Audit Committee
23 July 2018

STATEMENT OF ACCOUNTS 2017-18

1 Purpose

1.1 Following on from the draft statement of accounts report presented to the June 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 31 July statutory deadline.

2 Recommendations/for decision

2.1 Members of the committee are requested to consider the final Statement of Accounts for 2017-18 (Appendix A) and

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

2.3 Delegate authority to the Director with Responsibility for Finance, in consultation with the Chairman or Vice Chairman of the Committee, to make such changes as considered necessary to achieve sign off by the statutory 31 July 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 31 July deadline.

3.4 A number of amendments have been made to the accounts.

3.5 The changes made to the accounts between the draft submitted for audit considered by this committee in June 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.

4.2 In making the changes, there was no overall impact on the financial outturn for the financial year.

4.3 The Statement of Accounts attached to this report has been amended to reflect the correct position for each item disclosed below.

- Change in debtors position relating to grant amount of £617k, adjusted to reflect correct financial year, but deferred to business rates reserve.
- A further charge on depreciation relating to current year and write back of depreciation on buildings elements of some car parks of £104k
- NHS debtor reclassification of £187k from “other entities and individuals” to “NHS debtors”
- Two minor updates to the cash flow statement (i.e. internal consistency in interest payable in Note 28.3 and line swapping in Note 30)
- Change in Note 33 car parks surplus to amend an inconsistency in reporting

4.4 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 There are no unadjusted issues in the Accounts.

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 31 July

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.

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Background Documents	N/A

Aylesbury Vale District Council

Statement of Accounts for the Year Ended 31 March 2018

This narrative report provides information about Aylesbury Vale District Council (the Council), including the key issues affecting the Council and its accounts. It also provides a summary of the financial position at 31 March 2018.

The report provides an explanation of the financial statements. As the financial statements demonstrate, the financial standing of the Council continues to be robust.

The finance service operates in an environment of continuous change which involves organisational redesign, partnership working and advances in technology. This document provides:

- an introduction to the Council;
- key facts about Aylesbury and the Council;
- key information about the Council's management structure;
- 2017/18 revenue budget process and the medium term financial plan (MTFP);
- capital strategy and capital programme;
- treasury management ;
- revenue outturn 2017/18;
- capital outturn 2017/18;
- corporate and budgetary risks;
- summary overview;
- basis of preparation;
- receipt of further information; and
- acknowledgements.

The statement of accounts has been prepared in accordance with the requirements of the Chartered Institute of Public Finance and Accountancy (CIPFA). It aims to provide information so that members of the public, including electors and residents of Aylesbury Vale District Council, council members, partners, stakeholders and other interested parties are able to have:

- a full and understandable explanation of the overarching financial position of the Council and the outturn for 2017/18;
- confidence that the public money with which the Council has been entrusted has been used and accounted for in an appropriate manner; and
- assurance that the financial position of the Council is sound and secure.

The style and format of the accounts complies with CIPFA standards and is similar to that of previous years.

An introduction to Aylesbury Vale District Council

Aylesbury Vale is a local government district of northern Buckinghamshire. The district offices are based in Aylesbury. It is a large district (350 square miles) which is mainly rural in character and has a high quality environment. The main settlements in the district are Aylesbury and Buckingham. Aylesbury is by far the largest town in the district and is the county town of Buckinghamshire. It is a focal point for housing, employment, retail, and community services and facilities. There are 59 councillors elected from 36 wards.

Councils are responsible for providing local services and facilities. These include:

- environmental health & licensing;
- planning and building control;
- housing;
- leisure;
- business services;
- revenues and benefits;
- parking;
- household recycling and waste;
- commercial recycling and waste;
- community safety;
- finance;
- information technology;
- legal; and
- people and payroll.

Key facts about Aylesbury and the Council

In considering Aylesbury and the Council it is important to have regard to the following information:

- Population
  The total population of Aylesbury Vale was 174,100 at the 2011 census. This is an increase of 5% compared to the 2001 census. Using the latest Office for National Statistics (ONS) data it is predicted that in 2018 the population will reach 200,000. The population is becoming increasingly elderly: 21% of the population were aged over 60 in 2011, compared to 17% in 2001. There was a corresponding decrease in the young working population (aged 25 to 39) from 23% of the population in 2001, to 19% in 2011. The latest census shows that 14.8% of the population are in ethnic groups other than white British. The quality of life in Aylesbury Vale is generally high, as demonstrated by the government's indices of deprivation (2015) which show that the district falls within the 14% least deprived areas in England. However, there are pockets within Aylesbury town which rank among the 26% most deprived in the south east region.

- Economy and employment
  The latest government figures indicate that there are 73,000 employee jobs in Aylesbury Vale (Source: ONS Business Register and Employment Survey, 2015). Unemployment (2016) amongst residents, at 3.4%, is significantly lower than the level for Great Britain as a whole (4.8%). Average earnings of residents are higher than across the south east region or Great Britain.

- Homes
  The total stock of homes was around 78,591 in March 2016. Around 86% of these homes are privately owned, and the remainder are housing association or other public-sector homes. Affordability of housing is an issue, with the average house price being over 10 times the average income in 2016. Rates of house building over recent years have remained high with an average of 1,127 dwellings built each year over the past five years. On average 349 of these were affordable dwellings.

- A vision for Aylesbury Vale to 2033
  The Vale of Aylesbury Local Plan (VALP) is the cornerstone of planning for the whole district and is critical to delivering national, community and corporate objectives and aspirations. It sets the ambition and direction for the district as a whole, which all relevant strategies and delivery plans of the Council and its delivery partners should support. It reflects the Council's overall vision which is '*to secure the economic, social and environmental wellbeing of the people and businesses in the area'*. The vision for Aylesbury Vale is also based on the characteristics of the area and the key issues and challenges it faces. The vision is informed by the evidence base for the plan, sustainability considerations and the views of the community, and encompasses the approaches set out in the National Planning Policy Framework (NPPF). The vision for the VALP, together with the ensuing objectives, will guide and drive the delivery of all elements of the plan.

- Aylesbury – delivery of a garden town
  In January 2017 Aylesbury was given 'garden town' status. The initiative and funding will provide and support the delivery of new communities in Aylesbury and ensure that growth comes forward in the best possible way, ensuring high quality and design are embedded, and to enable a cohesive and comprehensive approach to planning for growth. Work is now underway to create a masterplan for Aylesbury which will enable an overarching plan for future growth of the town.

- Aylesbury Vale and the commercial agenda
  Like all local authorities, the Council faces cuts in its funding from central government. The Commercial AVDC programme was initiated in late 2015 to manage the process of balancing the budget in the run up to the predicted total loss of government grant in 2020. The programme adopts a many-pronged approach of achieving savings by consolidation of services, use of digital and reducing or eliminating duplication, while at the same time generating income through commercial activities. The Council's approach to balancing its finances over the medium term financial plan is contained within the Commercial AVDC programme.

  The Council recognised a number of years ago that local government funding was set to change for good. Since then it has been on a journey to implement new business models with an authority-wide rethink about how services are delivered and this is supported by a leadership programme and staff model assessment to change the culture of the whole organisation.

The Council has been presenting across the United Kingdom, hosting visits and sharing experiences through a series of conferences with other councils since 2015, and more recently working directly with councils helping to implement lotteries and delivering workshops. The Council's experience of engaging stakeholders across the Council to gain buy-in and move projects forward has delivered time and cost savings.

The Culture Change programme was put at the heart of the Council's transformational journey and the Council assessed the effectiveness of different programmes, ultimately developing its own. This has proved to be a highly successful formula for leadership and staff model assessment and with close to 1,000 assessments already completed, the Council can now provide a wealth of experience and learning to any organisation starting on a similar journey.

While activities are underway to continue to explore and develop our commercial service offerings, this is recognised as a long term undertaking. So, in parallel, the Council has also focused on major internal change programmes to deliver the savings which will ensure it can deliver a balanced MTFP. Ultimately, however, the Council will need new forms of external income to balance its budgets and to protect and enhance core services and so will need to maintain its focus on developing commercial income streams.

In the digital arena we are recognised as leading the way on local government digital transformation. Aylesbury Vale District Council are proud to be the first council to move 100% to the cloud, with over 45,000 active users of MyAccount and the first council to launch an Alexa skill for council services. The Council is currently working on artificial intelligences to improve customer service and back office efficiency and adding new functionality to our Alexa skill. Underpinning the digital change and our transformational journey is a culture change programme. This has proved to be a highly successful formula for leadership and staff model assessment.

The Business Model, which is a more commercial approach than we've used in the past, has been introduced. The Council is currently focussing on the following areas:

- improving how we deliver our services; this might be by making them quicker, automating a process, or removing duplication;
- making sure the services we deliver are based on our customers' needs, both now and in the future;
- looking for and following up opportunities to increase our income; and
- ensuring we encourage all our staff to be flexible and innovative.

The Council's ultimate aim in being commercial is to be more cost effective and profitable in all the services it delivers. It is also the commitment to the customer, to make Aylesbury Vale great. The Council wants to ensure it:

- provides customers with effective communication;
- delivers effective and commercially-aware services;
- takes ownership of situations;
- is knowledgeable about what it delivers; and
- treats customers as individuals.

The delivery of the Council's objectives and ambitions are underpinned by council strategy and behaviours. The connected vision strategy aims to clarify the framework from which the Council vision can be delivered. This will ensure the Council is aligned in its organisational objectives as well as being clear to its customers why it is developing the way it is.

- Council employees
  The Council is currently developing its People and Culture Strategy which recognises the value and importance of staff in every aspect of the Council's work, sets out processes and procedures for staff engagement and development, and ensures that human resources are well managed.

Key information about the Council's management structure

Decisions about policy are made by the councillors elected by the residents of Aylesbury Vale. Councillors are advised by the senior management of the Council. The chief executive is Andrew Grant. Andrew has been the chief executive since 2009. He is supported by 2 directors, Tracey Aldworth and Andrew Small. Managerial leadership is provided by assistant directors, who have accountability across 6 sectors:

- Connected knowledge
  The Council continues to progress its digital agenda, promoting innovation in the way services and information technology solutions are delivered for customers and staff. The connected knowledge programme will underpin many of the components of future service delivery set out within Commercial AVDC strategy and is therefore crucial to the Council in meeting the financial agenda over the coming years.

- Commercial property and regeneration
  The commercial property and regeneration sector provides a number of key functions to support the Council including:

  - facilities management;
  - estates and property services;
  - land charges;
  - property portfolio;
  - conference centre;
  - major capital projects (including town centre regeneration);
  - contracts performance and funding;
  - town centre management; and
  - community centres.

- Commercial and business strategy
  This sector was formed in 2017 to provide a greater focus on internal strategy development and ensuring the Council achieves its commercial ambitions. This links to the community fulfilment sector which deals with the external equivalents.

- Customer fulfilment
  Customer fulfilment includes many of the services with which residents interact on a regular basis. Services provided include:

  - revenues and benefits;
  - environmental health;
  - enforcement;
  - development management;
  - building control;
  - operational housing;
  - business development; and
  - licensing.

  Around 170 staff work within customer fulfilment to continue to provide the services that residents value.

- Community fulfilment
  The community fulfilment team work closely with the community, pro-actively communicating what we are doing as an authority, whilst responding to community needs such as making sure there is adequate planning for the level of growth we are expecting in the Vale. Key services provided include:

  - democratic and electoral services;
  - communications and marketing;
  - strategic planning;
  - economic development and delivery;
  - communities;
  - community safety; and
  - partnerships and strategy.

- Business support and enablement
  The business support and enablement sector can be considered as the ‘back office’, but this over-simplifies the vital role the teams have in delivering the Commercial AVDC vision. The role of the sector is to primarily act as business enablers for internal customers and to meet the needs of the increasing numbers of external customers. The sector consists of the following functions:

- general office;
- contracts and procurement;
- information technology;
- health and safety;
- ratings and recoveries;
- transactional finance and payroll; and
- business continuity.

The 2017/18 revenue budget process and medium term financial plan

When preparing its medium term financial plan (MTFP), the Council makes provisional spending plans for future financial years ensuring these are balanced against the expected funding from government, council tax payers and business rates payers.

The MTFP is a 4 year incremental process that builds on the work and achievements of previous years, taking into account demographic, legislative and other pressures, mitigated by a series of savings proposals to ensure a balanced budget can be achieved in the coming year, and that there is financial sustainability for future years. Following recommendation by Cabinet, the Council approved the budget for 2017/18 and the MTFP at its meeting on 1 February 2017.

In setting the MTFP and developing budget proposals for the future, the Council faces a number of uncertainties particularly in relation to levels of government grant, the financial impact from retained business rates, the levels of new homes bonus, Brexit and general economic conditions. The budget proposal and MTFP set for 2017/18 represented a best view of the known financial landscape then and for future years.

The key elements of the budget strategy are:

- commercially minded;
- financially fit;
- customer and innovation; and
- commercially focused.

This is consistent with the ‘connected vision’ of the organisation.

The main issue faced during budget development was the ongoing uncertainty surrounding the government’s proposed reforms to the local government finance system and the implications for the Council arising from them. Despite the government announcing a 4 year settlement, ongoing proposed changes, such as those to business rates and new homes bonus, reduce the Council’s ability to plan with certainty in these areas.

The budget development process recognises the uncertainties, and provisions are made, as appropriate, in the proposals for those factors that can be predicted with some certainty, and proposes a strategy for dealing with those factors which reasonably cannot.

The main factors underlying the budget process were:

- Government grant
  Like all local authorities, Aylesbury Vale District Council face cuts from central government. For the Council, reductions to grant funding have been the most significant factor underlying historic planning assumptions. The Council’s strategy for balancing its budget was predicated on this continuing. In this respect, the strategy around commercialism and efficiency is considered to remain the right strategy to deal with the financial challenges facing the Council.

- New homes bonus (NHB)
  A major concern, in terms of potential changes to the 4 year settlement, was associated with NHB. The Council received £7.9 million of NHB in 2017/18. This makes its award the largest for any district in England and reflects the fact that it has witnessed more housing growth than other district over the past 6 years.

- Retained business rates
  The revaluation of all properties for business rates took effect from 1 April 2017. Revaluation was completed to maintain the accuracy in the rating system by reflecting changes in the property market since the last revaluation in 2010. The business rates revaluation clouded the position on the amount of gain the Council might expect to achieve from business rates growth in the Vale. By way of mitigation, the Council holds a business rates revaluation reserve. This mitigating action was created alongside the introduction of business rates retention to meet any significant year on year fluctuations caused by the volatility inherent in the business rates system. The Council took these actions to ensure they were in a position to achieve the budgeted gains from business rates retention system in 2016/17 and 2017/18.

- Business rates pooling
  In 2016/17, the Council entered into a business rates pooling arrangement with Buckinghamshire County Council, Buckinghamshire and Milton Keynes Fire and Rescue, Chiltern District Council and South Bucks District Council. This arrangement allows these councils to retain a greater proportion of business rates growth by reducing the amount the government would ordinarily capture. The pooling arrangements continued for 2017/18. In its first year of operation, the gains from the pool across the whole pooling area amounted to approximately £1.25 million, of which circa £300,000 related to Aylesbury Vale District Council. The pool created will continue to operate until any of the organisations that are party to it notify the government that they wish to exit the arrangement.

- Pension fund
  Budgetary provision was made in the accounts for 2017/18 of £280,000. This was based upon indicative numbers provided by the pension fund actuary. It was believed that AVDC would be required to pay an additional 2% of employer’s pension contributions following the pension scheme’s last revaluation.

- Reserves and balances
  Earmarked reserves represent the prudent saving of sums against the recognition of future financial events which, if not prepared for, would be difficult to deal with at the point they occur. In short, earmarked reserves are an essential part of sound financial planning. The reserves are held for legitimate reasons and the balances are reasonable given a fair assessment of the budgetary pressures that they are held against. As part of the development process for 2017/18 the cabinet member for Resources, Governance and Compliance undertook the annual review of the Council’s reserves and provisions.

  The Council holds general working balances as insurance against unexpected financial events. This includes failure to generate expected income as well as financial claims against the Council. It is expected that the total balance held in reserves will dip significantly over the next 2 years as the pressures against which they are held materialise and the infrastructure schemes, for which the new homes bonus is held, are delivered. Balances were utilised in 2017/18 to fund the Commercial AVDC change programme. It is expected that this change programme will continue to deliver considerable efficiencies in the organisation. These efficiencies, some of which are already included within this report, will contribute towards balancing the budgets in future years.

- Investments and net borrowing
  The Council has been using its cash balances over the past few years in lieu of long-term borrowing. This delivers an advantage over lending returns whilst base rates remain low. For 2017/18 and future years, income from investment interest has been included in the MTFP. The Council takes a proactive approach to managing cash balances, with the bulk of the income being derived from short term money market lending.

- Aylesbury Vale Estates LLP (AVE)
  The AVE business plan for 2017/18 was developed and presented to both Economy Scrutiny and cabinet meetings in December 2016. Dividend payments were forecast within the AVE business plan for 2017/18 and were reflected within the budget proposal presented. The AVE business plan also included a downside business case as part of their scenario planning, which does not include a dividend payment. This was recognised as a budgetary risk and account is taken of this in determining the appropriate level of working balances.

- Aylesbury Vale Broadband Ltd
  Aylesbury Vale Broadband Ltd was set up in 2015, as part of the commercial agenda. The sale of the company assets took place in December 2017. The sale receipt, net of residual costs, will be returned to the NHB pot ring-fenced for the delivery of high speed broadband and can potentially be reused for further broadband schemes within the Vale. As such, the sale had no direct impact on the revenue budget.

- Vale Commerce Ltd
  During 2016 and 2017 the business developed products and services that were taken to market and refined accordingly with customer feedback. Unfortunately, it has been unable to scale the activity in accordance with initial targets. At the cabinet meeting on 9 January 2018, it was recommended that the company be moved into a state of dormancy and transfer assets and appropriate intellectual property such as brands, website etc. back to the Council as the shareholder.

- Implications for council tax strategy 2017/18
  For 2017/18, the budget proposal and council tax resolution included the assumed maximum £5 increase (for district councils, the maximum increase permissible was 1.99% or £5, whichever was the greater). A £5 increase at Band D represented a 3.59% increase, equivalent to just under 10 pence per week, and increased the band D council tax for Aylesbury Vale District Council to £144.06.

Capital strategy and capital programme 2017/18

The capital programme for 2017/18 onwards was presented to Council for consideration and approval on 22 February 2017. The Council maintains an integrated strategic capital programme which is divided into three sections:

- Major projects
  These are the largest and highest profile projects. For 2017/18 these included Waterside North and the public realm north of Exchange Street, the depot at Pembroke Road, Silverstone racing circuit provision and the loan facility for a commercial property in Aylesbury.

- Housing schemes
  These are the housing enabling and housing grant based schemes. The main element of funding for 2017/18 within this category relates to the Council’s housing enabling function. The Council continued to be successful in its delivery of affordable housing projects over the early period of the recession. However, housing associations have had to review their business plans in light of a change in the level of rents that they can charge, so potential new schemes have been delayed. Housing will continue to work with the housing associations to deliver as many houses as possible within their resources.

- Other projects
  This relates to all the other schemes included within the capital programme. Provision for these schemes remains unchanged, other than carrying forward unspent sums on schemes, which have been delayed for reasons outside of the Council’s control, examples being the Wendover car park extension.

The revenue financing implications arising from the capital programme were factored into the budget for 2017/18 and beyond.

Treasury management

An annual treasury management strategy is agreed by Council and this informs the governance framework. The key messages are:

- Investments
  The primary governing principle will remain security over return and the criteria for selecting counterparties reflect this.
- Borrowing
  Overall, this will remain fairly constant over the period covered by this report and the Council will remain under-borrowed against its borrowing requirement due to the higher cost of carrying debt.
- Governance
  Strategies are reviewed by the Audit Committee with continuous monitoring which includes mid-year and year end reporting.

Revenue outturn for 2017/18

The Council reported a deficit of £0.453m for the financial year when comparing actual expenditure against that budgeted (before the transfer from general fund balances). This is a slight reduction on the deficit assumed in Budget Plans for 2018/19 agreed by Council in January 2018. This leaves general fund working balances at a marginally higher level than predicted.

The Council's 2017/18 revenue outturn position is shown in the table below.

General fund revenue	2017/18 Budget £000	2017/18 Actual £000
Expenditure	88,772	105,265
Income	(71,247)	(66,651)
Net cost of services	17,525	38,614
Cost of borrowing	2,656	817
Other costs	5,149	(12,240)
Investment interest	(2,101)	(2,222)
Retained business rates	(4,458)	(4,831)
Income from grants	(8,528)	(9,442)
Net expenditure	10,243	10,696
Local taxpayers	(10,243)	(10,243)
Net balance	-	453

General fund balances	2017/18 Budget £000	2017/18 Actual £000
Balance 1 April	(3,646)	(2,873)
Net balance from fund	-	453
Special application of balances	-	443
Balance 31 March	(3,646)	(1,977)

The view, as presented above, reflects the general fund revenue account and balances. This presents the organisational structure and view used for the management reporting of the accounts during the financial year. The main detail of the Council's finances is reported throughout the year in the quarterly financial digest.

The presentation of the information in the statement of accounts includes information on revenue fund balances and also earmarked reserves.

The year end financial position is largely being driven by exceptional staff costs associated with the fundamental council-wide reorganisation which concluded during 2017/18. Over the past 12 months, the Council has undergone a series of business reviews in order to position itself as a more customer centric, innovative and commercial organisation. The financial benefit of the reorganisation has been to realise significant savings and has been central to the Council setting a balanced budget for the next 4 years.

In the year to 31 March 2018, salary savings were recognised as a result of business reviews and vacancies. However, some of these vacant posts were being filled by temporary staff (agency and consultants) at a premium. Further staff cost pressures included redundancy costs of £1.725m.

A number of factors contribute to the financial position including:

- pay costs are the largest contributor to the reported in-year overspend;
- housing benefits overpayments made in error due to system changes;
- savings relating to transitional relief on payment of business rates refunds;
- vehicle savings from the introduction of the new fleet, and savings on their running expenses;
- above budgeted levels of income from lettings at Pembroke Road and the Gateway;
- use of reserves to fund redundancy costs; and
- above budgeted receipt of government grant income in relation to business rates.

Forecast and outturn comparison

Whist overall the variance has remained largely unchanged from the forecast outturn position reported at the end of December 2017, there have been some changes in the outturn at a granular level. The forecast variance, at portfolio level, was worse than the year end position. These changes include:

- housing payments made in error as a result of system changes. This could not have been foreseen when completing the forecast at December 2017;
- changes in forecast income for car parking income and lettings;
- lower than forecast income from trade waste disposal fees and recycling credits. It had previously been indicated that income from recycling would reduce but this has happened earlier than anticipated;
- the impact of the staff changes across the organisation have been difficult to assess with precise accuracy. For operational issues, some changes didn't happen as quickly as forecast, and additional unanticipated costs were incurred in the last quarter; and
- there were also a number of changes in relation to the financing items, the overall impact of which was to offset the position reported at portfolio level. This included lower borrowing costs and higher than expected income from business rates.

Capital outturn 2017/18

The Council spent £8.505m on the delivery of its capital programme in 2017/18. Capital expenditure was financed by revenue contributions and capital receipts. It was anticipated during the year that a significant element of the programme would be funded from prudential borrowing. The Council has taken a prudent approach to financing the capital programme by deploying revenue reserves and cash balances instead of using external borrowing where possible as this produces a lower net cost. The change in funding will therefore reduce the on-going financing cost of the capital programme. The table below provides more detail of the spend in 2017/18:

Prior Years £000		Spend 2017/18 £000	C/fwd to future years £000
-	Aqua Vale retention payment	84	-
-	Waitrose retention adjustment	(32)	-
-	Swan Pool refurbishments	31	-
16,114	University Campus, Aylesbury Vale	-	437
-	Waterside North phase 1	3,926	174
215	Refuse vehicles replacement	4,083	-
2,110	Depot refurbishment	409	8,588
-	Community centre upgrades	4	146
18,439		8,505	9,345

Corporate and budgetary risks

The Council has an embedded process to manage risks and assist the achievement of its objectives, alongside national and local performance targets. The corporate risk register plays an integral role in supporting production of the corporate plan and is subject to annual review by the audit committee when it approves the final accounts.

Key corporate risks are detailed in the annual governance statement. The Council currently has a number of significant projects covering a wide range of services, which can involve working in partnership with others, many of which require considerable levels of one-off and recurrent funding from the Council. Specific risks relating to partnerships and projects have been incorporated into the annual governance statement where appropriate. The Council's annual governance statement provides more detailed insight into its vision strategy and corporate direction.

In formulating budget proposals for future years, it is necessary to make certain key assumptions and to acknowledge opportunities and risks:

- The single biggest issue that is likely to remain is the ongoing and severe impact of the reductions in government grant and how public-sector austerity continues to impact upon local government, as a whole, and the demands of the communities it serves and the services it provides.
- The reality of continued public-sector austerity through this parliamentary term has been confirmed within the 4 year funding settlement. Further, the Chancellor announced within his autumn statement that he expects the austerity agenda to continue into the next parliamentary term, thereby potentially spanning 6 further years from now.
- The Secretary of State for Housing, Communities and Local Government has announced a formal consultation on a review of relative needs and resources. The current formula of budget allocations has been in place for a number of years, but the government believes a revised distribution methodology is required to allow authorities to meet the challenges of the future. A new system, based on its findings, will be introduced in 2020/21.

- Alongside the new methodology, in 2020/21 a new phase for the business rates retention programme will also be introduced. The aim is for local authorities to retain 75% of business rates growth from 2020/21, and this is intended to be a lever and incentive for local authorities to grow their local economies. From 2020/21 the business rates baseline will be redistributed according to the outcome of the new needs assessment, subject to suitable transitional measures.
- Brexit is also likely to feature as a budget planning issue for future years but the impacts, positive or negative, are likely to be far reaching and much harder to predict. No direct financial implications of the change have been incorporated into the 2018/19 MTFP. The implications for the Council will be wide ranging with likely impacts on the value of the pound and spending power, possible impact on local businesses and business rates and impacts on the availability of workforce.
- During the period of the 2018/19 MTFP, a decision on unitary may be made. The current financial modelling to 2022/23 does not include any financial provision relating to outcomes arising from any future decisions.
- Any developments and costs relating to HS2 during the period of the MTFP are assumed to be cost neutral to the Council with all costs being reimbursed by developers.

Commercial AVDC
The overall programme is based on a risk management approach. Whilst it is anticipated that the level of profit from the income generated by commercial activities will ultimately exceed the level of savings that can be made in the Council's core operation, the actual future level of profits is, nevertheless, a prediction and not yet bankable.

The Council will continue to develop its commercial endeavours to address budget pressures over coming years but should recognise that not every venture is guaranteed to succeed and so varying degrees of success and failure should be expected and the risks managed accordingly.

The Council strategy around commercialism and efficiency is considered to remain the right strategy to deal with the financial challenges facing the Council, although work needs to continue to identify the right governance, solutions and risk profiles.

Summary position

It is clear that the Council's financial performance in 2017/18 continues to be good. The overall revenue outturn overspend of £0.453m was largely in line with expectations, capital outturn was £8.505m and the Council has sufficient reserves and balances to provide financial resilience for 2018/19 and future years.

In 2017/18, the Council has faced and dealt successfully with significant change. The major organisational change during 2017/18 means that the Council is well placed to adapt to the challenges and to take advantage of the opportunities offered. There are risks as highlighted previously, but there are well established and robust risk management processes in place, and together with robust financial management and reporting, the Council is in a strong position as it moves into 2018/19. Looking towards the future, the 2018/19 MTFP presented to Council in January 2018 presented a balanced budget for the next 4 years.

Basis of preparation

The Council prepares its statement of accounts on a going concern basis, under the assumption that it will continue in existence into the foreseeable future. Disclosures are included within the Statement of Accounts based on an assessment of their materiality. A disclosure is considered material if through an omission or a misstatement the decisions made by users of the accounts would be influenced. This could be due to the value or the nature of the disclosure.

Receipt of further information

If you would like to receive further information about these accounts, please do not hesitate to contact me at the Gateway, Gatehouse Road, Aylesbury HP19 8FF.

Acknowledgements
The production of the statement of accounts would not have been possible without the exceptionally hard work and dedication of staff across the Council. I would like to express my gratitude to all colleagues from the finance team and other services that have assisted in the preparation of the annual accounts. I would also like to thank them for all their support during the financial year.

1. 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.

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

The Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 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 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.

3. 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 2018. The current valuation shows a deficit on the fund of £97,567,000 (£105,972,000 at 31 March 2017) 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.

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 2018 has been prepared and I confirm that these accounts were approved by the audit committee at its meeting on 23 July 2018.

Chairman of Audit Committee
23 July 2018

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 2017/18* - 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 2018.

Andrew Small
Director (with responsibility for finance)
31 May 2018

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.

2016/17 restated								2017/18					
Council			Group					Council			Group		
Gross expenditure	Gross income	Net expenditure	Gross expenditure	Gross income	Net expenditure			Gross expenditure	Gross income	Net expenditure	Gross expenditure	Gross income	Net expenditure
£000	£000	£000	£000	£000	£000		note	£000	£000	£000	£000	£000	£000
2,411	(4,104)	(1,693)	2,411	(4,104)	(1,693)	Civic amenities		9,579	(4,019)	5,560	9,579	(4,019)	5,560
2,452	(362)	2,090	2,452	(362)	2,090	Commercialisation & business transformation		4,445	(306)	4,139	4,445	(306)	4,139
6,962	(2,814)	4,148	6,962	(2,814)	4,148	Communities		6,828	(1,978)	4,850	6,828	(1,978)	4,850
2,967	(2,889)	78	2,967	(2,889)	78	Economic development & regeneration		3,348	(3,194)	154	3,348	(3,194)	154
12,688	(5,259)	7,429	12,688	(5,259)	7,429	Environment & waste		13,349	(5,570)	7,779	13,349	(5,570)	7,779
5,224	(3,359)	1,865	5,224	(3,359)	1,865	Growth strategy		8,109	(3,340)	4,769	8,109	(3,340)	4,769
5,887	(976)	4,911	5,887	(976)	4,911	Leader		7,104	(773)	6,331	7,104	(773)	6,331
50,074	(47,885)	2,189	50,074	(47,885)	2,189	Resources, governance & compliance		52,503	(47,471)	5,032	52,503	(47,471)	5,032
88,665	**(67,648)**	**21,017**	**88,665**	**(67,648)**	**21,017**	**Cost of services**		**105,265**	**(66,651)**	**38,614**	**105,265**	**(66,651)**	**38,614**
		2,055			2,055	Other operating income and expenditure	10			2,979			2,979
		849			1,364	Financing and investment income and expenditure	11			1,430			2,904
		(31,912)			(31,912)	Taxation and non-specific grant income	12			(32,606)			(32,606)
		(7,991)			**(7,476)**	**(Surplus)/deficit on provision of services**				**10,417**			**11,891**
		(10,848)			(11,563)	Surplus on revaluation of property, plant and equipment assets	27.1			(10,523)			(11,576)
		24,924			24,924	Remeasurement of net defined benefit	27.4			(14,295)			(14,295)
		14,076			**13,361**	**Other comprehensive income and expenditure**				**(24,818)**			**(25,871)**
		6,085			**5,885**	**Total comprehensive income and expenditure**				**(14,401)**			**(13,980)**

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 2016 restated	**(36,079)**	**(6,362)**	**(1,950)**	**(44,391)**	**(47,139)**	**(91,530)**
Movement in reserves during 2016/17 restated						
(Surplus)/deficit on provision of services	(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 restated	**584**	**(447)**	**(993)**	**(856)**	**6,941**	**6,085**
Balance at 31 March 2017 restated	**(35,495)**	**(6,809)**	**(2,943)**	**(45,247)**	**(40,198)**	**(85,445)**
Movement in reserves during 2017/18						
(Surplus)/deficit on provision of services	10,417	-	-	10,417	(24,818)	(14,401)
Adjustments between accounting basis & funding basis under regulations (Note 8.2)	(10,898)	(3,900)	(12)	(14,810)	14,810	-
(Increase)/decrease in 2017/18	**(481)**	**(3,900)**	**(12)**	**(4,393)**	**(10,008)**	**(14,401)**
Balance at 31 March 2018	**(35,976)**	**(10,709)**	**(2,955)**	**(49,640)**	**(50,206)**	**(99,846)**

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 2016 restated	**(34,193)**	**(6,362)**	**(1,950)**	**(42,505)**	**(47,139)**	**(89,644)**	**(3,300)**	**(92,944)**
Movement in reserves during 2016/17 restated								
(Surplus)/deficit on provision of services	(7,476)	-	-	(7,476)	14,076	6,600	(720)	5,880
Adjustments between group accounts and authority accounts (Note 8.1)	108	-	-	108	-	108	(108)	-
Adjustments between accounting basis & funding basis under regulations (Note 8.2)	8,575	(447)	(993)	7,135	(7,135)	-	-	-
(Increase)/decrease in 2016/17 restated	**1,207**	**(447)**	**(993)**	**(233)**	**6,941**	**6,708**	**(828)**	**5,880**
Balance at 31 March 2017 restated	**(32,986)**	**(6,809)**	**(2,943)**	**(42,738)**	**(40,198)**	**(82,936)**	**(4,128)**	**(87,064)**
Movement in reserves during 2017/18								
(Surplus)/deficit on provision of services	11,891	-	-	11,891	(24,818)	(12,927)	(1,045)	(13,972)
Adjustments between group accounts and authority accounts (Note 8.1)	(1,474)	-	-	(1,474)	-	(1,474)	1,474	-
Adjustments between accounting basis & funding basis under regulations (Note 8.2)	(10,898)	(3,900)	(12)	(14,810)	14,810	-	-	-
(Increase)/decrease in 2017/18	**(481)**	**(3,900)**	**(12)**	**(4,393)**	**(10,008)**	**(14,401)**	**429**	**(13,972)**
Balance at 31 March 2018	**(33,467)**	**(10,709)**	**(2,955)**	**(47,131)**	**(50,206)**	**(97,337)**	**(3,699)**	**(101,036)**

Analysis of the general fund balance

1 April 2016 restated		31 March 2017 restated			31 March 2018	
Council	Group	Council	Group		Council	Group
£000	£000	£000	£000		£000	£000
(32,104)	(32,104)	(32,622)	(32,622)	Amounts earmarked (note 9)	(33,999)	(33,999)
(3,975)	(2,089)	(2,873)	(364)	Amounts uncommitted	(1,977)	532
(36,079)	**(34,193)**	**(35,495)**	**(32,986)**		**(35,976)**	**(33,467)**

Reconciliation of movement in reserves statement to balance sheet

1 April 2016 restated	31 March 2017 restated		31 March 2018
Group only	Group only		Group only
£000	£000		£000
(92,944)	(87,064)	Total reserves in the movement in reserves statement	(101,036)
3	8	Minority interest share of reserves of subsidiaries	-
(92,941)	**(87,056)**	**Total reserves in the balance sheet**	**(101,036)**

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’.

1 April 2016 restated		31 March 2017 restated				31 March 2018	
Council	Group	Council	Group			Council	Group
£000	£000	£000	£000		note	£000	£000
				Property, plant & equipment			
108,919	108,919	132,183	132,183	Other land and buildings	13.7	133,292	133,292
1,349	1,597	1,314	2,250	Vehicles, plant and equipment	13.7	5,049	5,049
19	19	19	19	Community assets	13.7	19	19
9,729	9,729	1	1	Surplus assets not held for sale	13.7	1	1
220	220	220	220	Heritage assets	13.7	220	220
85	85	1,118	1,118	Assets under construction	13.7	5,453	5,453
120,321	**120,569**	**134,855**	**135,791**	**Total property, plant & equipment**		**144,034**	**144,034**
415	415	415	415	Investment property	14	673	673
1,284	-	1,284	-	Long term investments	15	1,284	-
-	2,743	-	3,100	Investment in joint venture	16	-	2,801
43,808	43,471	49,039	48,001	Long term debtors	17,37	46,986	46,986
165,828	**167,198**	**185,593**	**187,307**	**Long term assets**		**192,977**	**194,494**
428	428	-	-	Assets held for resale	18	-	-
32,569	32,569	38,081	38,081	Short term investments	19	34,582	34,582
3	3	3	3	Inventories		3	3
11,108	11,136	11,158	11,257	Short term debtors	19,20	12,396	13,575
4,387	4,387	4,496	4,496	Short term loans	19,21	6,301	4,744
9,074	9,131	4,695	4,726	Cash and cash equivalents	19,22	11,810	11,900
57,569	**57,654**	**58,433**	**58,563**	**Current assets**		**65,092**	**64,804**
-	-	-	-	Short term borrowing	19	(5,028)	(5,028)
(10,935)	(10,979)	(13,775)	(14,008)	Short term creditors	19,23	(18,298)	(18,337)
(1,744)	(1,744)	(797)	(797)	Provisions	24	(1,662)	(1,662)
(12,679)	**(12,723)**	**(14,572)**	**(14,805)**	**Current liabilities**		**(24,988)**	**(25,027)**
(187)	(187)	(166)	(166)	Provisions	24	(306)	(306)
(95,408)	(95,408)	(120,433)	(120,433)	Other long term liabilities	25	(114,732)	(114,732)
(23,593)	(23,593)	(23,410)	(23,410)	Long term borrowing	19	(18,197)	(18,197)
(119,188)	**(119,188)**	**(144,009)**	**(144,009)**	**Long term liabilities**		**(133,235)**	**(133,235)**
91,530	**92,941**	**85,445**	**87,056**	**Net assets**		**99,846**	**101,036**
(44,391)	(41,465)	(45,247)	(41,810)	Usable reserves	MiRS, 26	(49,640)	(44,721)
(47,139)	(51,476)	(40,198)	(45,246)	Unusable reserves	MiRS, 27	(50,206)	(56,315)
(91,530)	**(92,941)**	**(85,445)**	**(87,056)**	**Total reserves**		**(99,846)**	**(101,036)**

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.

2016/17 restated				2017/18	
Council	Group			Council	Group
£000	£000		note	£000	£000
7,991	7,476	Net surplus/(deficit) on the provision of services		(10,417)	(11,891)
3,413	4,590	Adjustment to surplus/(deficit) on the provision of services for non cash movements	28.1	21,719	22,316
(5,549)	(5,549)	Adjustments for items included in the net surplus/(deficit) on the provision of services that are investing and financing activities	28.2	(3,225)	(3,225)
5,855	6,517	Net cash flows from operating activities		8,077	7,200
(10,963)	(11,651)	Net cash flows from investing activities	29	(715)	221
729	729	Net cash flows from financing activities	30	(247)	(247)
(4,379)	(4,405)	Net (decrease)/increase in cash and cash equivalents		7,115	7,174
9,074	9,131	Cash and cash equivalents at the beginning of the reporting period		4,695	4,726
4,695	**4,726**	**Cash and cash equivalents at the end of the reporting period**	22	**11,810**	**11,900**

1. Accounting Policies

1.1 General principles

The statement of accounts summarises the Council's transactions for the 2017/18 financial year and its position at 31 March 2018. 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 2017/18, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the 2003 Act.

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

The accounts have been prepared on a going concern basis, under the assumption that the Council will continue in existence for the foreseeable future.

Unless otherwise stated the convention used in this document is to round amounts to the nearest thousand pounds. Throughout the statements all credit balances are shown with parentheses e.g. (£1,234).

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

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to the ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

1.13.1 The Council as lessee

- Operating leases

  Rentals paid under operating leases are charged to the comprehensive income and expenditure statement as expenses of the services benefitting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments.

1.13.2 The Council as lessor

- Finance leases

  Where the Council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the balance sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the balance sheet (whether property, plant or equipment or assets held for sale) is written off to the other operating expenditure line in the comprehensive income and expenditure statement as part of the gain or loss on disposal. A gain, representing the Council's net investment in the lease, is credited to the same line in the comprehensive income and expenditure statement also 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), matched by a lease (long term debtor) asset in the balance sheet.

  Lease rentals receivable are apportioned between:

  - a charge for the acquisition of the interest in the property – applied to write down the lease debtor, and
  - finance income (credited to the financing and investment income and expenditure line in the comprehensive income and expenditure statement).

  The gain credited to the comprehensive income and expenditure statement on disposal is not permitted by statute to increase the general fund balance and is required to be treated as a capital receipt. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future years, this is posted out of the general fund balance to the deferred capital receipts reserve in the movement in reserves statement.

  The written off value of disposals is not a charge against council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the capital adjustment account.

- Operating leases

  Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the balance sheet. Rental income is credited to the other operating expenditure line in the comprehensive income and expenditure statement. Credits are made on a straight line basis over the life of the lease, even if this does not match the pattern of payments. Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as expenses over the lease term on the same basis as rental income.

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 2017/18 (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 2018/19 Code relate to recognition and measurement of financial assets and are anticipated to have little 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 2018 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 2018. 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 2018.

- 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 2018, the Council had a balance of sundry debtors for £10,469,000. A review of significant balances suggested that an impairment for doubtful debts of 26% (£2,747,000) 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 2017/18, 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 £88,500 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 departments 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 23 July 2018. 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 2018, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

On 12th March 2018, the Secretary of State for Housing, Communities and Local Government announced:

“I am minded to implement, subject to Parliamentary approval and further discussions, to replace the existing five councils across Buckinghamshire with a single council for the area".

In response to this minded decision, Aylesbury Vale District Council and the other district councils in Buckinghamshire have made representation to the Secretary of State (submitted 25 May 2018) outlining an alternative proposal to replace the current structure with two new unitary councils – one for the area of Aylesbury Vale and the other for the remainder of the current county area.

As at the balance sheet date, no decision has been made on the configuration of local government for Buckinghamshire in the future. It is not known when the Secretary of State will make a final decision; the final decision would also be subject to Parliamentary approval.

6. Prior period adjustments

In completing the group accounts for 2017/18, adjustments have been made to amend consolidation entries in previous periods in light of revised information. A reconciliation of these adjustments can be found at note 44.

7 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.

2016/17 restated							2017/18					
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
(1,693)	1,649	(44)	(1,693)	1,649	(44)	Civic amenities	5,560	(6,311)	(751)	5,560	(6,311)	(751)
2,090	(189)	1,901	2,090	(189)	1,901	Commercialisation & business transformation	4,139	(476)	3,663	4,139	(476)	3,663
4,148	(589)	3,559	4,148	(589)	3,559	Communities	4,850	(342)	4,508	4,850	(342)	4,508
78	(1,486)	(1,408)	78	(1,486)	(1,408)	Economic development & regeneration	154	(1,347)	(1,193)	154	(1,347)	(1,193)
7,429	(1,026)	6,403	7,429	(1,026)	6,403	Environment & waste	7,779	(1,657)	6,122	7,779	(1,657)	6,122
1,865	(381)	1,484	1,865	(381)	1,484	Growth strategy	4,769	(794)	3,975	4,769	(794)	3,975
4,911	(1,033)	3,878	4,911	(1,033)	3,878	Leader	6,331	(2,317)	4,014	6,331	(2,317)	4,014
2,189	1,430	3,619	2,189	1,430	3,619	Resources, governance & compliance	5,032	598	5,630	5,032	598	5,630
21,017	**(1,625)**	**19,392**	**21,017**	**(1,625)**	**19,392**	**Net cost of services**	**38,614**	**(12,646)**	**25,968**	**38,614**	**(12,646)**	**25,968**
(29,008)	10,200	(18,808)	(28,493)	10,308	(18,185)	Other income and expenditure	(28,197)	1,748	(26,449)	(26,723)	274	(26,449)
		584			**1,207**	**Deficit/(surplus)**			**(481)**			**(481)**
		(36,079)			(34,193)	Opening general fund balance at 1 April			(35,495)			(32,986)
		584			1,207	Deficit/(surplus) for the year			(481)			(481)
		(35,495)			**(32,986)**	**Closing general fund balance at 31 March**			**(35,976)**			**(33,467)**

7.1 Note to the expenditure and funding analysis

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

	2017/18 Council				2017/18 Group			
	Adjustments for capital purposes (note 1) £000	Net change for the pensions adjustment (note 2) £000	Other Differences (note 3) £000	Total Adjustments £000	Adjustments for capital purposes (note 1) £000	Net change for the pensions adjustment (note 2) £000	Other Differences (note 3) £000	Total Adjustments £000
Civic amenities	(6,109)	(202)	-	(6,311)	(6,109)	(202)	-	(6,311)
Commercialisation & business transformation	-	(476)	-	(476)	-	(476)	-	(476)
Communities	143	(485)	-	(342)	143	(485)	-	(342)
Economic development & regeneration	(1,190)	(157)	-	(1,347)	(1,190)	(157)	-	(1,347)
Environment & waste	(348)	(1,309)	-	(1,657)	(348)	(1,309)	-	(1,657)
Growth strategy	-	(794)	-	(794)	-	(794)	-	(794)
Leader	(2,087)	(230)	-	(2,317)	(2,087)	(230)	-	(2,317)
Resources, governance & compliance	-	598	-	598	-	598	-	598
Net cost of services	**(9,591)**	**(3,055)**	**-**	**(12,646)**	**(9,591)**	**(3,055)**	**-**	**(12,646)**
Financing items	4,927	(2,835)	(344)	1,748	4,927	(2,835)	(344)	1,748
Share of subsidiary and joint venture reserves	-	-	-	-	-	-	(1,474)	(1,474)
Other income and expenditure	**4,927**	**(2,835)**	**(344)**	**1,748**	**4,927**	**(2,835)**	**(1,818)**	**274**

	2016/17 restated Council				2016/17 restated 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
Civic amenities	1,831	(182)	-	1,649	1,831	(182)	-	1,649
Commercialisation & business transformation	-	(189)	-	(189)	-	(189)	-	(189)
Communities	(367)	(222)	-	(589)	(367)	(222)	-	(589)
Economic development & regeneration	(1,444)	(42)	-	(1,486)	(1,444)	(42)	-	(1,486)
Environment & waste	(349)	(677)	-	(1,026)	(349)	(677)	-	(1,026)
Growth strategy	-	(381)	-	(381)	-	(381)	-	(381)
Leader	(1,004)	(29)	-	(1,033)	(1,004)	(29)	-	(1,033)
Resources, governance & compliance	(12)	1,442	-	1,430	(12)	1,442	-	1,430
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	-	-	-	-	-	-	108	108
Other income and expenditure	**6,846**	**2,165**	**1,189**	**10,200**	**6,846**	**2,165**	**1,297**	**10,308**

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.

7.2 Expenditure and income analysed by nature

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

2016/17 restated			2017/18	
Council	Group		Council	Group
£000	£000		£000	£000
		Expenditure		
23,356	23,356	Employee benefits expenses	29,865	29,865
64,309	64,309	Other service expenses	66,100	66,100
(39)	(39)	Support service recharges	(291)	(291)
1,039	1,039	Depreciation & impairment	9,591	9,591
3,653	3,653	Interest payments	3,652	3,652
5,057	5,057	Precepts & levies	5,338	5,338
1	1	Payments to housing capital receipts pool	-	-
23	23	Loss/(gain) on disposal of fixed assets	(14)	(14)
-	(264)	Share of (profits)/losses attributable to joint venture	-	1,352
-	157	Losses attributable to subsidiary companies	-	122
340	340	Other expenditure	179	179
97,739	**97,632**	**Total expenditure**	**114,420**	**115,894**
		Income		
(67,648)	(67,648)	Fees, charges & other service income	(66,651)	(66,651)
(2,182)	(2,182)	Interest and investment income	(2,222)	(2,222)
(21,095)	(21,095)	Income from council tax & non-domestic rates	(21,418)	(21,418)
(3,177)	(3,177)	Post stock transfer capital receipts	(2,339)	(2,339)
(10,817)	(10,817)	Government grants & contributions	(11,188)	(11,188)
(622)	-	Dividends receivable	-	-
(189)	(189)	Other income	(185)	(185)
(105,730)	**(105,108)**	**Total income**	**(104,003)**	**(104,003)**
(7,991)	**(7,476)**	**(Surplus)/deficit on the provision of services**	**10,417**	**11,891**

8. Adjustments

8.1 Adjustments between group accounts and Council accounts

2016/17 restated		2017/18
Group		Group
£000		£000
(264)	Share of AVE LLP (profit)/loss for the year	1,352
111	Aylesbury Vale Broadband Ltd loss for the year	47
38	Vale Commerce Ltd loss for the year	75
7	Novae Ltd loss for the year	-
(108)		**1,474**

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	**2017/18**		
	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 from the pensions reserve)	(5,890)	-	-
• Council tax and NNDR (transferred from the collection fund adjustment account)	(227)	-	-
• Holiday pay (transferred from the accumulated absences reserve)	(117)	-	-
• Reversal of entries included in the deficit/(surplus) on the provision of services in relation to capital expenditure (these items are charged to the capital adjustment account)	(9,495)	-	(96)
Total adjustments to the revenue resources	**(15,729)**	**-**	**(96)**
Adjustments between revenue and capital resources			
Transfer of non-current asset sale proceeds from revenue to the capital receipts reserve	3,129	(3,129)	-
Statutory provision for the repayment of debt (transferred from the capital adjustment account)	1,702	-	-
Total adjustments between revenue and capital resources	**4,831**	**(3,129)**	**-**
Adjustments to capital resources			
Application of capital grants to finance capital expenditure	-	-	84
Cash payments in relation to deferred capital receipts	-	(771)	-
Total adjustments to capital resources	**-**	**(771)**	**84**
Total adjustments	**(10,898)**	**(3,900)**	**(12)**

Council and group	2016/17 restated		
	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 from the pensions reserve)	1,885	-	-
• Council tax and NNDR (transferred from the collection fund adjustment account)	1,314	-	-
• Holiday pay (transferred from the accumulated absences reserve)	(102)	-	-
• Reversal of entries included in the deficit/(surplus) 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 (transferred from the capital adjustment account)	1,702	-	-
Capital expenditure financed from revenue balances (transferred to the capital adjustment account)	-	-	-
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)**

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 2016/17 and 2017/18.

Council and group	Balance 1 April 2016 restated	Transfers out 2016/17	Transfers in 2016/17	Balance 31 March 2017 restated	Transfers out 2017/18	Transfers in 2017/18	Balance 31 March 2018
	£000	£000	£000	£000	£000	£000	£000
Capital purposes							
Amenity areas	(2,748)	-	(172)	(2,920)	-	(177)	(3,097)
Property sinking	(1,812)	-	-	(1,812)	-	-	(1,812)
Property strategy	(540)	-	-	(540)	-	-	(540)
Information technology	(1,448)	176	(297)	(1,569)	1,370	-	(199)
Future vehicle costs	(4)	-	(135)	(139)	55	-	(84)
	(6,552)	**176**	**(604)**	**(6,980)**	**1,425**	**(177)**	**(5,732)**
Revenue purposes							
New homes bonus - Waterside North	-	-	-	-	-	(8,798)	(8,798)
New homes bonus - parishes	(1,277)	399	(938)	(1,816)	1,063	(1,585)	(2,338)
New homes bonus - affordable housing	-	-	-	-	-	(2,158)	(2,158)
New homes bonus - Silverstone heritage	-	-	-	-	-	(2,000)	(2,000)
Interest equalisation	(2,834)	167	(230)	(2,897)	875	-	(2,022)
New homes bonus - high speed broadband	-	-	-	-	-	(1,536)	(1,536)
Business rates	(2,001)	-	-	(2,001)	850	(617)	(1,768)
Repairs & renewals	(1,195)	248	(151)	(1,098)	136	(183)	(1,145)
Fairford Leys riverine	(862)	-	(8)	(870)	-	(8)	(878)
LABGI	(857)	-	-	(857)	-	-	(857)
Superannuation	(1,283)	277	-	(1,006)	277	-	(729)
Planning fees	(2,346)	396	(60)	(2,010)	1,851	(400)	(559)
Self insurance	(577)	36	-	(541)	-	-	(541)
Health licensing income	(171)	-	(240)	(411)	-	(118)	(529)
Aylesbury special expenses	(504)	-	(48)	(552)	85	-	(467)
New homes bonus - east/west rail link	-	-	-	-	-	(350)	(350)
Recycling & composting	(306)	160	(77)	(223)	-	(69)	(292)
New homes bonus - depot refurbishment	-	-	-	-	-	(209)	(209)
Car parking	(207)	-	-	(207)	-	-	(207)
District elections	(199)	-	(45)	(244)	147	(67)	(164)
Leisure activities	(158)	8	(109)	(259)	103	-	(156)
Historic buildings	(141)	6	(5)	(140)	5	-	(135)
Housing needs & section 106	(107)	-	-	(107)	-	-	(107)
Business support fund	(102)	-	-	(102)	-	-	(102)
Rent guarantee scheme	(71)	-	-	(71)	-	-	(71)
Market research	(47)	-	-	(47)	-	-	(47)
Playgrounds	(40)	-	-	(40)	-	-	(40)
Benefit subsidy	(807)	374	-	(433)	400	-	(33)
Business transformation	(89)	60	-	(29)	-	-	(29)
New homes bonus - uncommitted	(9,344)	5,777	(6,114)	(9,681)	9,681	-	-
Land registry fees	(11)	11	-	-	-	-	-
Other	(8)	8	-	-	-	-	-
Corporate improvement	(8)	8	-	-	-	-	-
	(25,552)	**7,935**	**(8,025)**	**(25,642)**	**15,473**	**(18,098)**	**(28,267)**
	(32,104)	**8,111**	**(8,629)**	**(32,622)**	**16,898**	**(18,275)**	**(33,999)**

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) 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.

(d) 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.

(e) 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.

(f) 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.

(g) 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.

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

10. Other operating income and expenditure

2016/17 restated Council and Group		2017/18 Council and Group
£000		£000
5,057	Parish precepts	5,338
1	Payments to the government housing capital receipts pool	-
(3,177)	Post stock transfer capital receipts	(2,339)
(275)	Commuted sum income	(176)
426	Other operating costs	170
23	Loss/(gain) on disposal of non-current assets	(14)
2,055		**2,979**

11. Financing and investment income and expenditure

2016/17 restated Council	2016/17 restated Group		2017/18 Council	2017/18 Group
£000	£000		£000	£000
818	818	Interest payable and similar charges	817	817
2,835	2,835	Net interest on the net defined liability	2,835	2,835
(2,182)	(2,182)	Interest receivable and similar income	(2,222)	(2,222)
-	157	Losses attributable to subsidiary companies	-	122
-	(264)	Share of (profits)/losses attributable to joint venture	-	1,352
(622)	-	Distribution attributable to joint venture (note 31)	-	-
849	**1,364**		**1,430**	**2,904**

12. Taxation and non-specific grant income

2016/17 restated Council and Group		2017/18 Council and Group
£000		£000
(15,604)	Council tax income	(16,587)
(5,491)	Non domestic rates	(4,831)
(10,189)	Non-ringfenced government grants (note 32)	(9,442)
(628)	Capital grants and contributions	(1,746)
(31,912)		**(32,606)**

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	0 - 20 years
Multi-storey car parks	26 - 60 years
Sports pavilions	10 - 28 years
Other public buildings	8 - 45 years
Waste Bins	7 years
Vehicles	7 years
Equipment	5 years

13.4 Capital commitments

The Council had no outstanding capital commitments at 31 March 2018.

The Council had no construction contracts in effect at 31 March 2018.

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 £88,500 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 2018.

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	2017/18						
	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 2017 restated	137,114	6,422	19	11	220	1,118	144,904
Additions	87	4,083	-	-	-	4,335	8,505
Revaluation increases recognised in the revaluation reserve	9,490	-	-	-	-	-	9,490
Revaluation decreases recognised in the deficit on the provision of services	(10,263)	-	-	-	-	-	(10,263)
Other movements in cost or valuation	(750)	(3)	-	-	-	-	(753)
At 31 March 2018	**135,678**	**10,502**	**19**	**11**	**220**	**5,453**	**151,883**
Accumulated depreciation							
At 1 April 2017 restated	(4,931)	(5,108)	-	(10)	-	-	(10,049)
Depreciation charge	762	(348)	-	-	-	-	414
Depreciation written out to the revaluation reserve	1,033	-	-	-	-	-	1,033
Other movements	750	3	-	-	-	-	753
At 31 March 2018	**(2,386)**	**(5,453)**	**-**	**(10)**	**-**	**-**	**(7,849)**
Net book value							
At 31 March 2018	**133,292**	**5,049**	**19**	**1**	**220**	**5,453**	**144,034**
At 1 April 2017 restated	**132,183**	**1,314**	**19**	**1**	**220**	**1,118**	**134,855**

Group	2017/18						
	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 2017 restated	137,114	7,405	19	11	220	1,118	145,887
Additions	87	4,328	-	-	-	4,335	8,750
Revaluation increases recognised in the revaluation reserve	9,490	-	-	-	-	-	9,490
Revaluation decreases recognised in the deficit on the provision of services	(10,263)	-	-	-	-	-	(10,263)
Derecognition - disposals	-	(1,228)	-	-	-	-	(1,228)
Other movements in cost or valuation	(750)	(3)	-	-	-	-	(753)
At 31 March 2018	**135,678**	**10,502**	**19**	**11**	**220**	**5,453**	**151,883**
Accumulated depreciation							
At 1 April 2017 restated	(4,931)	(5,155)	-	(10)	-	-	(10,096)
Depreciation charge	762	(348)	-	-	-	-	414
Depreciation written out to the revaluation reserve	1,033	-	-	-	-	-	1,033
Derecognition - disposals	-	47	-	-	-	-	47
Other movements	750	3	-	-	-	-	753
At 31 March 2018	**(2,386)**	**(5,453)**	**-**	**(10)**	**-**	**-**	**(7,849)**
Net book value							
At 31 March 2018	**133,292**	**5,049**	**19**	**1**	**220**	**5,453**	**144,034**
At 1 April 2017 restated	**132,183**	**2,250**	**19**	**1**	**220**	**1,118**	**135,791**

Council	2016/17 restated						
	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	-	-	-	-	1,245	4,725
Revaluation increases recognised in the revaluation reserve	8,901	314	-	-	-	-	9,215
Revaluation decreases recognised in the surplus on the provision of services	(752)	-	-	-	-	-	(752)
Impairment written out to the surplus 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 restated						
	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	6,369	19	9,729	220	85	132,189
Additions	3,480	722	-	-	-	1,245	5,447
Revaluation increases recognised in the revaluation reserve	8,901	314	-	-	-	-	9,215
Revaluation decreases recognised in the surplus on the provision of services	(752)	-	-	-	-	-	(752)
Impairment written out to the surplus on the provision of services	-	-	-	-	-	(212)	(212)
Other movements in cost or valuation	9,718	-	-	(9,718)	-	-	-
At 31 March 2017	**137,114**	**7,405**	**19**	**11**	**220**	**1,118**	**145,887**
Accumulated depreciation							
At 1 April 2016	(6,848)	(4,772)	-	-	-	-	(11,620)
Depreciation charge	284	(383)	-	(10)	-	-	(109)
Depreciation written out to the revaluation reserve	1,633	-	-	-	-	-	1,633
At 31 March 2017	**(4,931)**	**(5,155)**	**-**	**(10)**	**-**	**-**	**(10,096)**
Net book value							
At 31 March 2017	**132,183**	**2,250**	**19**	**1**	**220**	**1,118**	**135,791**
At 1 April 2016	**108,919**	**1,597**	**19**	**9,729**	**220**	**85**	**120,569**

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:

2016/17 restated Council and group		2017/18 Council and group
£000		£000
(9)	Rental income from investment property	(3)
110	Direct operating expenses arising from investment property	116
101		**113**

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:

1 April 2016 restated Council and group	31 March 2017 restated Council and group		31 March 2018 Council and group
£000	£000		£000
415	415	Balance at 1 April	415
-	-	Revaluations	258
415	**415**	**Balance at 31 March**	**673**

15. Long term investments

1 April 2016 restated Council	31 March 2017 restated Council		31 March 2018 Council
£000	£000		£000
1,284	1,284	Aylesbury Vale Estates LLP	1,284
1,284	**1,284**		**1,284**

16. Investment in joint venture

1 April 2016 restated Group	31 March 2017 restated Group		31 March 2018 Group
£000	£000		£000
1,308	1,308	Investment at cost	1,308
(24)	(24)	Capital repayments and distributions	(24)
(1,887)	(2,509)	Distributions	(2,509)
(995)	(731)	AVDC share of accumulated losses	(2,083)
4,341	5,056	AVDC share of accumulated revaluation gains	6,109
2,743	**3,100**		**2,801**

17. Long term debtors

1 April 2016 restated		31 March 2017 restated			31 March 2018	
Council	Group	Council	Group		Council	Group
£000	£000	£000	£000		£000	£000
27,855	27,855	27,422	27,422	Aylesbury Vale Estates LLP	26,970	26,970
15,577	15,577	15,150	15,150	Finance leases	14,923	14,923
-	-	4,912	4,912	Hale Leys LLP	4,213	4,213
327	-	986	-	Aylesbury Vale Broadband Ltd	-	-
-	-	500	500	Bucks Advantage	500	500
-	-	-	-	Silverstone	375	375
10	-	50	-	Vale Commerce Ltd	-	-
39	39	19	19	Car purchase loans	5	5
43,808	**43,471**	**49,039**	**48,003**		**46,986**	**46,986**

18. Assets held for resale

1 April 2016 Restated	31 March 2017 Restated		31 March 2018
Council and group	Council and group		Council and group
£000	£000		£000
		Elmhurst Community Centre	
-	428	Balance as at 1 April	-
451	-	Additions	-
-	(428)	Disposals	-
(23)	-	Revaluation - Impairment	-
428	**-**		**-**

19. Financial instruments

19.1 Categories of financial instruments

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

	1 April 2016 restated				31 March 2017 restated				31 March 2018			
	Council		Group		Council		Group		Council		Group	
	Long term	Current	Long term	Current	Long term	Current	Long term	Current	Long term	Current	Long term	Current
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Investments												
Loans and receivables	-	32,569	-	32,569	-	38,081	-	38,081	-	34,582	-	34,582
Total investments	**-**	**32,569**	**-**	**32,569**	**-**	**38,081**	**-**	**38,081**	**-**	**34,582**	**-**	**34,582**
Debtors												
Loans and receivables	43,808	4,387	43,471	4,496	49,039	4,496	48,001	4,496	46,986	6,301	46,986	4,744
Financial assets carried at contract amounts	-	7,749	-	7,777	-	8,615	-	8,714	-	8,186	-	9,365
Total debtors	**43,808**	**12,136**	**43,471**	**12,273**	**49,039**	**13,111**	**48,001**	**13,210**	**46,986**	**14,487**	**46,986**	**14,109**
Cash and cash equivalents												
Financial assets carried at contract amounts	-	9,074	-	9,131	-	4,695	-	4,726	-	11,810	-	11,900
Total cash and cash equivalents	**-**	**9,074**	**-**	**9,131**	**-**	**4,695**	**-**	**4,726**	**-**	**11,810**	**-**	**11,900**
Borrowings												
Financial liabilities at amortised cost	(23,593)	-	(23,593)	-	(23,410)	-	(23,410)	-	(18,197)	(5,028)	(18,197)	(5,028)
Total borrowings	**(23,593)**	**-**	**(23,593)**	**-**	**(23,410)**	**-**	**(23,410)**	**-**	**(18,197)**	**(5,028)**	**(18,197)**	**(5,028)**
Creditors												
Financial liabilities carried at contract amounts	-	(7,665)	-	(7,709)	-	(8,468)	-	(8,701)	-	(9,633)	-	(9,672)
Total creditors	**-**	**(7,665)**	**-**	**(7,709)**	**-**	**(8,468)**	**-**	**(8,701)**	**-**	**(9,633)**	**-**	**(9,672)**

19.2 Income, expense, gains and losses

2016/17 restated Council and group				2017/18 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
-	818	818	Interest expense	-	817	817
-	**818**	**818**	**Total expense in deficit on the provision of services**	**-**	**817**	**817**
(2,182)	-	(2,182)	Interest income	(2,222)	-	(2,222)
(2,182)	**-**	**(2,182)**	**Total income in deficit on the provision of services**	**(2,222)**	**-**	**(2,222)**
(2,182)	**818**	**(1,364)**		**(2,222)**	**817**	**(1,405)**

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.

1 April 2016 restated				31 March 2017 restated					31 March 2018			
Council		Group		Council		Group			Council		Group	
Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value		Carrying amount	Fair value	Carrying amount	Fair value
£0	£000	£000	£000	£000	£000	£000	£000		£000	£000	£000	£000
								Financial assets				
43,808	43,808	43,471	43,471	49,039	49,039	48,001	48,001	Long term debtors	46,986	46,986	46,986	46,986
32,569	38,621	32,569	38,621	38,081	38,621	38,081	38,621	Short term investments	34,582	34,582	34,582	34,582
9,074	9,074	9,131	9,131	4,695	4,695	4,726	4,726	Cash and cash equivalents	11,810	11,810	11,900	11,900
85,451	**91,503**	**85,171**	**91,223**	**91,815**	**92,355**	**90,808**	**91,348**		**93,378**	**93,378**	**93,468**	**93,468**
								Financial liabilities				
(12,475)	(12,475)	(12,475)	(12,475)	(14,461)	(14,461)	(14,461)	(14,461)	Long term creditors	(17,165)	(17,165)	(17,165)	(17,165)
(23,593)	(26,685)	(23,593)	(26,685)	(23,410)	(27,708)	(23,410)	(27,708)	Long term borrowing	(18,197)	(22,095)	(18,197)	(22,095)
-	-	-	-	-	-	-	-	Short term borrowing	(5,028)	(5,028)	(5,028)	(5,028)
(36,068)	**(39,160)**	**(36,068)**	**(39,160)**	**(37,871)**	**(42,169)**	**(37,871)**	**(42,169)**		**(40,390)**	**(44,288)**	**(40,390)**	**(44,288)**

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

20. Short term debtors

1 April 2016 restated		31 March 2017 restated			31 March 2018	
Council	Group	Council	Group		Council	Group
£000	£000	£000	£000		£000	£000
1,576	1,576	696	696	Central government bodies	1,722	1,722
497	497	276	276	Other local authorities	144	144
113	113	187	187	NHS bodies	261	261
193	193	193	193	Amounts owed by joint venture	193	193
11,637	11,509	12,608	12,707	Other entities and individuals	12,823	14,002
14,016	13,888	13,960	14,059		15,143	16,322
(2,752)	(2,752)	(2,802)	(2,802)	Provision for impairment of bad debts	(2,747)	(2,747)
11,264	**11,136**	**11,158**	**11,257**		**12,396**	**13,575**

21. Short term loans

1 April 2016 restated	31 March 2017 restated		31 March 2018	
Council and group	Council and group		Council	Group
£000	£000		£000	£000
2,900	2,900	Hale Leys LLP	3,250	3,250
1,487	1,596	Aylesbury Vale Estates LLP	1,494	1,494
-	-	Aylesbury Vale Broadband Ltd	1,442	-
-	-	Vale Commerce Ltd	115	-
4,387	**4,496**		**6,301**	**4,744**

22. Cash and cash equivalents

1 April 2016 restated		31 March 2017 restated			31 March 2018	
Council	Group	Council	Group		Council	Group
£000	£000	£000	£000		£000	£000
1	1	1	1	Cash	1	1
2,493	2,550	1,191	1,222	Bank current accounts	879	969
6,580	6,580	3,503	3,503	Short term deposits	10,930	10,930
9,074	**9,131**	**4,695**	**4,726**		**11,810**	**11,900**

23. Short term creditors

1 April 2016 restated		31 March 2017 restated			31 March 2018	
Council	Group	Council	Group		Council	Group
£000	£000	£000	£000		£000	£000
(2,939)	(2,939)	(3,290)	(3,290)	Central government bodies	(4,968)	(4,968)
(2,872)	(2,872)	(3,356)	(3,356)	Other local authorities	(2,673)	(2,673)
(95)	(95)	(118)	(118)	NHS bodies	(83)	(83)
(5,029)	(5,073)	(7,011)	(7,244)	Other entities and individuals	(10,574)	(10,613)
(10,935)	**(10,979)**	**(13,775)**	**(14,008)**		**(18,298)**	**(18,337)**

24. Provisions

	Council and group Short term NNDR appeals	Council and group Long term Refundable bonds
	£000	£000
Balance at 1 April 2016 restated	**(1,744)**	**(187)**
Additional provisions made in 2016/17 restated		21
Unused amounts reversed in 2016/17 restated	947	-
Balance at 31 March 2017 restated	**(797)**	**(166)**
Additional provisions made in 2017/18	(865)	(140)
Balance at 31 March 2018	**(1,662)**	**(306)**

25. Other long term liabilities

1 April 2016 restated Council and group	31 March 2017 restated Council and group		31 March 2018 Council and group
£000	£000		£000
(82,933)	(105,972)	Pension liability	(97,567)
(12,475)	(14,461)	Developer contributions	(17,165)
(95,408)	**(120,433)**		**(114,732)**

26. Usable reserves

Movement in usable reserves are summarised below:

Council	1 April 2016 restated	Movements Debits	Movements Credits	31 March 2017 restated	Movements Debits	Movements Credits	31 March 2018
	£000	£000	£000	£000	£000	£000	£000
General fund balance	(3,975)	122,969	(121,867)	(2,873)	142,085	(141,189)	(1,977)
Capital receipts reserve	(6,362)	3,753	(4,200)	(6,809)	-	(3,900)	(10,709)
Capital grants unapplied	(1,950)	974	(1,967)	(2,943)	84	(96)	(2,955)
Earmarked reserves	(32,104)	8,111	(8,629)	(32,622)	16,898	(18,275)	(33,999)
	(44,391)	**135,807**	**(136,663)**	**(45,247)**	**159,067**	**(163,460)**	**(49,640)**

Group	1 April 2016 restated	Movements Debits	Movements Credits	31 March 2017 restated	Movements Debits	Movements Credits	31 March 2018
	£000	£000	£000	£000	£000	£000	£000
General fund balance	(2,089)	122,970	(121,245)	(364)	142,085	(141,189)	532
Capital receipts reserve	(6,362)	3,753	(4,200)	(6,809)	-	(3,900)	(10,709)
Capital grants unapplied	(1,950)	974	(1,967)	(2,943)	84	(96)	(2,955)
Earmarked reserves	(32,104)	8,111	(8,629)	(32,622)	16,898	(18,275)	(33,999)
Joint venture profit and loss reserves	995	-	(264)	731	-	1,352	2,083
Subsidiary profit and loss reserves	45	187	(35)	197	301	(171)	327
	(41,465)	**135,995**	**(136,340)**	**(41,810)**	**159,368**	**(162,279)**	**(44,721)**

27. Unusable reserves

Movement in unusable reserves are summarised below:

Council only	1 April 2016 restated	Movements Debits	Movements Credits	31 March 2017 restated	Movements Debits	Movements Credits	31 March 2018
	£000	£000	£000	£000	£000	£000	£000
Revaluation reserve	(14,111)	-	(10,848)	(24,959)	-	(10,523)	(35,482)
Capital adjustment account	(72,454)	1,773	(6,429)	(77,110)	10,005	(2,200)	(69,305)
Deferred capital receipts	(43,962)	618	-	(43,344)	771	-	(42,573)
Pensions reserve	82,933	52,478	(29,439)	105,972	9,676	(18,081)	97,567
Collection fund adjustment account	385	-	(1,314)	(929)	227	-	(702)
Accumulated absences account	70	172	(70)	172	289	(172)	289
	(47,139)	**55,041**	**(48,100)**	**(40,198)**	**20,968**	**(30,976)**	**(50,206)**

Group	Balance 1 April 2016	Movements Debits	Movements Credits	Balance 31 March 2017	Movements Debits	Movements Credits	Balance 31 March 2018
	£000	£000	£000	£000	£000	£000	£000
Revaluation reserve	(18,452)	-	(11,563)	(30,015)	-	(11,576)	(41,591)
Capital adjustment account	(72,454)	1,773	(6,429)	(77,110)	10,005	(2,200)	(69,305)
Deferred capital receipts	(43,962)	618	-	(43,344)	771	-	(42,573)
Pensions reserve	82,933	52,478	(29,439)	105,972	9,676	(18,081)	97,567
Collection fund adjustment account	385	-	(1,314)	(929)	227	-	(702)
Accumulated absences account	70	172	(70)	172	289	(172)	289
Minority interests	4	5	(1)	8	-	(8)	-
	(51,476)	**55,046**	**(48,816)**	**(45,246)**	**20,968**	**(32,037)**	**(56,315)**

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.

2016/17 restated Council	2016/17 restated Group		2017/18 Council	2017/18 Group
£000	£000		£000	£000
(14,111)	(18,452)	Balance at 1 April	(24,959)	(30,015)
(9,215)	(9,930)	Upward revaluation of assets	(9,490)	(10,543)
(1,633)	(1,633)	Depreciation written back to revaluation reserve	(1,033)	(1,033)
(10,848)	**(11,563)**	**Surplus on revaluation of non-current assets not posted to the (surplus)/deficit on the provision of services**	**(10,523)**	**(11,576)**
(24,959)	**(30,015)**	**Balance at 31 March**	**(35,482)**	**(41,591)**

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.

2016/17 restated			**2017/18**	
Council and group			**Council and group**	
£000	£000		£000	£000
	(72,454)	Balance at 1 April		(77,110)
		Reversal of items relating to capital expenditure debited to the comprehensive income and expenditure statement		
287		● Charges for depreciation and impairment of non-current assets	(414)	
752		● Revaluation increases recognised in the (surplus)/deficit on the provision of services	10,005	
306		● Revenue expenditure funded from capital under statute	-	
428		● 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	-	
	1,773	Net written out amount of the non-current assets consumed in the year		9,591
		Capital financing applied in the year		
	(3,753)	● Use of the capital receipts reserve to finance new capital expenditure		-
	(974)	● Application of grants to capital financing from the capital grants unapplied account and earmarked reserves		(84)
	(1,702)	● Statutory provision for the financing of capital investment charged against the general fund		(1,702)
	(77,110)	**Balance at 31 March**		**(69,305)**

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.

2016/17 restated		**2017/18**
Council and group		**Council and group**
£000		£000
(43,962)	Balance at 1 April	(43,344)
618	Transfer to the capital receipts reserve upon receipt of cash	771
(43,344)	**Balance at 31 March**	**(42,573)**

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.

2016/17 restated			2017/18	
Council and group			Council and group	
£000	£000		£000	£000
	82,933	Balance at 1 April		105,972
(14,053)		Return on plan assets in excess of interest	(3,771)	
(1,421)		Other actuarial gains on assets	-	
45,661		Change in financial assumptions	(10,524)	
(2,505)		Change in demographic assumptions	-	
(2,758)		Experience gain on defined benefit obligation	-	
	24,924	Remeasurement of net defined benefit		(14,295)
	6,817	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		9,676
	(8,702)	Employer's pensions contributions and direct payments to pensioners payable in the year		(3,786)
	105,972	**Balance at 31 March**		**97,567**

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.

2016/17 restated		2017/18
Council and group		Council and group
£000		£000
385	Balance at 1 April	(929)
(1,314)	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	227
(929)	**Balance at 31 March**	**(702)**

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.

2016/17 restated Council and group £000	2016/17 restated Council and group £000		2017/18 Council and group £000	2017/18 Council and group £000
	70	Balance at 1 April		172
(70)		Settlement or cancellation of accrual made at the end of the preceding year	(172)	
172		Amount accrued at the end of the current year	289	
	102	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		117
	172	**Balance at 31 March**		**289**

28. Cash flow statement

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

2016/17 restated Council £000	2016/17 restated Group £000		2017/18 Council £000	2017/18 Group £000
287	287	Depreciation and impairment losses	(414)	(414)
752	752	Impairment and downward revaluations	11,547	11,547
-	-	Upward revaluations	(1,284)	(1,284)
3,914	4,103	Increase in creditors	7,289	7,095
885	2,137	Decrease/(increase) in debtors	(2,056)	(2,617)
(1,885)	(1,885)	Pension liability	5,890	5,890
428	428	Carrying amount of non-current assets sold	-	-
-	(264)	Share of losses attributable to joint venture	-	1,352
-	-	Movement in investment property values	(258)	(258)
(968)	(968)	Other non-cash items charged to the net surplus or deficit on the provision of services	1,005	1,005
3,413	**4,590**		**21,719**	**22,316**

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

2016/17 restated Council and group £000		2017/18 Council and group £000
(3,582)	Proceeds from the sale of property plant and equipment, investment property and intangible assets	(3,129)
(1,967)	Any other items for which the cash effects are investing or financing cash flows	(96)
(5,549)		**(3,225)**

28.3 Operating activities

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

2016/17 restated Council and group £000		2017/18 Council and group £000
2,275	Interest received	2,224
(824)	Interest paid	(817)

29. Cash flow statement - investing activities

2016/17 restated			2017/18	
Council	Group		Council	Group
£000	£000		£000	£000
(4,725)	(5,413)	Purchase of property, plant and equipment, investment property and intangible assets	(8,505)	(7,569)
(64,517)	(64,517)	Purchase of short term and long term investments	(57,503)	(57,503)
(6,357)	(6,357)	Other payments for investing activities	(895)	(895)
4,200	4,200	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	3,900	3,900
59,000	59,000	Proceeds from the sale of short term and long term investments	61,000	61,000
1,436	1,436	Other receipts from investing activities	1,288	1,288
(10,963)	**(11,651)**		**(715)**	**221**

30. Cash flow statement - financing activities

2016/17 restated		2017/18
Council and group		Council and group
£000		£000
906	Other payments for financing activities	(62)
(177)	Repayment of short and long term borrowing	(185)
729		**(247)**

31. Distribution attributable to joint venture

2016/17 restated		2017/18
Council		Council
£000		£000
(622)	Distribution attributable to joint venture for the year	-
(622)		**-**

32. Grant income

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

2016/17 restated		2017/18
Council and group		Council and group
£000		£000
	Credited to taxation and non specific grant income	
(8,231)	New homes bonus	(7,945)
(1,569)	Revenue support grant	(583)
(389)	Other grants	(915)
(10,189)		**(9,443)**

2016/17 restated Council and group £000		2017/18 Council and group £000
	Credited to services	
-	HS2	(1,500)
(754)	Renovation grants	(912)
(62)	Homelessness	(585)
-	Aylesbury garden town	(361)
(227)	Council tax/NNDR collection grant	(223)
(126)	Planning delivery	(100)
(56)	Individual elector registration	(53)
(10)	Land searches	(10)
(1,235)		**(3,744)**

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.

2016/17 restated Council and group			2017/18 Council and group	
Turnover	**(Surplus)/ deficit**		**Turnover**	**(Surplus)/ deficit**
£000	£000		£000	£000
(1,001)	123	Trade waste	(1,014)	(24)
(862)	(261)	Garden waste	(958)	(372)
(3,255)	(1,300)	Car parks	(3,241)	(1,429)
(540)	(48)	Building control - chargeable	(493)	(55)
(88)	17	Market management	(92)	3
(338)	(4)	Land charges	(309)	(25)
(6,084)	**(1,473)**		**(6,107)**	**(1,902)**

34. Members' allowances

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

2016/17 restated Council and group £000		2017/18 Council and group £000
320	Salaries	319
124	Allowances	133
13	Travel and other allowances	11
457		**463**

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	2017/18 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	147	23	170	34	204
Corporate Director	2	100	-	100	23	123
Corporate Director	3	92	-	92	21	113
Assistant Director - Commercial Property	4	70	-	70	16	86
Assistant Director - Business Support & Enablement	5	66	-	66	15	81
Assistant Director - Commercial & Business Strategy	6	66	-	66	15	81
Assistant Director - Community Fulfilment	7	66	-	66	15	81
Assistant Director - Customer Fulfilment	8	66	-	66	15	81
Digital Director	9	66		66	15	81
		739	**23**	**762**	**169**	**931**

	Identifier	2016/17 restated 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
Assistant Director - Commercial Property	4	70	-	70	16	86
Assistant Director - Business Support & Enablement	5	58	-	58	13	71
Assistant Director - Commercial & Business Strategy	6	62	-	62	14	76
Assistant Director - Community Fulfilment	7	61	-	61	14	75
Assistant Director - Customer Fulfilment	8	61	-	61	14	75
Commercial AVDC Programme Sponsor - Resigned	10	70	-	70	16	86
Sector Lead - Resigned	11	58		58	13	71
Sector Lead - Resigned	12	58	-	58	13	71
		824	**14**	**838**	**188**	**1,026**

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:

2016/17 restated Council and group Number of employees		2017/18 Council and group Number of employees
9	£50,000 - £54,999	15
4	£55,000 - £59,999	9
4	£60,000 - £64,999	3
17		**27**

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	
	2016/17 restated	2017/18	2016/17 restated	2017/18	2016/17 restated	2017/18	2016/17 restated	2017/18
	Council and group		Council and group		Council and group		Council and group	
							£000	£000
£0 - £20,000	11	21	4	3	15	24	170	265
£20,001 - £40,000	11	22	1	-	12	22	315	702
£40,001 - £60,000	1	12	2	-	3	12	135	565
£60,001 - £80,000	3	2	1	1	4	3	274	204
£80,001 - £100,000	4	-	-		4	-	350	-
	30	**57**	**8**	**4**	**38**	**61**	**1,244**	**1,736**

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:

2016/17 restated Council and group		2017/18 Council and group
£000		£000
57	Fees payable to the appointed auditor with regard to external audit services	58
12	Fees payable to the appointed auditor for the certification of grant claims and returns for the year	26
69		**84**

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:

1 April 2016 restated	31 March 2017 restated		31 March 2018
Council and group	Council and group		Council and group
£000	£000		£000
6,274	5,702	Other land and buildings	8,048
6,274	**5,702**		**8,048**

37.2 Operating leases

Up until 2017/18, the Council had acquired its fleet of refuse collection vehicles by entering into operating leases with typical lives of seven years. During the year, the majority of these leases either finished or were cancelled and the entire fleet was replaced by vehicles purchased by the Council.

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The future minimum lease payments due under non-cancellable leases in future years are:

2016/17 restated		2017/18
Council and group		Council and group
£000		£000
708	Not later than one year	6
186	Later than one year and not later than five years	-
894		**6**

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:

2016/17 restated		2017/18
Council and group		Council and group
£000		£000
901	Minimum lease payments	797
901		**797**

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 33 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:

1 April 2016 restated Council and group £000	31 March 2017 restated Council and group £000		31 March 2018 Council and group £000
		Finance lease debtor (net present value of minimum lease payments):	
209	218	● Current	227
15,368	15,150	● Non current	14,923
14,405	13,735	Unearned finance income	13,074
29,982	**29,103**		**28,224**

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

1 April 2016 restated Council and group		31 March 2017 restated Council and group			31 March 2018 Council and group	
Gross investment in lease £000	Minimum lease payments £000	Gross investment in lease £000	Minimum lease payments £000		Gross investment in lease £000	Minimum lease payments £000
(879)	(209)	(879)	(218)	Not later than one year	(879)	(227)
(3,517)	(930)	(3,517)	(970)	Later than one year and not later th	(3,517)	(1,012)
(25,586)	(14,438)	(24,707)	(14,180)	Later than five years	(23,828)	(13,911)
(29,982)	**(15,577)**	**(29,103)**	**(15,368)**		**(28,224)**	**(15,150)**

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:

2016/17 restated Council and group £000		2017/18 Council and group £000
(1,357)	Not later than one year	(1,405)
(4,531)	Later than one year and not later than five years	(4,196)
(10,888)	Later than five years	(9,919)
(16,776)		**(15,520)**

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.

2016/17 restated Council and group £000		2017/18 Council and group £000
35,883	**Opening capital financing requirement**	34,485
	Capital investment	
3,480	Property, plant and equipment	4,170
1,245	Assets under construction	4,335
306	Revenue expenditure funded from capital under statute	-
	Sources of finance	
(3,753)	Capital receipts	-
(974)	Government grants and other contributions	(84)
	Sums set aside from revenue:	
(1,702)	Minimum revenue provision	(1,702)
34,485	**Closing capital financing requirement**	**41,204**
	Explanation of movements in year	
(1,398)	(Decrease)/increase in underlying need to borrow (unsupported by government financial assistance)	6,719
(1,398)	**(Decrease)/increase in capital financing requirement**	**6,719**

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	
	2016/17 restated	2017/18	2016/17 restated	2017/18
	Council and group		Council and group	
	£000	£000	£000	£000
Cost of services:				
● service cost	3,861	6,720	-	-
Financing and investment income and expenditure				
● net interest on the defined liability	2,835	2,835	-	-
Administration expenses	82	121	-	-
Total post employment benefit charged to the comprehensive income and expenditure statement	**6,778**	**9,676**	**-**	**-**
Movement in reserves statement				
● reversal of net charges made to surplus or deficit for the provision of services for post employment benefits in accordance with the code	(6,778)	(9,676)	-	-
Actual amount charged against the general fund balance for pensions in the year:				
● employers' contributions payable to scheme	3,510	8,373		
● retirement benefits payable to pensioners			290	329

The amount of actuarial gains and losses recognised in the comprehensive income and expenditure statement during 2017/18 is a gain of £14,295,000 (a loss of £24,924,000 during 2016/17).

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	
	2016/17 restated	2017/18	2016/17 restated	2017/18
	Council and group		Council and group	
	£000	£000	£000	£000
Opening balance at 1 April	190,044	235,246	(3,884)	(4,195)
Current service cost	3,323	5,215	-	-
Interest cost	6,599	6,171	-	-
Change in financial assumptions	45,729	(10,524)	(68)	-
Change in demographic assumptions	(2,505)	-	-	-
Experience gain on defined benefit obligation	(2,758)	-	-	-
Liabilities extinguished on settlements	(117)	-	-	-
Estimated benefits paid net of transfers in	(6,546)	(7,503)	-	-
Past service costs including curtailments	577	1,505	-	-
Contributions by scheme participants	900	911	-	-
Unfunded pension payments	-	-	(243)	(240)
Closing balance at 31 March	**235,246**	**231,021**	**(4,195)**	**(4,435)**

Reconciliation of the fair value of the scheme assets:

	Funded liabilities	
	2016/17 restated	2017/18
	Council and group	
	£000	£000
Opening balance at 1 April	(103,227)	(125,079)
Interest on assets	(3,764)	(3,336)
Return on assets less interest	(14,053)	(3,771)
Other actuarial gains	(1,382)	-
Administration expenses	82	121
Contributions by employer including unfunded	(8,702)	(3,786)
Contributions by scheme participants	(900)	(911)
Estimated benefits paid plus unfunded net of transfers in	6,789	7,743
Settlement prices paid	78	-
Closing balance at 31 March	**(125,079)**	**(129,019)**

Pension scheme assets comprised:

	31 March 2017 restated				31 March 2018			
	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	14,749	-	14,749	12%	11,763	-	11,763	9%
UK equities	12,258	-	12,258	10%	12,856	-	12,856	10%
Overseas equities	50,157	-	50,157	40%	53,113	-	53,113	41%
Private equity	-	8,093	8,093	6%	-	6,764	6,764	5%
Other bonds	15,305	-	15,305	12%	16,799	-	16,799	13%
Property	8,916	628	9,544	8%	8,775	516	9,291	7%
Cash	4,247	-	4,247	3%	4,926	-	4,926	4%
Hedge funds	-	4,558	4,558	4%	-	6,113	6,113	5%
Absolute return portfolio	-	4,662	4,662	4%	-	6,019	6,019	5%
Alternative Assets	-	1,506	1,506	1%	-	1,375	1,375	1%
	105,632	**19,447**	**125,079**		**108,232**	**20,787**	**129,019**	

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:

2016/17 restated Council and group		2017/18 Council and group
	Mortality assumptions	
	Longevity at 65 for current pensioners:	
23.9	Men	24.0
26.0	Women	26.1
	Longevity at 65 for future pensioners:	
26.1	Men	26.2
28.3	Women	28.4
2.7%	Rate of Inflation	2.6%
4.2%	Rate of increase in salaries	3.8%
2.7%	Rate of increase in pensions	2.3%
2.7%	Rate for discounting scheme liabilities	2.3%

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analysis below has been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

	Increase in assumption	Decrease in assumption
	Council and group	
	£000	£000
Rate for discounting scheme liabilities (increase or decrease by 0.1%)	(4,111)	4,192
Rate of increase in salaries (increase or decrease by 0.1%)	345	(343)
Rate of increase in pensions (increase or decrease by 0.1%)	3,853	(3,782)
Longevity (increase or decrease by 1 year)	8,906	(8,559)

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 £97,567,000 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 2019 is £3,657,000

39.6 Scheme history

	2013/14	2014/15	2015/16	2016/17 restated	2017/18
	Council and group				
	£000	£000	£000	£000	£000
Present value of liabilities					
Local government pension scheme	171,170	197,718	190,044	235,246	231,021
Discretionary benefits	(3,992)	(4,162)	(3,884)	(4,195)	(4,435)
Fair value of assets in the local government pension scheme	(94,114)	(103,249)	(103,227)	(125,079)	(129,019)
(Surplus)/deficit in the scheme:					
• local government pension scheme	77,056	94,469	86,817	110,167	102,002
• discretionary benefits	(3,992)	(4,162)	(3,884)	(4,195)	(4,435)
Total	73,064	90,307	82,933	105,972	97,567

39.7 History of experience gains and losses

The actuarial gains identified as movements on the pensions reserve in 2017/18 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2018:

	2013/14	2014/15	2015/16	2016/17 restated	2017/18
	Council and group				
	%	%	%	%	%
Differences between the expected and actual return on assets	11.75	2.61	1.91	14.24	5.51
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 2018 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 2018	**Historial experience of default**	**Historial experience adjusted for market conditions at 31 March 2018**	**Estimated maximum exposure to default and uncollectability at 31 March 2018**	**Estimated maximum exposure at 31 March 2017**	**Estimated maximum exposure at 1 April 2016**
	£000	%	%	£000	£000	£000
Counterparty Rating	A	B	C	(A*C)		
AA	6,009	0.008	0.008	0.5	-	-
AA-	2,028	0.013	0.013	0.3	0.1	-
A	6,510	0.016	0.016	1.0	2.6	2.2
A-	-	-	-	-	0.4	-
BBB+	3,004	0.093	0.093	2.8	1.1	0.6
BBB	3,007	0.110	0.110	3.3	1.0	0.9
BBB-	-	-	-	-	2.0	0.2
BB+	-	-	-	-	-	12.5
B+	1,004	1.428	1.428	14.3	-	52.3
Other rated	13,020	-	-	-	-	-
Customers	6,090	5.000	5.000	304.5	295.1	253.0
	40,672			**326.7**	**302.3**	**321.7**

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 £5,004,000 of the £6,090,000 balance is past its due date for payment. The due but not impaired amount can be analysed by age as follows:

1 April 2016 Council and group	31 March 2017 Council and group		31 March 2018 Council and group
£000	£000		£000
670	1,966	Less than three months	1,102
917	467	Three to six months	472
888	367	Six months to one year	1,008
2,585	3,101	More than one year	3,508
5,060	**5,901**		**6,090**

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.

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 2018.

- Non-domestic ratings (NDR) appeals – The Council has made a provision for NDR 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.

- In relation to the sale of Aylesbury Vale Broadband Ltd, a portion of the sale proceeds are currently managed in an escrow account managed by a third-party. A schedule of payments exists through to December 2018. The asset purchase agreement contains a number of warranty commitments which still need to be satisfied before the sums held in escrow can be released. The Council is not aware of any claims against these warranties.

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 2018, 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 2017/18 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. Councillor Susan Morgan has failed to make a return. No works and services were commissioned from companies in which members had an interest. Details of any declarations are recorded in the Register of Members' Interests, which is open to public inspection at The Gateway Offices, Gatehouse Road during office hours.

Joint venture
The Council has a 50% interest in Aylesbury Vale Estates LLP. Relevant transactions are disclosed within note 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 Broadband Ltd	100%	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

Aylesbury Vale Broadband Ltd was set up in 2015, as part of the commercial agenda. The sale of the company assets took place in December 2017. The sale receipt, net of residual costs, will be returned to the NHB pot ring-fenced for the delivery of high speed broadband and can potentially be reused for further broadband schemes within the Vale. As such, the sale had no direct impact on the revenue budget.

During 2016 and 2017 Vale Commerce Ltd developed products and services that were taken to market and refined accordingly with customer feedback. Unfortunately, it has been unable to scale the activity in accordance with initial targets. At the cabinet meeting on 9 January 2018, it was recommended that the company be moved into a state of dormancy and transfer assets and appropriate intellectual property such as brands, website etc. back to the Council as the shareholder.

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 £10,000.

Bucks Advantage
Bucks Advantage is the local delivery vehicle for the Vale, jointly owned by Aylesbury Vale District Council, other local district councils 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.

44. Prior period adjustments

The Council engages with external providers to prepare the financial accounts of its subsidiary companies. In previous years, consolidation of the accounts for Aylesbury Vale Broadband Ltd and Vale Commerce Ltd used management accounts as the basis of input to the Council accounts, as formal accounts for these subsidiary companies were not available in time to meet the production deadlines for the Council's accounts. The group accounts for prior years have now been amended to reflect the true position. The adjustments to the group accounts are set out below:

1 April 2016 published	Adjustments	1 April 2016 restated		31 March 2017 published	Adjustments	31 March 2017 restated
Group				Group		
£000	£000	£000		£000	£000	£000
			Comprehensive income & expenditure statement			
1,038	(134)	904	Financing and investment income and expenditure	1,608	(245)	1,363
			Balance sheet			
1,349	248	1,597	Vehicles, plant and equipment	1,817	433	2,250
11,291	(155)	11,136	Short term debtors	11,254	3	11,257
9,095	36	9,131	Cash and cash equivalents	4,725	1	4,726
(10,985)	6	(10,979)	Short term creditors	(13,952)	(56)	(14,008)
173	(128)	45	Share of subsidiary profit and loss reserves	558	(361)	197
10	(6)	4	Minority interest in subsidiary companies	26	(18)	8

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.

2016/17 Council tax	2016/17 NNDR	2016/17 Total		note	2017/18 Council tax	2017/18 NNDR	2017/18 Total
£000	£000	£000			£000	£000	£000
			Income				
(113,282)	-	(113,282)	Income from council tax	C2	(120,120)	-	(120,120)
-	(52,325)	(52,325)	Income collectable from business ratepayers	C3	-	(53,891)	(53,891)
(113,282)	**(52,325)**	**(165,607)**			**(120,120)**	**(53,891)**	**(174,011)**
			Expenditure				
			Precepts and demands				
80,528	-	80,528	• Buckinghamshire County Council		86,613	-	86,613
11,588	-	11,588	• Thames Valley Police Authority		12,108	-	12,108
4,144	-	4,144	• Bucks & Milton Keynes Fire Authority		4,329	-	4,329
15,455	-	15,455	• Aylesbury Vale District Council		16,410	-	16,410
			Business rates:				
-	25,355	25,355	• Payment to government	C3	-	25,577	25,577
-	5,071	5,071	• Payment to preceptors	C3	-	5,116	5,116
-	20,492	20,492	• Retained by Aylesbury Vale District Council	C3	-	20,744	20,744
			• Renewable energy disregard		-	220	220
-	227	227	• Cost of Collection		-	223	223
-	37	37	• Transitional Protection Payment		-	449	449
			Bad and doubtful debts				
(386)	74	(312)	• Write offs		(406)	91	(315)
879	-	879	• Increase/(decrease) in provision		(231)	96	(135)
-	(2,368)	(2,368)	• Provision for appeals		-	2,161	2,161
			Contributions				
1,528	-	1,528	• Towards previous year's surplus	C4	1,648	-	1,648
113,736	48,888	162,624			120,471	54,677	175,148
454	**(3,437)**	**(2,983)**	**(Surplus)/deficit for the year**		**351**	**786**	**1,137**
(1,637)	1,525	(112)	Accumulated (surplus)/deficit b/fwd		(1,183)	(1,912)	(3,095)
454	(3,437)	(2,983)	(Surplus)/deficit for the year		351	786	1,137
(1,183)	**(1,912)**	**(3,095)**	**Accumulated (surplus)/deficit c/fwd**		**(832)**	**(1,126)**	**(1,958)**

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 non-domestic rates (NDR) 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 NDR. 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 NDR tax base.

The scheme allows the Council to retain a proportion of the total NDR 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%.

NDR 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 2017/18 was 71,106 (2016/17: 69,409). The tax base was approved under delegated authority by the Cabinet Member for Resources and was calculated as follows:

2016/17				2017/18		
Number of chargeable homes less exemptions and discounts	**Factor**	**Band D equivalents**	**Band**	**Number of chargeable homes less exemptions and discounts**	**Factor**	**Band D equivalents**
6	5/9	3	A*	4	5/9	2
2,585	6/9	1,723	A	2,584	6/9	1,723
10,966	7/9	8,529	B	11,060	7/9	8,602
20,124	8/9	17,888	C	20,426	8/9	18,156
12,477	9/9	12,477	D	12,871	9/9	12,871
10,458	11/9	12,782	E	10,722	11/9	13,105
7,414	13/9	10,709	F	7,591	13/9	10,965
5,844	15/9	9,740	G	6,045	15/9	10,075
363	18/9	726	H	371	18/9	742
70,237		74,577		71,674		76,241
		(1,192)	Allowance for non-collection			(1,219)
		(3,976)	Council tax support scheme			(3,916)
		69,409	**Council tax base**			71,106

C3. Non-domestic rates

The Council collects national non-domestic rates (NDR) 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 NDR 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 NDR 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 NDR 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 2017/18 were estimated before the start of the financial year as £25,577,000 to central government, £4,604,000 to BCC, £512,000 to BMKFRA and £20,462,000 to Aylesbury Vale District Council. These sums have been paid in 2017/18 and charged to the collection fund in the year.

When the scheme was introduced, central government set a baseline level for each authority identifying the expected level of retained business rates and a top-up or tariff amount to ensure that all authorities receive their baseline amount. Tariffs due from authorities payable to central government are used to finance the top-ups to those authorities who do not achieve their targeted baseline funding. In this respect, Aylesbury Vale District Council paid a tariff of £15,488,000 from the general fund in 2017/18.

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 2018. 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 2017/18 has been calculated as a debit of £2,161,000 (2016/17: a credit of £2,368,000).

The total non-domestic rateable value at 31 March 2018 was £140,824,738 (31 March 2017: £132,466,388). The national non-domestic rate multiplier for the year was 46.6p for small businesses (2016/17: 48.4p) and 47.9p for all other businesses (2016/17: 49.7p).

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 2017 it was estimated that the collection fund would have a surplus of £1,648,000, which was payable during 2017/18.

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

Opinion

We have audited the financial statements of Aylesbury Vale District Council for the year ended 31 March 2018 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Aylesbury Vale 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,
- Aylesbury Vale District Council and Group related notes 1 to 44; and
- Aylesbury Vale District Council Collection Fund and the related notes C1 to C4.

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 2017/18.

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 2018 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 2017/18.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of Aylesbury Vale District Council and Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Comptroller and Auditor General's (C&AG) AGN01, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Director of Finance's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Director of Finance has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The information comprises the information included in the Narrative Report, other than the financial statements and our auditor's report thereon. The Director of Finance is responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or other wise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matter prescribed by the Local Audit and Accountability Act 2014

In our opinion, based on the work undertaken in the course of the audit, having regard to the guidance issued by the C&AG in November 2017, 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 2018.

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.

Responsibility of the Director of Finance

As explained more fully in the Statement of Responsibilities set out on page 13, the Director of 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 2017/18, and for being satisfied that they give a true and fair view.

In preparing the financial statements, the Director of Finance is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Authority either intends to cease operations, or to have no realistic alternative but to do so.

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 for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue and auditor's report that includes our opinion. Reasonable assurance is a high assurance, but is not a guaranteed that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilites.

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 2017, 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 2018.

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.

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.

Certificate

We certify that we have completed the audit of the accounts of Aylesbury Vale District Council 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.

Use of our report

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.

Maria Grindley (Key Audit Partner)
Ernst & Young LLP (Local Auditor)
Reading
23 July 2018

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.

Group accounts
The CIPFA Code of Practice requires that where an Authority has material financial interests and a significant level of control over one or more entities, it should prepare group accounts. The aim of these statements is to give an overall picture of the Council's financial activities and the resources employed in carrying out those activities.

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.

Joint venture
A joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. For Aylesbury Vale District Council this includes Aylesbury Vale Estates LLP.

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.

Subsidiary
An entity, including an unincorporated entity such as a partnership, which is controlled by another entity (the Council), known as the parent. For Aylesbury Vale District Council this includes Aylesbury Vale Broadband Ltd, and Vale Commerce Ltd.

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

AYLESBURY VALE
DISTRICT COUNCIL

Annual Governance Statement 2017/18

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.

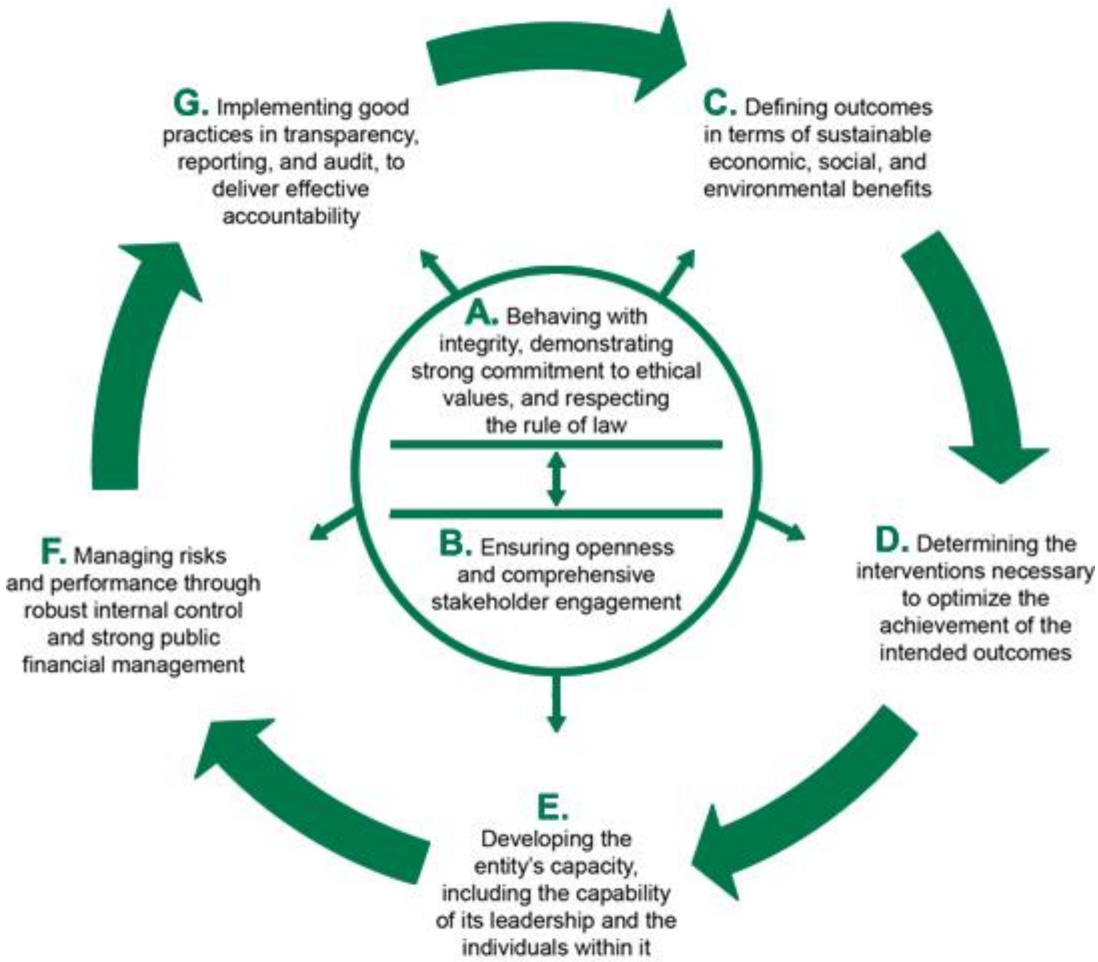
Acting in the public interest implies primary consideration of the benefits for society, which should result in positive outcomes for service users and other stakeholders".

Our governance arrangements aim to ensure we meet our objectives and responsibilities in a lawful, timely, open, inclusive and honest manner and that our 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, systems and the assurances on the governance framework and report this in the Annual Governance Statement. This Annual Governance Statement builds upon those of previous years. It summarises the governance framework which has been in place for the year ending 31 March 2018 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.

A Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law

All our councillors meet regularly together as the council. Most of these meetings are open to the public who can either attend in person or view the meeting live via a webcast. 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 'Codes of Financial Management and Procurement' 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, support the work of cabinet and council as a whole. They can hold public inquiries 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 and they can 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, each appointed for 4 years. The Leader is appointed by the council and 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

Carry out council's functions as a local planning authority for large growth related developments.

Development Management

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

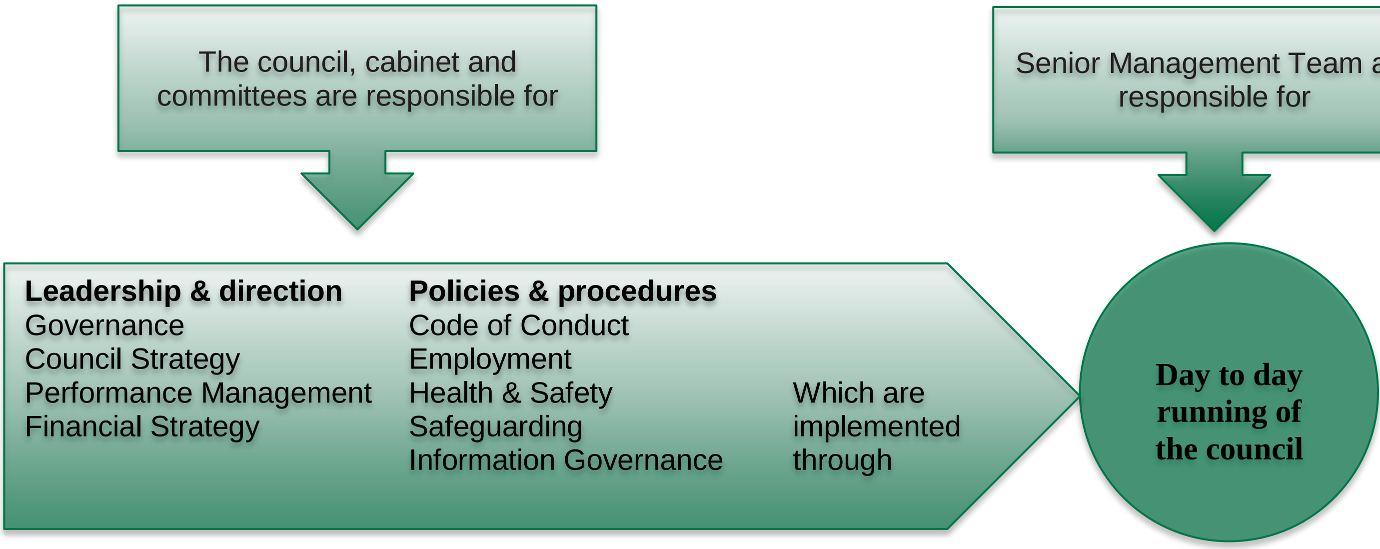
Licensing

Carry out council's non-executive functions relating to licensing and registration.

Audit

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

Our **Chief Executive** is supported by the **Senior Management Team,** comprising 2 Directors and 6 Assistant Directors.



Our constitution

Our constitution is available on our website and sets out how we operate, how decisions are made and the processes that are followed to ensure 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 good 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 we meet our 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 - Lead Legal & Monitoring Officer

The constitution has been updated to reflect recent changes in senior management, including the Scheme of Officer delegations which was approved by Council in May 2018.

Standards of behaviour for members and staff

Member behaviours are governed by a code of conduct which is set out in the constitution. The code covers disclosable pecuniary interests as required by the Localism Act 2011 and also retains the requirements to disclose personal and prejudicial interests and those to register gifts and hospitality received in a member's official capacity together with interests in outside bodies, charities and pressure groups. The code of conduct was adopted by full council in July 2012. The Lead Legal and Monitoring Officer has been asked to review the Code with a view to making it simpler to understand by members and to clarify any uncertainties. This work will take place during the council year.

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 Lead Legal and Monitoring Officer highlighting the key aspects. Specific refresher training, covering various aspects of the Code of Conduct and the completion of the Register of Interests form, has been provided to members this year.

The constitution also includes protocols covering member/officer relations, member involvement in commercial transactions and a members' planning code of good practice. The Corporate Governance Manager will be reviewing the protocol regarding working with commercial companies owned by the council.

There is a three-stage procedure for dealing with complaints that members have broken the code of conduct. As part of the Code of Conduct review the Standards Complaints will also be reviewed.

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.
All new officers undertake mandatory online training within their first few days at work covering areas such as:

- our comments, compliments and complaints procedure
- equality and diversity
- acceptable IT use
- health and safety

Information regarding our most up-to-date policies and processes is also easily available to all employees via Connect, our intranet site.

B Ensuring openness and comprehensive stakeholder engagement

We appreciate the importance of engaging openly with all our stakeholders to ensure we continue to meet their needs and expectations efficiently and allowing them to be part of the decisions that affect them. Some examples of how we have communicated with our stakeholders over the past year include:

- **The Vale of Aylesbury Local Plan (VALP)** was submitted for examination by an independent planning inspector in February 2018. VALP will manage and direct the growth of our district, including new homes, infrastructure and commercial opportunities, through to 2033 in a way that will protect what makes our district a special place. Each 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.
- Aylesbury will accommodate most of the growth identified in VALP and this has been reflected in the Government awarding Aylesbury with **Garden Town status**. We are working in partnership with Buckinghamshire County Council, Homes England plus two Local Enterprise Partnerships (Buckinghamshire Thames Valley and South East Midlands) to make the best use of the Government funding provided.
- In 2018, we appointed a **Parish Liaison Officer** to further strengthen our relationship with the parishes within our district. A Parish Conference was held in February 2018, bringing local Parish Councils together to discuss various topics of interest. Following feedback from this, Parish Conferences will continue to be held on a bi-annual basis.
- Our relationship with other Buckinghamshire District Councils (Wycombe, South Bucks and Chiltern), has continued as we worked together on a joint proposal to the Secretary of State regarding the **modernisation of local government**. Throughout the process we have worked with stakeholders including Parish/Town councils and local businesses to understand what really matters to them and develop a proposal that we feel meets their needs most effectively.

We use a variety of methods for consulting and communicating with local residents and other interested parties both to help guide our decision making and ensure everyone is kept up-to-date.

For maximum effectiveness, the channels used on each occasion are selected based on the target audience and the purpose of the communication. Our regular communication channels include:

- AV Times - a residents' magazine delivered to all households within the district
- Media relations - a pro-active programme with our local media (radio, TV, newspapers)
- Parish and community noticeboards
- Poster sites across the town centre
- Targeted literature
- Social media - our social media platforms include Twitter, Facebook, LinkedIn, Next Door and Instagram, giving different parties the opportunity to engage with us in the most convenient way for them
- Monthly eNewsletter - sent to registered residents with news from around the Vale

For consultations we use methods ranging from quantitative self-completion questionnaires to focus groups. Details of how to join these consultations are communicated through the channels above.

We also use our communication channels to support partner organisations such as an annual survey on behalf of the Community Safety Partnership, which in 2018 received a record 426 responses. Other examples of how we've supported our partners with their campaigns include Ask for Angela, a campaign to help individuals feel safe on a night out and 30Days30Ways, which highlighted top tips to help communities prepare for an emergency situation.

C Defining outcomes in terms of sustainable economic, social, and environmental benefits

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

Our vision is the foundation for everything we do, across all services. By referring back to the vision statement, we 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 we do.

Improving customer service

As part of our commitment to continual improvement we continue to develop our customer service offering. Our online services such as Webchat and our Amazon Alexa skill are proving to be successful, and renovations to our customer service centre have made it more welcoming and easier to access.

Our forward-thinking has also brought around changes to our bin collection service with investment in a new fleet of trucks. These will ensure we can maximise the efficiency and effectiveness of our service, providing our customers with the levels of service they expect as the district continues to grow. The new fleet are also more fuel efficient, helping us to protect the environment.

The introduction of the Homelessness Reduction Act, which gives us new statutory duties, has provided the opportunity for us to make a real difference to homelessness across Aylesbury Vale. An internal briefing session was held to provide information about what these changes mean for our customers, how individuals can help and how it would affect the organisation and our ways of working.

D Determining the interventions necessary to optimise the achievement of intended outcomes

In September 2017 we concluded the organisational transformation aspect of the "Commercial AVDC" programme. This sets us up to better move forward and deliver the savings and efficiencies required. With the old council model broken, we've now become a more commercially focused organisation, providing the services our customers and communities really want in a cost-effective way.

AVDC is organised into five business sectors; Customer Fulfilment (anything that interacts or provides services for the customer, planning, waste collection etc.), Commercial Property and Regeneration, Community Fulfilment (green spaces, community safety, strategy and partnerships etc.), Business Support and Enablement and Commercial and Business Strategy. Our "Connected Knowledge" digital strategy and programme sits along side the business sectors. This structure helps us operate as a streamlined and efficient organisation focused on providing the services our customers and communities really want in a cost-effective way.

We use our behaviour framework as part of the recruitment process, learning and development and performance management programme. Five key commercially minded behaviours guide our employees on how they need to work in order to deliver commercially viable products and services which are both profitable and valued by the customer.

Our five key commercially minded behaviours

Medium term financial strategy and budget planning

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 once again delivered a balanced budget proposal for 2018/19.

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. Two Members' seminars dealing with budget planning issues were held. The views expressed during the scrutiny process have been fully considered by Cabinet.

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.

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.

Commercial AVDC

The Council's approach to balancing its finances over the Medium Term Financial Plan has been based on the Commercial AVDC programme. This is a programme of continual change and innovation developed as the response to addressing the budget challenges following the changes to government funding and the desire to develop a more commercial response to the delivery of services for existing and new customers of traditional and new services. During the last year some of our achievements that exhibit the commercial approach include:

- First council globally to deliver comprehensive and delivery focused Alexa voice skills, enabling new ways for our customers to interact with us
- First public body that we are aware of to pilot artificial intelligence to assist with handing our customers enquires, freeing up time to spend with those customers who need our help more
- Through the Vale Lottery the Council has generated around £80,000 worth of new income for communities in Aylesbury Vale, as well as the delivery of 7 lotteries across the Country. This has increased income for AVDC, whilst also helping the wider sector and 173 communities across the country to raise new funds for their areas.
- Running and speaking at numerous conferences sharing our good practise and those of our partners and colleagues, as well as providing consultancy services to other public-sector providers enabling them to work in a more commercial way, whilst delivering income to the council.
- Moved more customer fulfilment functions on to the Salesforce platform thereby helping our staff to provide our customers with better, more efficient and faster service, and reducing our complex IT legacy systems
- The Council is mid-way through building 'The Exchange', a new restaurant and residential development in Aylesbury Town Centre, and has agreed a £100m Commercial Property Investment Strategy. These along with our other strategic commercial assets will enable the Council to continue to support its aims over the medium and long term.
- The Council is part way through building the new Pembroke Road Waste Depot, and is on target to launch the Commercial Workshop later in 2018.
- The Waste Team will be retiring its old HGV vehicles and bringing in a new fleet that will be built to the latest EURO 6 emission standards. This will improve emissions for the 500,000 miles the fleet travels each year and reduce fuel consumption as well.
- To mitigate the inevitable impacts on the natural environment due to the growth of Aylesbury Vale, we work with developers before an issue arises. The new Kingsbrook estate in Aylesbury, built in close collaboration with the Royal Society for Protection of Birds, has been recognised for its pioneering approach to wildlife.

In December 2015 we registered Vale Commerce, a limited liability company wholly owned by AVDC. Vale Commerce was started to test if it would be conceptually possible to run subscription services for additional residential and business services, and generate a new income stream for the Council whilst supporting the local economy. This was achieved to some degree; however it became increasingly apparent that the marketplace was congested and also challenging in terms of a subcontracting model. If it were to make a success of the approach a significant cash injection would have been required, which on balance and considering the viability of the business and receptiveness of the marketplace, the benefits at that time did not out weigh the risks and costs required. As such company trading was suspended in January 2018 and the company put into a dormant state. The intellectual property was transferred back to the Council for future use through the new commercial team, and plans are already under development as to how to maximise the value of the brands in on going work.

Connected Vision

During the year work commenced on bringing together the different strands of the Commercial AVDC Programme and other external and internal priorities into a single statement of objectives. This is known as 'Connected Vision'. Our mission has been refreshed as part of this and is the driver of how we will deliver our vision. The mission as part of Connected Vision is:

> **"to make AVDC the best Social Enterprise Business in the UK – providing World Class support for those that need it ".**

A social enterprise is defined as:

"*An organisation that by selling goods and services in the open market, social enterprises reinvest the money they make back into their business or the local community. This allows them to tackle social problems, improve people's life chances, support communities and help the environment*". (Social Enterprise UK)

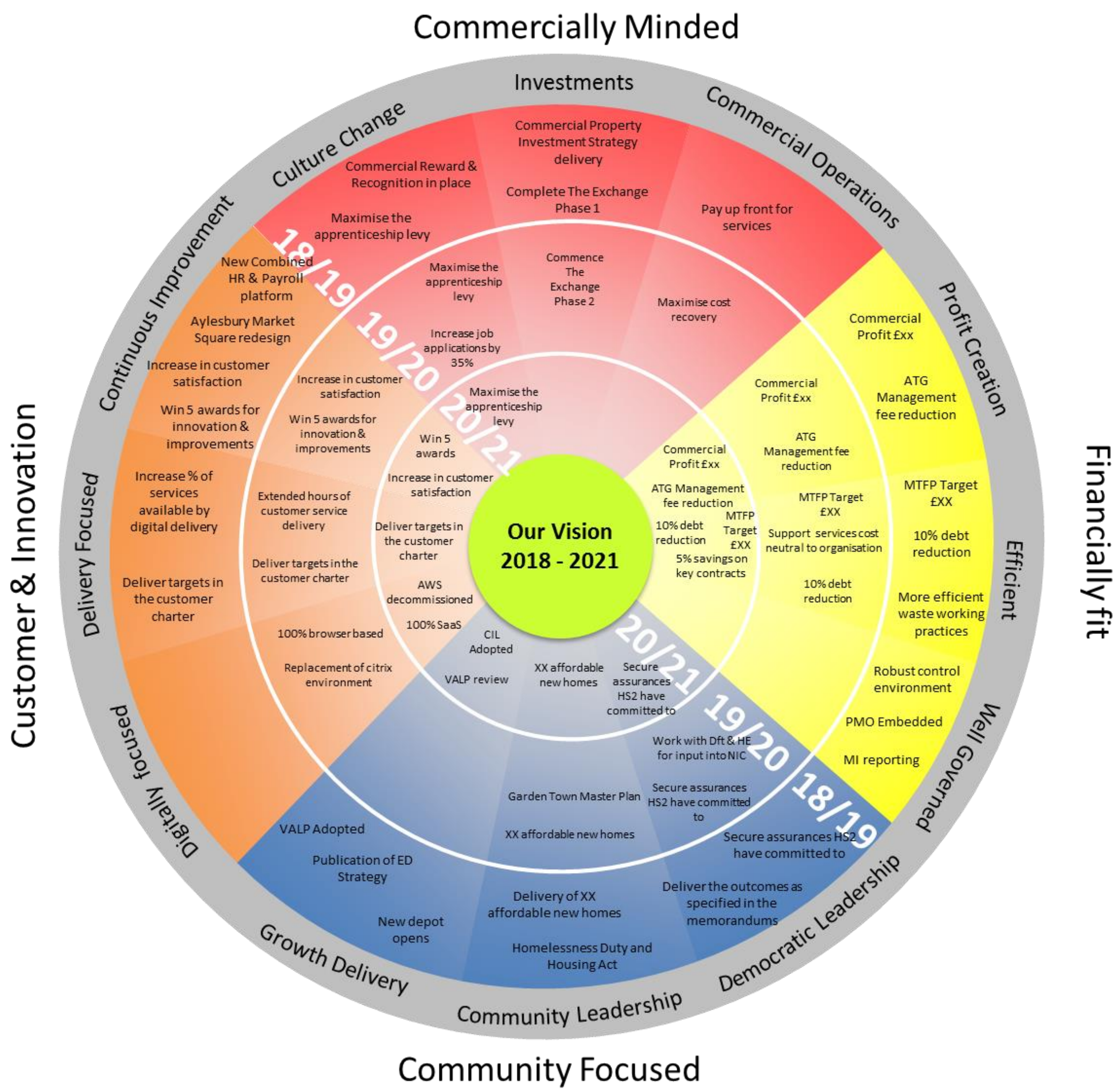
This approach adds to the direction we are taking in terms of commercialisation, but emphasises this is not for its own sake, rather with an end of achieving social improvement and wellbeing for the residents, businesses and environment.

Our Connected Vision document seeks to bring all the existing strands of work together in an attempt to demonstrate how they nest within the Council’s wider vision and the milestones which will need to be passed on the way in order to ensure its achievement. This will help in the understanding of where individual actions sit and how they inter-relate. It will also help the organisation manage and direct its resources in the delivery of the vision.

The Connected Vision is expressed in a number of themes which create a framework in which the wider vision can be delivered. The four themes are:

- Financially Fit - ensuring we have the funds to fulfil the vision and use them wisely
- Customer & Innovation - ensuring the customer is at the heart and we are drive to innovate for them
- Community Focused - ensuring we deliver for the community at large
- Commercially Minded - to ensure we fulfil the overall Social Enterprise model

It is intended to publish a Connected Vision update annually, communicating on progress periodically.



Commercially Minded
Investments
Commercial Operations
Culture Change
Continuous Improvement
Profit Creation
Efficient
Well Governed
Democratic Leadership
Community Leadership
Growth Delivery
Digitally focused
Delivery Focused
Customer & Innovation
Financially fit
Community Focused
Our Vision 2018 - 2021
18/19
19/20
20/21
Commercial Property Investment Strategy delivery
Complete The Exchange Phase 1
Commercial Reward & Recognition in place
Maximise the apprenticeship levy
Pay up front for services
Commence The Exchange Phase 2
Maximise cost recovery
Increase job applications by 35%
New Combined HR & Payroll platform
Aylesbury Market Square redesign
Increase in customer satisfaction
Win 5 awards for innovation & improvements
Increase % of services available by digital delivery
Deliver targets in the customer charter
Extended hours of customer service delivery
Win 5 awards
100% browser based
Replacement of citrix environment
AWS decommissioned
100% SaaS
CIL Adopted
VALP review
XX affordable new homes
Secure assurances HS2 have committed to
Commercial Profit £xx
ATG Management fee reduction
MTFP Target £XX
10% debt reduction
Support services cost neutral to organisation
5% savings on key contracts
More efficient waste working practices
Robust control environment
PMO Embedded
MI reporting
Work with Dft & HE for input into NIC
Garden Town Master Plan
Secure assurances HS2 have committed to
VALP Adopted
Publication of ED Strategy
New depot opens
Delivery of XX affordable new homes
Homelessness Duty and Housing Act
Deliver the outcomes as specified in the memorandums

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 is designed to be the catalyst for technological innovation and change, thereby propelling our organisation into the future. The programme is intended to support the Council with the necessary tools, policies, people and environment that further enhances the commercial mind-set and company culture. The Council is already widely acknowledged as championing this agenda within the public sector.

Programme and project management

In recognition of the amount of change required to deliver our strategy and continually improve customer service, during the year we have invested in our project management capabilities. A Project Management Office has been established and new software is being developed to ensure good practice project management is embedded with robust governance arrangements. When a new project is proposed, a business plan is produced by a project team looking at the financial viability of the project, any risks involved, potential benefits to all stakeholders and how we can ensure it meets the needs and requirements of our customers. This is then presented to the Strategic Management Group to determine the viability of the project.

E Developing the entity's capacity, including the capability of its leadership and the individuals within it

We offer a comprehensive training and development programme for all our staff and members. Details of all the training opportunities available are communicated through our Intranet system, internal posters and where appropriate, targeted emails. This programme includes:

- Induction process with an introduction to how we work
- Online training modules
- Annual staff conference
- Bite-size training sessions on a variety of topics to help individuals understand how processes and/or other teams work within the organisation
- Joint coaching scheme with Buckinghamshire County Council
- Events focused on particular areas of development for example Wellbeing Week,

We also run regular surveys to encourage staff and members to share their views regarding various aspects of working for the council. This includes giving the opportunity to suggest future training and development sessions.

Apprenticeships are encouraged across the council, for both new and existing members of staff. Our Apprenticeship Strategy for 2017-2022 identifies the potential for Apprentices to make a huge contribution to creating the skilled and aspirational workforce that meets the needs of Aylesbury Vale for the future. This understanding of the value of Apprentices in filling potential skill gaps has been instrumental in the development of our Town Planners Graduate Scheme, which targets students nearing the end of relevant degrees offering them the chance to join AVDC to develop their skills in town planning.

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

Continuous improvement

Our commitment to supporting continuous improvement is underpinned by our REACH programme. This flexible approach to performance reviews focuses on individual and team development, supported by ongoing feedback.

REACH conversations between employees and their line manager take the form of regular (at least 4 times a year) "check-ins". Individuals and teams are encouraged to actively seek feedback from colleagues, customers and managers to help develop and improve what they do.

A week of activities focused on the five elements of REACH has been held to ensure everyone feels comfortable and engaged with the approach. Resources, including a REACH toolkit are also available on our Intranet.

F Managing risks and performance through robust internal control and strong public financial management

We have a process in place 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 Strategic Board and the corporate risk register is routinely reported to Audit Committee and Cabinet.

Oversight and assurance over the management of key risks is also provided by a number of corporate governance groups, including, for example:

- Information Governance Group
- Health and Safety Strategic Board
- Safeguarding Group
- Business Continuity and Emergency Planning
- Finance Steering Group
- Major Capital Projects Development
- Connected Knowledge Programme Board
- Waste Transformation Board

Performance management through regular review and reporting of real-time management information against corporate targets has been further developed through 2017/18. Enhanced use of technology platforms is being embraced to ensure accurate, reliable information is available to inform decisions. Further development is required through 2018/19 to embed organisation-wide corporate performance monitoring and ensure this is consistently reported.

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

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 2017/18.

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 2017/18 financial year.

Our policies and procedures are reviewed and updated to respond to changes in legislation or enhancements in best practice working. For example, during 2017/18 a full review of all Employment related policies commenced in full consultation with staff and union representatives. This process is expected to be completed by November 2018. In addition, the revised Health & Safety Policy and Strategy was approved in September 2017.

Information governance and data protection

A major area of focus during the year has been preparation for the new General Data Protection Regulation (GDPR) which came into force in May 2018. A programme of work commenced in November 2017 to ensure any significant gaps in terms of compliance with the new regulations were fully addressed, including:

- Information asset registers and record retention schedules have been developed identifying the data held by teams, how long this data needs to be held for and outlining the procedures for disposing of data records.
- Privacy Notices and Terms and Conditions have been updated
- Training sessions have been held for all staff and Members, and included in the induction process
- Data Stewards have been appointed across the council, providing teams with the help and support they require
- Engagement with suppliers to update terms and produce a risk assessment of the activities they carry out on our behalf.

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. This group comprises of managers from key departments who are empowered to take decisions on information management.

In October 2017, our Information Management Strategy was approved. This provides a foundation to help us continually improve by promoting better, more creative management of information, encouraging appropriate sharing and transparency, while ensuring data security and compliance with data protection legislation. The IGG's key responsibility is to ensure that the Information Management Strategy is maintained and that actions are taken to implement the strategy and kept it up to date. The IGG routinely receives reports on any data breaches and monitors the actions taken in response to them.

G Implementing good practices in transparency, reporting, and audit, to deliver effective accountability

As part of our commitment to transparency and making information available to residents and businesses, we publish relevant data such as our contracts register on our website. Most of our council meetings are also open to the public with agendas and minutes available to download from our website.

Our commitment to transparency is further demonstrated through the open publication of all internal audit reports and the corporate risk register.

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 Policy Strategy. There have been no whistle-blowing reports in 2017/18.

There has been no use of the Regulation of Investigatory Powers Act during 2017/18.

There was an Inspection Report by the Office of the Surveillance Commissioner (dated 9 June 2016) which recommended that the council revise its RIPA 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. There were no complaints against councillors which led to a full investigation in 2017/18. There were a total of 12 councillor Code of Conduct complaints (against a total of 9 councillors - some of the complaints were made by different complainants but relating to the same issue) that did not proceed beyond Stage 2 Initial Assessment (of the 9 councillors, 2 were district councillors and 7 were parish councillors). The Code of Conduct itself and the Standards Complaints process are being reviewed with a view to clarifying uncertainties in the definitions used and to streamline the process - this work is to be carried out in the current council year.

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.

CIPFA's 'Code of Practice on managing the risk of fraud and corruption' supports organisations seeking to ensure they have the right governance and operational arrangements in place to counter fraud and corruption. We have assessed our level of performance against the CIPFA Code of Practice on Managing the Risk of Fraud and Corruption and a high level action plan has been developed to strengthen our position in manging the risk of fraud. Fraud awareness training was provided for managers in summer 2017.

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

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.

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 the Council's objectives at risk. Improvements are required in those areas to enhance the adequacy and effectiveness of governance, risk management and control. Further detail is provided below.

Significant governance issues and action plan

During the year, internal audit reports highlighted a number of weaknesses were identified that should be reported in the Annual Governance Statement. These relate to the "high risk" reports issued for General Ledger and Housing Benefits. As noted last year, there is also a general theme relating to a lack of consistently reported and monitored management information.

General Ledger

A number of audit reports in recent years have highlighted issues with the finance system including the initial implementation of the system, the design of processes and controls, and poor engagement and speed of response to requests for support from the supplier. System improvements have been hindered by internal factors, primarily the level of work required following restructure to remodel the finance structures in line with organisational change and an under resourced team with appropriate expertise. The issues have not had any significant impact on the integrity of the financial accounts, but have resulted in inefficiency, inconsistencies, manual work-arounds and a general lack of reporting to support good financial control.

In recent months much progress has been made to address these issues with additional internal resource and increased consultant capacity to meet the operational and development needs of AVDC. This has also allowed more focus on month-end control procedures to improve the integrity of financial information and reporting.

Housing Benefits
Since the prior year high risk report, reported in the Annual Governance Statement, significant improvements have been made to processes and controls including increasing the quality checks being performed each month, full team training and the monitoring of monthly subsidy forecasts to quickly identify any financial concerns and take prompt action to rectifying benefit cases.

However, there are still challenges, with the biggest concern being around housing benefit overpayments. Consistent with the national picture, levels of overpayment debt remain high. Since the audit report was issued historic reconciliation issues between the finance and benefits system have been resolved, but further work is needed to automate the matching process and establish ongoing reconciliation procedures. Resource has recently been increased to focus specifically on recovery of housing benefit overpayment.

Management Information
Consistent with 2016/17, a number of internal audit reports have again 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 to inform decisions.

Two new posts were created during the restructure to support enhanced Business Intelligence at a corporate level and progress is now being made on capturing and reporting corporate level performance indicators. Capacity in the finance team has been strengthened to enable better and more timely reporting of financial information. At a service level, improvements have also been made with better system reporting and monitoring by managers. This remains an area of focus during 2018/19.

Company Governance
During the year internal audit reviewed the Council's governance arrangements over its investment in Aylesbury Vale Broadband (AVB). Reports were presented to Audit Committee in March 2017 and September 2017 setting out a number of weaknesses and making recommendations to address them.

In December 2017, AVB's assets were sold to Gigaclear plc, the leading provider of full fibre broadband in rural locations. A motion was passed at Full Council to perform a further independent review to:

- assess the governance arrangements over AVB from the development of the original proposal through to the position culminating in the decision to sell AVB and the conclusion of the sale
- comment on whether these helped the Council secure value for money and deliver the objectives approved by Full Council resulting from its investment in the company
- draw lessons from the Council's governance arrangements for AVB which could be applied to other commercial undertakings

This was reported to Audit Committee in June 2018. The report highlights some good practice and goes on to make a series of 22 separate recommendations, drawing upon lessons which can be learned from the Council's experience with AVB, which could be applied to commercial investments in the future. These recommendations will be taken forward to further strengthen the governance arrangements over current and future commercial interests.

Action plan
Progress in addressing the issues outlined above will be monitored by the Audit Committee through its oversight of internal audit work.

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