats. 15) Equalities is not considered in decisions resulting in Judicial Review and other litigation	6) Fail to manage and deliver major capital projects - Waterside North, Pembroke Road 7) Fail to Deliver the new Vale of Aylesbury Local Plan 11) Safeguarding arrangements, internal policies and processes are not adequate to address concerns about /protect vulnerable adults & children. 13) Failure to manage a major partnership or a significant council contractor. 16) Failure to manage and deliver the requirements of the SLA for HS2. 20) Failure to identify and respond to current and potential changes in legislative/regulatory environment.	1) Sectors do not deliver the required savings and efficiencies identified in the Commercial AVDC programme. 2) The Council's approach to commercialisation and income generation does not produce the income needed. 3) Organisational culture fails to support the strategy. 4) Council owned or partly owned companies (VC, AVE & AVB) fail to achieve the Council's objectives. Inadequate governance arrangements. 8) Health & Safety - Non-compliance with Fire and Health and Safety legislation (including depot /waste services). 9) Fail to plan for a major or large scale incident. Risk to safety of public & staff. Business interruption affecting the Council's resources and its ability to deliver critical services. 10) Information Governance - A significant data breach, Inappropriate access, corruption or loss of data 12) Business Intelligence (customer insight & performance data) is not sufficiently robust to support effective decisions. 18) 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 19) Failure to effectively engage with members and the community around the Council's vision and strategy.	17) Loss of key staff / failure to recruit / reliance on agency staff has negative impact on service delivery during time of change

		21) Failure to deliver the Connected Knowledge Strategy and achieve the Council's Digital objectives.	

Risk Matrix

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

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

Risk Ratings - Impact

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

Risk Rating – Likelihood

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

Capacity to Manage

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

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By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Agenda Item 13

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