AYLESBURY VALE DISTRICT COUNCIL

Democratic Services

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5 July 2019

AUDIT COMMITTEE

A meeting of the **Audit Committee** will be held at **6.30 pm** on **Monday 15 July 2019** in **The Paralympic Room, Aylesbury Vale District Council, The Gateway, Gatehouse Road, Aylesbury, HP19 8FF**, when your attendance is requested.

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

Membership: Councillors: C Adams, M Collins, N Glover, A Harrison, R Newcombe, S Raven, R Stuchbury, D Town, A Waite and H Mordue (ex-Officio)

AGENDA

1. APOLOGIES

2. TEMPORARY CHANGES TO MEMBERSHIP

Any changes will be reported at the meeting.

3. ELECTION OF CHAIRMAN

4. APPOINTMENT OF VICE CHAIRMAN

5. MINUTES (Pages 3 - 8)

To approve as a correct record the Minutes of the meeting held on 25 March, 2019, copy attached as an appendix.

6. DECLARATION OF INTEREST

Members to declare any interests.

7. EXTERNAL AUDIT PROGRESS REPORT

To receive a verbal update from the external auditors.

Contact Officer: Nuala Donnelly (01296) 585164

8. INTERNAL AUDIT STRATEGY AND PLAN 2019-20 (Pages 9 - 24)

To consider the attached report.

Contact Officer: Kate Mulhearn (01296) 585724

9. INTERNAL AUDIT ANNUAL REPORT 2018-19 (Pages 25 - 38)

To consider the attached report.

Contact Officer: Kate Mulhearn (01296) 585724

10. INTERNAL AUDIT PROGRESS REPORT (Pages 39 - 118)

To consider the attached report.

Contact Officer: Kate Mulhearn (01296) 585724

11. REVIEW OF DRAFT STATEMENT OF ACCOUNTS 2018-19 (Pages 119 - 206)

To consider the attached report.

Contact Officer: Nuala Donnelly (01296) 585164

12. CORPORATE RISK REGISTER (Pages 207 - 214)

To consider the attached report.

Contact Officer: Kate Mulhearn (01296) 585724

13. WORK PROGRAMME (Pages 215 - 218)

To consider the future work programme.

Contact Officer: Kate Mulhearn (01296) 585724

AUDIT COMMITTEE

25 MARCH 2019

PRESENT: Councillor R Newcombe (Chairman); Councillors A Waite (Vice-Chairman), C Adams, M Collins, N Glover and R Stuchbury.

APOLOGIES: Councillors A Harrison, S Raven, D Town and H Mordue.

1. MINUTES

RESOLVED –

That the minutes of the meeting held on 28 January, 2019, be approved as a correct record.

2. EXTERNAL AUDIT UPDATE

The Committee was informed that the external auditors were currently undertaking Stage 1 of their interim work preparing for the audit of the Council's statement of accounts for 2018/19. It was anticipated that this work would be completed by the end of the month. A request had been made to the Corporate Finance Manager for samples to be analysed as part of the accounts audit.

A meeting would be held with the Director with responsibility for finance to assess the potential significant risks around the unitary decision and how matters were progressing. However, there was currently nothing to report to Members of the Audit Committee.

Members were informed that the assets and valuations information considered in the audit of the accounts would be for the position as at 31 March 2019. The Council was a public body and the sale / transferring of assets could only approved through a legal decision.

RESOLVED –

That the external auditors' report be noted.

3. INTERNAL AUDIT PROGRESS REPORT

The Committee received a progress report on activity undertaken against the 2018/19 Assurance Plan that had been approved by the Committee in June 2018. The following matters were highlighted:-

Final Reports issued since the previous Committee Meeting

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

- **Company Governance – Aylesbury Vale Estates (AVE)** – the review had evaluated the effectiveness of the Council's governance of AVE, based on the expectations set out in the "*Guide to creation and working with companies in which AVDC has a financial interest*", which had recently been updated following the independent review of the Council's governance arrangements for Aylesbury Vale Estates. The review of AVE had concluded that it's governance was compliant with the significant majority of expectations set out in the guide. However, two area had been identified where governance and the Council working with AVE could be strengthened. These were:-

- to clarify who was empowered to discharge certain roles (and functions assigned to those roles) set out in the AVE Members' agreement. The Council had taken a custom and practice approach to fulfilling these functions but would benefit from clarifying which Committee/people were empowered to discharge them in the event of any future dispute.
- to update the Members' agreement to clarify instances where the Council was required to approve sale, transfer or issuance of shares. This was currently referenced in the Members' agreement but was worded in a way where it would only apply in certain instances.

Good governance procedures had been identified in a number of areas including business planning, Board composition, reporting to Council and scrutiny, managing any conflicts of interest, and the relationship between the Council and AVE.

- **Housing Benefits (Medium Risk, 9 points)** – the review had identified one medium and 6 low risk findings. Since the prior year's high risk report (22 points), continued improvements had been made to processes and controls. These could be attributed to strength in management and a restructure of staff to ensure specialist benefits officers focussed on higher risk cases, a further training plan and continued monthly quality checks. These was also widespread use of software to data match HMRC details for applicants and targeted projects to undertake 100% checks on identified risk areas.

  There had also been an improvement in oversight of housing benefit overpayment debt. The audit had highlighted a number of areas where further improvements were required including on the procedures for debt write off, reconciling and clearing historic "landlord" overpayment cases, finalising the mapping exercise to clearly identify responsibilities for the various stages of the HB process, and more consistently using Real Time Information.

- **Parking Services (Medium Risk)** – the review had identified one medium and five low risk findings. The Parking Service operated across several teams in order to achieve the various parts of the process and these were explained in the report. The findings had been summarised as follows:-
  - the need to identify an overall lead for parking so that focussed discussions on all parking risks and performance could be held in one forum. KPIs had also not yet been developed for parking operations.
  - minor improvements were needed in the management of the process of reviewing Penalty Charge Notices (PCNs).
  - improvements were needed in the setting up of Direct Debits for permits.
  - consistent documenting of the acceptance of breaches of the Agree Variance Levels between the monthly BDI Summary Reports and Parking Management totals.
  - Enforcement Officer's hand held Personal Device Assistants (PDAs) were not able to be remotely disabled, if lost or misplaced.
  - chargebacks were not identified to allow accounts to be suspended to prevent fraud.
  - contract management arrangements needed to be more formalised and documented in line with corporate policies and procedures.

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

2018/19 Internal Audit Plan Work in Progress

The Committee was informed that a number of reviews were in progress, including:-

- Section 106 Agreements.

- Billing and Debt Management.
- General Ledger and Management Information.
- Connected Knowledge.

Summary of changes to the 2018/19 Internal Audit Plan

Members were informed that it was important for the plan to be flexible to respond to emerging or changing risks. The following changes had been made to the 2018/19 plan since its approval in June 2018:-

- Accounts Payable – the focus on follow up of prior year outstanding actions.
- Payroll – the original plan had included a post-implementation review of the new Payroll/HR system (XCD). As the XCD had been cancelled and existing processes kept in place, the audit days would be reallocated to other reviews. Previous audit of current payroll system had assessed it as low risk.
- Tech One – it was intended to review system integration and data transfer controls to ensure the data held in Tech One was complete and accurate. An IT project was underway to look at Council wide data transfers. System integration aspects would be picked up in work on reconciliations as part of the General Ledger review and audit days allocated.
- Waste and Recycling – Contracts – the original plan had included for a review of the contracts for Street Cleansing / Horticulture and Recycling. Street scene services were being brought back in-house when the current contract concluded in January 2020. A new contract for recyclates had been agreed last year. For both contracts, management procedures were in place and they were not considered a high risk for internal audit review. The audit days would be reallocated to allow for more in-depth reviews of Commercial Waste and Parking Services.

Implementation of Agreed Audit Actions

The implementation of actions and recommendations raised by internal audit reviews were monitored to ensure that the control weaknesses identified had been satisfactorily addressed. Actions arising from low risk audit findings were followed up by management and reviewed, but not validated, by internal audit.

A detailed listing of all internal audit actions, together with a status update was included at Appendix 4. In total, 27 actions were followed up for the March 2019 Committee – that included an update on all actions due for completion by 28 February 2019. 19 out of the 27 actions (70%) had been completed, compared to a 30% completion rate reported in January 2019.

Members sought further information and were informed:-

- Housing Benefits – that the work to reconcile complex landlord overpayment cases should be completed by the end of April 2019. Where monies were owed and were unlikely to, or could not, be recovered then they would be written off via a Cabinet Member or Officer decision, as appropriate.

- Parking Services – that the Council was assured that the current Enforcement Officer's hand held PDAs were GDPR compliant. New and more up-to-date devices were currently being procured and would hopefully be in use soon.

- that financial information on parking services was published annually on the Council's website.

- that AVDC was talking to the County Council with a view to customers being able to use a single mobile app for on-street and off-street parking in Aylesbury.

- that AVDC used the Aylesbury Town Centre Partnership as a means to engage with retailers / shopowners, which would include discussing issues such as car parking.

- that AVE was compliant with the significant majority of expectations set out in the "Guide to creation and working with companies in which AVDC has a financial interest", although 2 areas had been identified where governance arrangements could be strengthened.

- Safeguarding 2016/17 Review – that significant progress had been made in implementing the outstanding actions from this review.

RESOLVED –

(1) That the progress report be noted, including the good progress that had been made with Housing Benefits and Parking Services, as detailed in their review findings.

(2) That, should the Chairman not be satisfied by the end of March 2019 that the outstanding actions and implementation of the findings of the Safeguarding 2016/17 Review had been completed, he be authorised to request senior Officers and the Cabinet Member to attend the Audit Committee in June 2019 to provide an update.

4. CORPORATE RISK REPORT

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

Since the last Audit Committee meeting in October 2018, the CRR had been fully updated in January to reflect the impact of the Secretary of State's decision to implement a single unitary district council for Buckinghamshire. The CRR had been reviewed by Strategic Board on 9 March 2019. The table showing the changing risk profile over time was:

	Total	**Low**	**Moderate**	**High**	**Extreme**	**Not yet assessed**
March 2019	**23**	**3**	**8**	**7**	**4**	**1**
January 2019	23	3	8	7	4	1
October 2018	26	2	13	7	1	3
June 2018	25	2	12	9	1	1
March 2018	22	2	12	6	1	1
Direction of travel		↔	↓	↔	↑	

The background and comments against each risk was included in the report, as well as a summary in relation to residual risk ratings. Members were informed that in line with advice from MHCLG, the Council had been monitoring the potential risks associated with Brexit, with CRR number 15 reflecting the overall level of risk to AVDC. In recent months there had been a focus on risks associated with a “No Deal Brexit”. The risks and information were regularly updated as more information was released from central Government.

Attached to the report was a summary of the identified key risks that AVDC might face should the UK exit the EU on 29 March 2019 without a deal. This aimed to provide a level of assurance to the Audit Committee that, as far as possible, appropriate planning and contingencies were in place should the UK exit the EU without a deal.

RESOLVED –

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

5. REVIEW OF GENERAL FUND BALANCES 2019-20

The Committee received a report on the risk assessment methodology applied in determining the minimum safe level of General Fund Working Balance used in budget planning. Members were invited to consider this and comment upon the completeness and adequacy of the provision.

There was a statutory requirement on all Councils to set a balanced budget each year which could legitimately include the use of general uncommitted balances, where the Council agreed that it was appropriate to do so. It was prudent practice for Councils to maintain a General Fund uncommitted working balance against unexpected cost pressures or loss of income in order to ensure that the Council’s finances remain balanced at all times.

The level of balance maintained by Aylesbury Vale District Council was reassessed annually and the minimum recommended safe level was then applied in budget setting and planning. The report presented the risk assessment methodology and the risks identified in determining the minimum recommended safe level of £2.0 million used in budget planning for 2019/20.

Members of the Committee considered the methodology, the risks and the mitigations identified and their appropriateness in the context of the budgetary pressures facing the Council.

The potential risks arising from the Buckinghamshire unitary decision continued to be assessed. At this stage there was too much uncertainty about the specific implications on the strategic objectives and day to day operations of the Council to make any financial provision. The emerging implementation plans would address risks and consider mitigating actions as work progressed over the coming months.

The Corporate Risk Register also specifically acknowledged the risks associated with Brexit and a possible no deal situation. Whilst the level of risk remained largely unknown, plans and controls were being reviewed for area considered to be impacted by the change.

The latest assessment was attached as an appendix to the Committee report.

RESOLVED –

That the risk assessment methodology applied in determining the minimum safe level of General Fund Working Balance used in budget planning be noted.

6. WORK PROGRAMME

The Committee considered the future Work Programme (Appendix 1) which took account of comments and requests made at previous Committee meetings and particular views expressed at the meeting, and the requirements of the internal and external audit processes.

Members also considered the Actions Tracker and it was agreed that following recent actions which had seen safeguarding training provided for taxi drivers, Action **AT 7/18** should be marked as complete.

RESOLVED –

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

Audit Committee
15 July 2019

INTERNAL AUDIT STRATEGY AND PLAN 2019-20

1 **Purpose**

1.1 The pupose of this report is to provide the committee with details of the internal audit risk assessment and plan for 2019-20.

2 Recommendations

2.1 The committee is recommended to approve the Internal Audit Strategy and Plan for 2019-20 attached at Appendix 1.

3 Supporting Information

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

3.2 A summary of the approach to undertaking the risk assessment and preparing the internal audit plan is provided. The internal audit plan is driven by the Council's organisational objectives and priorities, and the risks that may prevent the Council from meeting those objectives.

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

3.4 Each auditable unit has been risk assessed at a high level to determine the priority for internal audit, represented by the frequency of audit review.

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

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

3.7 In developing the plan for the final year of AVDC, consideration has been given to the Unitary context and the changing priorities and risk of AVDC as a transitioning authority rather than a continuing organisation.

3.8 It is also important that the plan reflects the impact that an internal audit review has on the capacity of the teams involved to deliver their core activities. On teams that are already stretched to deliver services, the additional work associated with a review might impact on performance. More assurance from "First and Second Level" sources, such as the risk management process and work being taken as part of the Transition Programme will be needed.

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

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

4 Options considered

4.1 None

5 Reasons for Recommendations

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

6 Resource Implications

6.1 The Head of Internal Audit (Corporate Governance Manager) is responsible for delivering the internal audit plan. Work will be performed by external service providers under a co-source arrangement, within the allocated budget.

Contact Officer: Kate Mulhearn, Corporate Governance Manager, 01296 585724

AYLESBURY VALE
DISTRICT COUNCIL

Internal Audit Strategy and Plan 2019/20

DRAFT

July 2019

Contents

1. Introduction and approach

Introduction

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

Approach

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

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

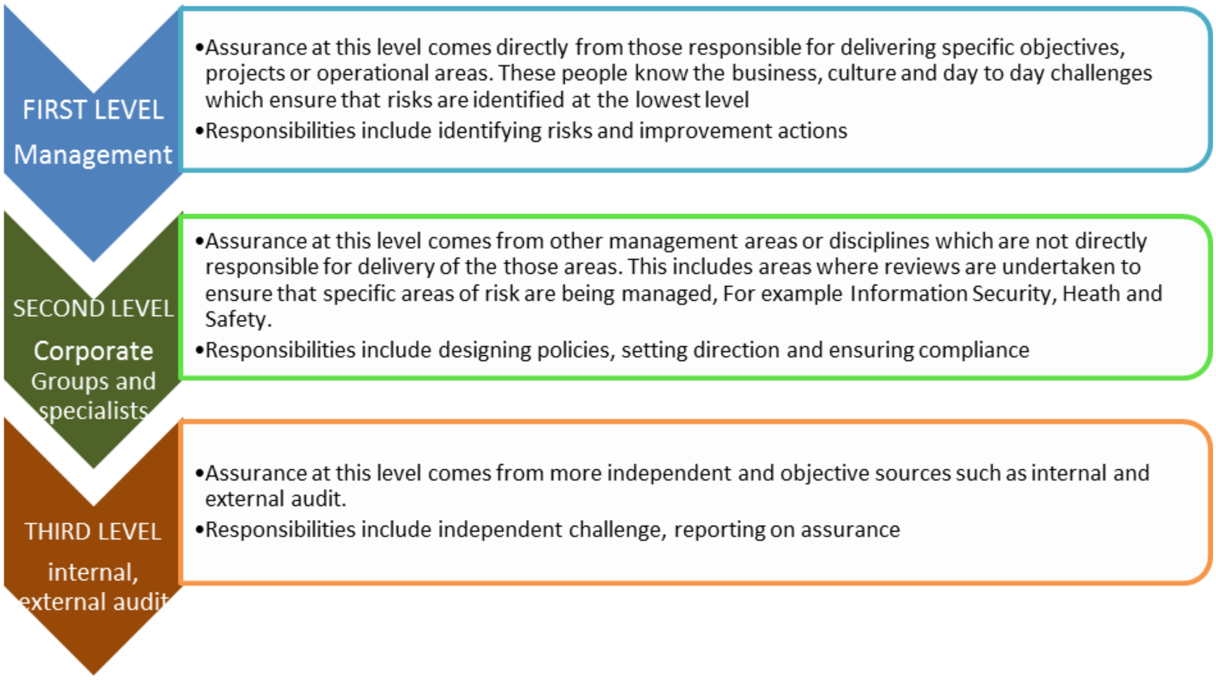
In developing the internal audit risk assessment and plan we have taken into account the requirement to produce an annual internal audit opinion by determining the level of internal audit coverage over the audit universe and key risks.

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

Other sources of assurance

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

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



Key contacts

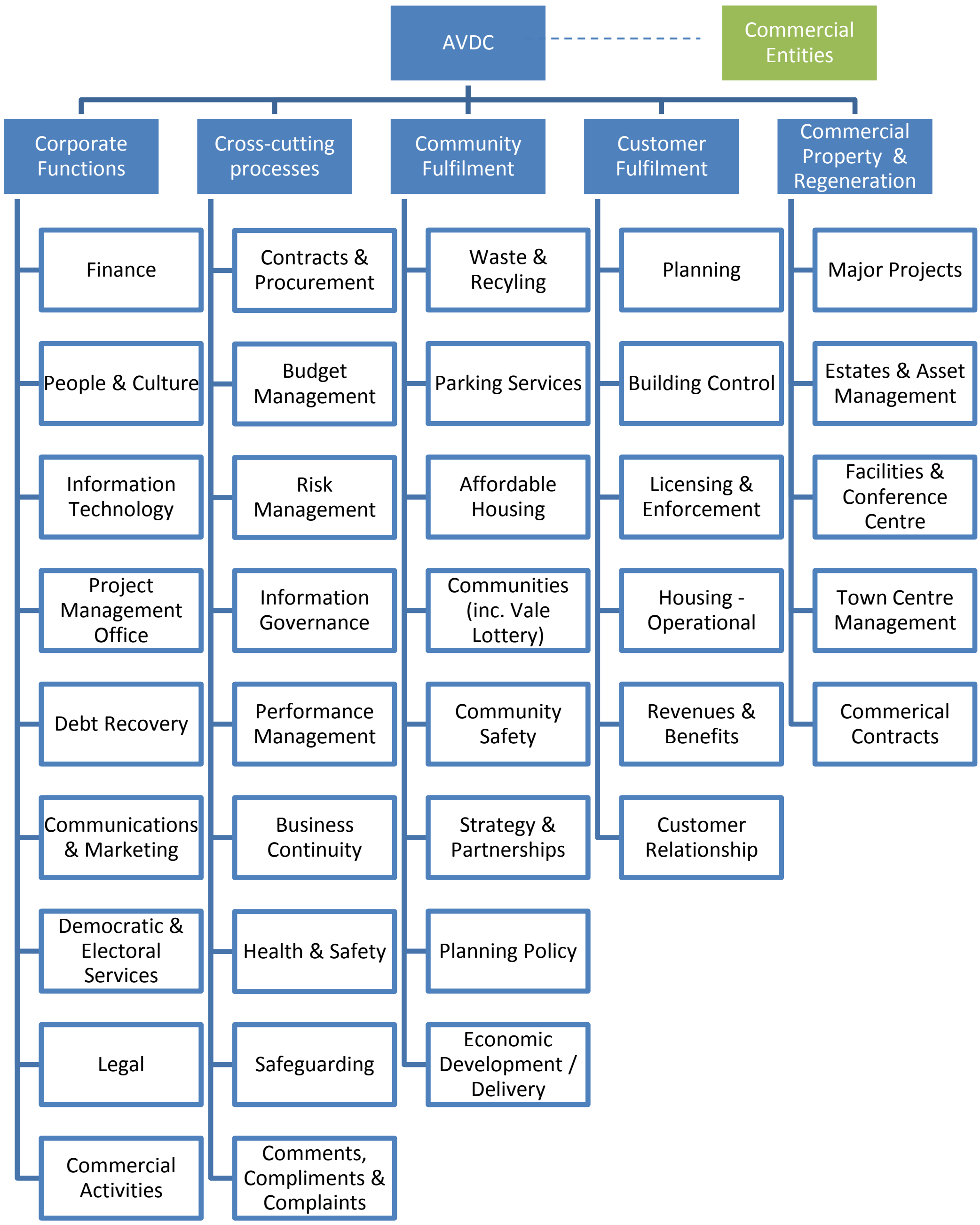
The internal audit plan has been discussed with the following members of the Senior Management team during the planning process:

Name	*Title*
Andrew Small	Interim Head of Paid Service and s151 Officer
Tracey Aldworth	Director
Andy Barton	Business Strategy & Support
Teresa Lane	Commercial Property & Regeneration
Jeff Membery	Customer Fulfilment
Will Rysdale	Community Fulfilment
Maryvonne Hassall	Digital & Transformation

2. Audit universe, objectives and risks

Audit universe

We have identified the auditable units within the Council based on the structure as of June 2019 and consideration of processes that run across a number of different areas (cross-cutting processes).



* Commercial entities - Aylesbury Vale Estates

Corporate objectives and risks

In November 2018, the Secretary of State announced his decision for a single unitary authority for Buckinghamshire. Subsequently, the objectives and priorities of AVDC have changed to ones appropriate for a transitioning authority rather a continuing organisation. The focus has shifted from transformation and continuous improvement to ensuring that statutory services are maintained and operating in a “safe and legal” way and that we hand over robust services and processes to Buckinghamshire Council.

There is considerable risk to the achievement of these objectives due to diminishing staff capacity to maintain services and deliver priority projects. A number of staff have transferred to the Unitary programme or are leaving AVDC to find employment elsewhere. The Chief Executive and one of the Directors have already confirmed plans to leave. AVDC is also experiencing significant demands on “experts” to resource unitary work streams, in some cases, AVDC senior managers are providing 50% or more of their time to support unitary work. Across every area of operation the pressure is being felt, across front line services, and “back office”; Finance, HR, IT and Communications in particular, are heavily involved. There is increasing recognition that there is no longer “business as usual”; AVDC needs to operate under a new model as it transitions towards the new Buckinghamshire Council.

The risk of losing key staff on our ability to deliver core services and priorities is greater in some areas than others and is likely to increase everywhere as we approach April 2020. The “Transition Programme” has put in place a process to prioritise work and resource allocation accordingly over the transition period. This is reviewed regularly and there is ongoing consideration and decision about priorities and the scope of work. Cabinet members have been briefed on this process and will continue to engage as risks and priorities are reviewed and further actions required.

As we consider the Internal Audit programme of work during the final year of AVDC, there is a need to reflect upon the impact that an internal audit review has on the capacity of the teams involved to deliver their core activities. On teams that are already stretched to deliver services, the additional work associated with a review might impact on performance. More assurance from “First and Second Level” sources, such as the risk management process and work being taken as part of the Transition Programme will be needed.

As we near the vesting day, there will also be limited time for AVDC to implement any actions arising from internal audit reviews. Whilst these can carry forward to the new Buckinghamshire Council, it is unclear at this stage who would be responsible for implementing them, and whether or not they would remain relevant. For example, it has already been agreed that the new Council will use SAP for its Finance and HR system from 1 April 2020; there is therefore little value in internal audit reviews of AVDC’s existing financial, HR and payroll systems and processes. The reviews selected must deliver real-time, value-add recommendations that can be implemented prior to vesting day.

The Internal Audit Plan for 2019/20, as set out in Section 4, has considered the context outlined above, and the Corporate risks as described in the Corporate Risk Register (July 2019), detailed below.

Assurance over corporate risks

Extreme risks	**Reference to IA plan or other sources of assurance**
1) Loss of AVDC leadership and vision as the unitary programme progresses	The Transition Programme involves risk assessment and governance of a prioritisation process to ensure services are maintained with diminishing resource; together with staff retention strategies; this will provide ongoing assurance over the management of these risks. Risks 1) and 2) will be considered in the scope for all internal audit reviews.
2) Loss of key staff (external or to Unitary programme) & inability to recruit high performing individuals	
3) Failure to deliver the Connected Knowledge Strategy and achieve the Council's Digital objectives within AVDC lifetime. Lack of alignment to wider strategic / unitary authority objectives.	
High risks	
4) Lack of clarity and/or political engagement with partners hinders ability to engage in & influence next round of growth including consideration of CaMKOx Corridor, HS2, housing need targets. A Bucks wide plan could result in even more housing in the Vale geography.	AVDC is engaged in the Housing, Growth and Economy Unitary Workstream
5) In-housing of Street and Horticulture service (Streetscene) is not completed by the end of the current contracts (January 2020), and in line with AVDC Council decision.	Operations Programme Board provides oversight of the project.
6) Depot Transformation Programme fails to deliver commercial, customer, H&S, Environmental objectives	Internal audit ref E1 will review governance arrangements over the management of these risks. Level 2 assurance is via the Programme Governance Board.
7) Pembroke Road Redevelopment programme is not delivered to time or budget - EA Fire Prevention Plan required resulting in possible extra capital cost up to £1m - risk assessing options to understand impact and time delay	
8) Decline in retail sector reduces ongoing viability of AVDCs Town Centre assets and limits success of regeneration programme	Aylesbury Town Centre plan and regeneration programme; joint Officer Steering Group (AVDC, BCC, ATC) . AVDC Transition Programme will review priorities.
9) Inadequate working with stakeholders to ensure safety of residential buildings following Grenfell.	Assurance from Management (Level 1)
10) Impact of BREXIT - financial, procurement, employment, regulatory, environmental, major projects/partnering arrangements	Brexit risk register is reviewed and reported to Audit Committee
11) Deterioration of quality of planning service delivery, decisions and timeliness of response to applications in the face of increasing growth demand; compounded by vacancies in the planning team, reliance on consultants and the national reduction in applicants; challenge locally due to job market and growth, unitary uncertainty	Ongoing review as part of Transition Programme. Planning Advisory Authority will undertake review which will provide independent, Level 3 assurance.

3. Risk assessment

Risk assessment results

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

Ref	Auditable Unit	Inherent Risk Rating	Control Environment Indicator	Audit Requirement Rating	Frequency	Comments (incl. other sources of assurance)
A	Corporate Functions					
	Finance • General Ledger, Debtors, Creditors, Payroll • Treasury, Fixed Assets	6	2	5	Annual	Focus on fraud risk across council operations and services General Ledger & Debtors reviewed 18/19 Creditors & Payroll last reviewed 17/18 Treasury & Fixed Assets last reviewed in 16/17 – low risk IA resource will be prioritised if areas are identified during the unitary transition process.
	People & Culture	3	3	2	3 years	Review of HR Management processes to ensure orderly transition of staff and employment information
	IT	6	3	5	Annual	Assurance over governance of digital change is via Connect Knowledge Programme Board and Information Security via IGG.
	Project Management Office	5	3	4	2 years	PMO project governance controls in place. CK review done in 18/19,
	Debt Recovery	4	2	3	2 years	IA reviewed in 18/19.
	Communications & Marketing	3	3	2	3 years	
	Legal	3	4	-	-	
	Democratic & Electoral Services	3	3	2	3 years	
	Commercial Activities	3	3	2	3 years	
B	Cross-Cutting Processes					
	Contracts & Procurement	5	3	4	2 years	Corporate processes reviewed in 18/19
	Budget Management	5	3	4	2 years	Assurance from Management Information, Finance Review Board and Scrutiny process.
	Risk Management	5	3	4	2 years	Continuous assurance over risk management processes and reporting to Audit Committee & Cabinet.
	Information Governance	5	4	3	2 years	Assurance via IGG.
	Performance Management	5	2	4	2 years	Assurance via Strategic Board
	Business Continuity	5	2	3	2 years	Review of BIAs and Plans is ongoing
	Health & Safety	6	4	4	2 years	IA reviewed in 18/19.
	Safeguarding	5	4	3	2 years	Reviewed in 16/17 and follow up being monitored.
	Customer comments, compliments and complaints	3	2	2	3 years	Internal Audit reviewed in 18/19
C	Community Fulfilment					
	Waste & Recycling	5	3	4	2 years	Review of Pembroke Road redevelopment in 19/20. In 18/19 reviewed Commercial Waste.
	Parking Services	4	3	3	2 years	Reviewed in 18/19.
	Affordable Housing	5	4	3	2 years	DFG grant audit
	Communities	5	4	3	2 years	Vale Lottery audited in 16/17.
	Community Safety	5	3	4	2 years	Safeguarding audited 16/17.
	Strategy & Partnerships	4	4	2	3 years	

Ref	Auditable Unit	Inherent Risk Rating	Control Environment Indicator	Audit Requirement Rating	Frequency	Comments (incl. other sources of assurance)
	Planning Policy	5	4	3	2 years	
	Economic Development / Delivery	5	4	3	2 years	
D	Customer Fulfilment					
	Planning	5	4	3	2 years	Planning and Enforcement reviewed in 17/18.
	Building Control	5	3	4	2 years	Reviewed in 17/18
	Licensing & Enforcement	5	3	4	2 years	Taxi licensing reviewed in 17/18. 19/20 review will focus on processes post system implementation.
	Housing –Operational	4	4	2	3 years	Audit of Housing Allocations in 15/16..
	Revenues & Benefits	6	2	5	Annual	Audit of Housing Benefits in 18/19. Council Tax & Business Rates in 19/20.
	Customer Relationship	3	3	2	3 years	Review Digital Contact Team in 19/20
	Environment	3	3	2	3 years	Parks, open spaces – consider with Sec 106 audit
E	Commercial Property					
	Major Projects	6	4	3	2 years	Major Project Board provides oversight of significant capital projects – Waterside North, Pembroke Road, Crematorium Pembroke Road review in 19/20
	Estates & Asset Management	5	2	4	2 years	17/18 reviewed landlord service charges. New Asset Management system being implemented during 19/20.
	Facilities & Conference Centre	3	3	2	3 years	
	Town Centre Management	4	4	2	3 years	
	Commercial Contracts	5	4	3	2 years	16/17 review completed of two major contracts – Theatre & Everyone Active.
F	Commercial Entities					
	Commercial Strategy	6	2	5	Annual	Review of governance arrangements for AVB in 2016-18 and AVE in 18/19. No Further commercial entities.

Key to frequency

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

4. Annual internal audit plan

Annual plan and indicative timeline

The internal audit work planned for 2019/20 as set out below reflects the changing nature of AVDC's objectives and risks during the period of transition to the new Buckinghamshire Council. Reviews have been identified where they will directly add value to the objectives of achieving an orderly transition, balanced against the desire not to place additional burden on already stretched teams. Contingency days have been built in to allow for additional reviews should the need arise during the period. It is important the plan remains flexible to adapt to changing risks and priorities.

Ref	Auditable Unit	Audit days	Planned start date				Comments
			Q1	Q2	Q3	Q4	
A	**Corporate functions**						
A1	Finance – Fraud Risk Assessment	20			X	X	Focus on fraud risk across council operations and services. The review will identify any areas of risk and make recommendations as appropriate. Further Finance reviews may be identified during unitary transition work
A2	People & Culture – HR Management	20			X		Review of HR Management processes using "checklist" approach to ensure orderly transition of staff and accurate, complete employment information
B	**Cross-cutting processes**						
B1	-	-					
C	**Community Fulfilment**						
C1	Section 106 Agreements	-		X			Conclude and report on the review that started in 2018/19.
D	**Customer Fulfilment**						
D1	Council Tax and Business Rates	8			X		Controls and processes will continue into Unitary. Review to focus on changes to discount arrangements.
D2	Digital Contact Team	12		X			Review of customer contact processes. Actions identified will feed into the Unitary Customer Workstream
D3	Taxi Licensing	8			X		Focus on processes post implementation of RegServce
E	**Commercial Property**						
E1	Pembroke Road Redevelopment	12		X			Advisory review of the governance of the programme (Capital Projects and Operations)
F	**Other**						
	Follow up of audit actions	10		X	X	X	Validation that agreed internal audit actions have been implemented.
	Grant audits - DFG	2			X		Grant compliance requirements
	Total planned audit days	**92**					
	Contingency	30					
	Total	**122**					

Resourcing the plan

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

Appendix 1: Detailed methodology

Step 1 -Understand corporate objectives and risks

We have:

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

Step 2 -Define the Audit Universe

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

Step 3 -Assess the inherent risk

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

The inherent risk assessment is determined by:

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

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

Step 4 -Assess the strength of the control environment

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

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

Step 5 -Calculate the audit requirement rating

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

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

Step 6 -Determine the audit plan

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

Step 7 -Other considerations

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

Appendix 2: Risk assessment criteria

Determination of Inherent Risk

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

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

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

Audit Committee
15 July 2019

INTERNAL AUDIT ANNUAL REPORT 2018/19

1 Purpose

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

1.2 The report summaries the work of Internal Audit for the period 1 April 2018 to 31 March 2019, identifying the areas upon which the audit opinion is based.

2 Recommendations/for decision

2.1 The Committee is requested to note the contents of the Internal Audit Annual Report for the financial year 2018/19.

3 Supporting information

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

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

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

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

3.5 In forming this opinion the Head of Internal Audit can confirm that internal audit activity throughout 2018/19 has been independent from the rest of the organisation and has not been subject to interference in the level or scope of the audit work completed.

4 Options considered

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

5 Resource implications

5.1 None

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

Internal Audit Annual Report

April 2018 – March 2019

Contents

1. Introduction

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

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

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

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

2. *Head of Internal Audit Opinion*

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

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

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

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

My opinion is as follows:

Generally satisfactory with some improvements required to specific systems and processes

Governance, risk management and control in relation to business critical areas is generally satisfactory. However, there are some weaknesses 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.

Kate Mulhearn
Corporate Governance Manager
July 2019

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

- The majority of weaknesses in control design and operating effectiveness identified were medium or low risk.
- Two high risk findings were identified in the areas of Commercial Waste and General Ledger Reconciliations.
- Good progress has been made during the year on implementing actions identified during internal audit reviews to strengthen the overall control environment.

Please see further detail in Section 3.

3. Summary of Internal Audit Activity

Overview

A total of 8 assurance reviews were completed in 2018/19 of which 1 was classified as "high" risk, 5 were given "medium" and 2 were given "low" risk classifications. This resulted in the identification of 2 high, 12 medium and 25 low risk findings relating to weaknesses in the design and operating effectiveness of controls.

In the previous financial year 9 assurance reviews were completed of which 2 were classified as high risk, 6 were medium and 1 was low, resulting in 6 high, 16 medium and 20 low risk findings.

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

Review	Report risk rating*	Number of findings				2018/19 risk rating
		Critical	High	Medium	Low	
General Ledger	Medium	-	1	1	2	High
Billing and debt management	Low	-	-	1	3	-
Housing Benefits	Medium	-	-	1	6	High
Procurement & Contract Management	Medium	-	-	1	4	-
Health & Safety	Medium	-	-	3	2	-
Customer comments, compliments & complaints	Low	-	-	1	1	-
Commercial Waste	High	-	1	3	2	-
Parking Services	Medium	-	-	1	5	-
Connected Knowledge	N/A Advisory	-	-	-	-	-
Company Governance – Aylesbury Vale Estates	N/A Advisory	-	-	-	-	-
Total		**-**	**2**	**12**	**25**	**-**

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

Direction of control travel

Finding rating	Trend between current and prior year	Number of findings							
		2018/19		2017/18		2016/17		2015/16	
Critical	-	-	-	-	-	-	-	-	-
High	↓	2	5%	6	14%	6	12%	6	16%
Medium	↓	12	31%	16	38%	19	39%	22	58%
Low	↑	25	64%	20	48%	24	49%	9	24%
Total		39	-	42	-	49	-	37	-

We focus our internal audit work on areas of risk so that maximum value can be achieved through the identification of actions for improvement. Therefore, the results may not be directly comparable year on year due to the different mix and focus of reviews performed.

Significant control weaknesses

A number of weaknesses were identified that should be reported in the Annual Governance Statement. These relate to the “high risk” findings identified in the reviews of General Ledger and Commercial Waste.

General Ledger Reconciliations

Over the last few years AVDCs Connected Knowledge digital strategy has delivered a number of new cloud based systems in core service areas, including Regulatory Services and Waste; plans are in place to migrate Planning and Asset Management in the near future. The scale and pace of system implementation has meant that plans have not always included sufficient detail on financial management and control implications. The lack of automated integration with the General Ledger at the point of go-live has resulted in the need for manual workarounds.

The high risk reflects this, and also notes that in some areas there is either inadequate, or no evidence of, reconciliation being performed. There is therefore some risk to the accuracy and completeness of data held on the finance system. This also creates inefficiency in some of the billing processes whereby Services manually provide information from which finance raise invoices; automated interfaces between these systems and the general ledger would improve accuracy, completeness and efficiency of the billing process.

Work to automate interfaces between TechOne and other systems is taking place under the Connected Knowledge “Finance Process Improvement Project”, but this has not progressed as quickly as would have been anticipated due to factors including the priority of new system implementation projects, system admin/developer resource, finance capacity and more recently the demands of ‘Unitary’ on the teams involved. Progress in this area requires close involvement and monitoring by the Finance team.

The audit also notes that the existing plans for the introduction of the new systems for Asset Management (TechForge) and Planning (Built Environment) require more comprehensive detail on the processes for financial integration.

Commercial Waste

An area of high risk was identified. Site Risk Assessments had not been completed for a large number of commercial waste customers. Each site from which commercial waste is collected should be assessed to identify any risks that may pose a threat to the safety of collection crew and the general public. This should be undertaken prior to the adoption of a new customer and at set intervals thereafter to allow mitigations to be put into place to manage any risk of physical harm. There were also no controls in place to re-assess a site at a set interval and to keep track of when these re-assessments are due.

The Commercial Waste audit was performed during September/October 2018. Action was immediately taken by management to address the risks identified. Follow up work has confirmed that site risk assessments are complete for all customers and a procedure is in place to ensure they are completed before a new account is approved.

Other internal audit work

Company Governance – Aylesbury Vale Broadband

Last year Internal Audit performed reviews of 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. The results of a further independent review were reported to Audit Committee in June 2018. This report made a series of 22 separate recommendations, drawing out lessons which could be learned from the Council's experience with AVB and that should be applied to other commercial investments in the future.

Internal audit has provided updates to the Audit Committee on the actions taken to implement the recommendations. In January 2019 it was reported that all 22 actions had been implemented and the Audit Committee approved an updated "Guide to Creation and Working with Companies in which AVDC has a Financial Interest"; reflecting the recommendations set out in the AVB report.

Company Governance – Aylesbury Vale Estates

Following the conclusion of the review of Aylesbury Vale Broadband, in March 2019, an advisory review was performed to evaluate the effectiveness of the Council's governance of its investment in the Aylesbury Vale Estates LLP (AVE), based on the expectations set out in the "Guide to creation and working with companies in which AVDC has a financial interest".

We concluded that governance of AVE is compliant with the significant majority of expectations set out in the Guide. However the review highlighted two areas where the application of governance requirements as set out in AVE's Members' Agreement could be strengthened.

Connected Knowledge

An advisory review was undertaken during March 2019 to evaluate the arrangements for measuring and reporting benefits arising from the Connected Knowledge Programme. The review identified a number of areas of good practice in current arrangements but also highlighted opportunities where programme management could be improved across three areas: making benefits more specific and measurable; improving arrangements for tracking delivery of benefits; and closing down projects and learning lessons.

Recommendations have been taken forward by the project team and will be built into the programme oversight and governance arrangements.

Risk Management

The risk management arrangements form a key part of the Council's overall internal control framework. The Corporate Risk Register (CRR) shows the key risks to the Council and the actions that are being taken to respond to these risks. The CRR is regularly reviewed and updated by Strategic Board. It is also reviewed and challenged by Audit Committee and routinely reported to Cabinet.

Internal audit has not provided any specific assurance over this process during the year but the Corporate Governance Manager has facilitated the regular assessment of risk and review of the corporate risk register by Strategic Board, Audit Committee and Cabinet. The processes in place are considerer to be adequate.

Follow up work

Agreed actions arising from audit reports are kept under review by Internal Audit and regular reports on overdue actions are provided to the Audit Committee. A total of 113 audit actions have been completed during the year and progress is being made to address all outstanding actions. There are no significant issues to report regarding the follow up of any audit recommendations. It is pleasing to note significant improvements in the following areas:

Housing benefits

Following the high risk audit report in 2017/18, continued improvements have been made to processes and controls. This has been demonstrated by a significant reduction in processing times for new applications and change of circumstance. There is widespread use of software to data match HMRC details for applicants and targeted projects to undertake 100% checks on identified risk areas. These improvements can be attributed to strength in management and a restructure of staff to ensure specialist benefits officers focus on higher risk cases, a further developed training plan and continued monthly quality checks.

Management Information

In previous years, a number of internal audit reports highlighted inadequacies in the level of management information, both at a corporate and service level to enable effective monitoring and oversight of both financial and non-financial performance, and to inform decisions. It is noted that significant progress has been made on capturing and reporting corporate level performance indicators and performance dashboards are regularly reviewed by the Corporate Management Team and Cabinet.

Financial management information has also been further developed. As noted in this year's General Ledger report, capacity in the finance team has been strengthened to enable better and more timely reporting from the TechOne system. The Finance Business Partner model is working well and at a service level, improvements have been made with better system reporting and monitoring by managers.

Summary of changes to the 2018/19 internal audit plan

To remain relevant, the annual internal audit plan should be flexible to respond to emerging or changing risks. With budget constraints, there is also a need to ensure prioritisation is given to work which will achieve the greatest value to the organisation. The following changes were made to the 2018/19 plan since it was approved in June 2018:

Name of review	Comment
Accounts Payable	Focus on follow up of prior year outstanding actions.
Payroll	The original plan included a post-implementation review of the new Payroll/HR system, XCD. The implementation was cancelled in November 2018. Existing processes will remain in place and as prior year audits are low risk, no longer considered an area of risk for audit. Days will be reallocated to other reviews.
Tech One	It was intended to review system integration and data transfer controls to ensure the data held in TechOne is complete and accurate. An IT project is underway to look at Council wide data transfers (Uniflow). System integration aspects will be picked up in work on reconciliations as part of GL review and audit days reallocated.
Waste & Recycling - Contracts	The original plan included review of the contracts for Street Cleansing/ Horticulture and Recycling. Street Scene services are coming in-house and the contract will conclude in January 2020. Due to changes in the recycling market, we no longer receive income but pay for waste to be taken to a MRF through a contract with CasePak. For both contracts, management procedures are in place and not considered a high risk for internal audit review. Audit days will be reallocated to allow for more in-depth reviews of Commercial Waste and Parking Services.
Section 106 Agreements	An audit was scoped to assess processes and controls over the allocation, financial management and monitoring of s106 funds. Work was undertaken during December and January by BDO, the contracted service providers, but unfortunately they were unable to complete the review and issue a final report. The status of the review will be further assessed as part of the 2019/20 internal audit plan of work.

4. Review of Effectiveness

The Head of Internal Audit role is fulfilled by the Corporate Governance Manager and internal audit work is delivered under a contract with BDO LLP under a co-source arrangement.

All organisations providing Internal Audit Services must be subject to an independent external assessment every five years. In 2015 BDO were subject to an external assessment of compliance to the Public Sector Internal Audit Standards (PSIAS). Across all 58 areas assessed BDO were confirmed as being compliant.

I have considered the requirements of PSIAS and there are no areas of concern to indicate that the current arrangements are not fully compliant with the Standards.

Appendix 1: Opinion types

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

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

Appendix 2: Basis of classification and risk ratings

Report classifications

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

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

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

Individual finding ratings

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

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

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Audit Committee
15 July 2019

INTERNAL AUDIT PROGRESS REPORT – JULY 2019

1 Purpose

1.1 To receive the Internal Audit Progress Report of activity undertaken since April 2018.

2 Recommendations

2.1 The committee is recommended to note the progress report.

3 Supporting Information

3.1 This report provides an update on the progress made against the 2018/19 Internal Audit Plan and includes information on:

- Internal audit reviews completed and in progress
- Changes to the 2018/19 internal audit plan
- Implementation of agreed audit actions

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

4. Reasons for Recommendations

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

5. Resource Implications

5.1 There are no resource implications to report.

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

Internal Audit

Progress Report

July 2019

Contents

1. Activity and progress

This is the final progress update on completion of the 2018/19 internal audit plan which was approved by the Audit Committee in June 2018. A summary of the plan is included in Appendix 2.

Final reports issued since the previous Committee meeting

Name of review	*Risk rating**	*Date of final report*	*No of recommendations made**			
			Critical	**High**	**Medium**	**Low**
Connected Knowledge: Benefits Realisation	n/a	March 19	-	-	-	-
General Ledger Reconciliations & Management Information	Medium	July 19	-	1	1	2
Debt Management	Low	July 19	-	-	1	3

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

The full reports are attached in Appendix 4 and summarised below:

Connected Knowledge – Benefits Realisation

This review used a sample of three completed Connected Knowledge projects to assess the approach the Council has taken to identifying, measuring and reporting benefits and lesson learning.

The report highlights a number of areas of good practice and, for the projects sampled, the majority of service users stated that the projects have delivered improvements on the previous arrangements. However, the review concludes that, at this stage of the programme, it is hard to form a definitive view on the benefits realised to date, with further improvement needed on the clarity with which anticipated benefits are stated and subsequently reported.

Improvements have been made, but given the level of expenditure on the Connected Knowledge programme, it is essential that the Council puts in place more robust arrangements to monitor the ongoing delivery of financial and non-financial benefits stemming from the programme. This includes being more specific about the expected benefits for projects being developed, increasing specificity retrospectively for projects already completed or 'in flight', and then putting reporting arrangements in place to track delivery of these benefits at a programme-level, rather than just within service areas as business as usual. In addition, the Council needs to further formalise its arrangements for closing down projects, using a two stage approach.

General Ledger Reconciliations and Management Information

The purpose of the review was to assess the control design and operating effectiveness with regards to AVDC's management of its general ledger particularly in terms of how it interfaces with other systems and the processes for reconciliation. We identified one high, one medium and two low risk findings.

The high risk finding reflects the lack of automated integration between new systems in the Service areas and the General Ledger which has resulted in the need for manual workarounds. It also notes that in some areas there is either inadequate, or no evidence of, reconciliation being performed. There is therefore some risk to the accuracy and completeness of data held on the finance system. This also creates inefficiencies in some of the billing processes.

Our findings are summarised as follows:

- There is a lack of automated integration between some Council systems and the general ledger and some key reconciliations (including Licencing, Environmental Health (RegServe) and Commercial Property) are not taking place to confirm the accuracy and completeness of data held. The lack of integration creates inefficiency in some of the billing processes whereby Services manually provide information from which finance raise invoices; automated interfaces between these systems and the general ledger would improve accuracy, completeness and efficiency of the billing process. (High)

- Reconciliations in the Waste service, including Garden Waste and Trade Waste, are not being undertaken (Medium)

- Other areas for improvement in reconciliation processes were identified including Bulky Waste, Domestic Waste, Land Charges, Planning and Markets (Low)

- Procedures relating to the completion of reconciliations between AVDC's various financial systems are not sufficiently detailed. There is also no documented reconciliation approval form in place for all reconciliations that do take place (Low)

- The Quarterly Digest document is not always reported for formal scrutiny on a timely basis (Advisory)

A number of areas of good practice also were noted during the review and these are reflected in the overall 'medium' risk classification of this report.

Debt Management

The review assessed the control design and operating effectiveness with regards to the Council's debt management processes. We identified 1 medium risk and 3 low risks findings.

Significant work has been undertaken to improve the management and recovery of debt. This includes creating additional posts in the Corporate Finance team, with specific responsibility for credit control. The functionality of Tech1 has also been considerably improved to enable better review of aged debts and management reporting. The low risk audit report reflects the improvements that have been made to processes and controls in this area and highlights a number of areas of good practice.

Further improvements can be made to address the remaining level of risk in the debt management area in the following areas:

- Credit notes have been raised and approved by the same member of staff with a lack of segregation of duties, increasing the risk of inappropriate credit notes being issued (Medium)

- Actioning of debt write-offs, where necessary, is not consistently carried out on a timely basis (Low)

- There is insufficient evidence of due diligence procedures carried out for new customers for whom the Council provide credit, with insufficient procedures in place to review the appropriateness of existing credit terms provided to current customers (Low)

- There is no documentation to evidence the review of customer account changes has been completed and action taken where necessary (Low)

The scope of this audit also covered review of processes to ensure the accurate and complete billing for Council services. Issues have been identified in this area as result of the lack of integration, automated interface and reconciliation between service systems and the general ledger. These issues have been reported as one high, and one medium risk finding in the *General Ledger Reconciliations and Management Information* internal audit report (see above). The overall 'low' risk rating of this report relates to debt management and recovery procedures only.

Summary of changes to the 2018/19 internal audit plan

To remain relevant, the annual internal audit plan should be flexible to respond to emerging or changing risks. With budget constraints, there is also a need to ensure prioritisation is given to work which will achieve the greatest value to the organisation. The following changes have been made to the 2018/19 plan since it was approved in June 2018:

Name of review	***Comment***
Accounts Payable	Focus on follow up of prior year outstanding actions.
Payroll	The original plan included a post-implementation review of the new Payroll/HR system, XCD. The implementation was cancelled in November 2018. Existing processes will remain in place and as prior year audits are low risk, no longer considered an area of risk for audit. Days will be reallocated to other reviews.
Tech One	It was intended to review system integration and data transfer controls to ensure the data held in TechOne is complete and accurate. An IT project is underway to look at Council wide data transfers (Uniflow). System integration aspects will be picked up in work on reconciliations as part of GL review and audit days reallocated.
Waste & Recycling - Contracts	The original plan included review of the contracts for Street Cleansing/ Horticulture and Recycling. Street Scene services are coming in-house and the contract will conclude in January 2020. Due to changes in the recycling market, we no longer receive income but pay for waste to be taken to a MRF through a contract with CasePak. For both contracts, management procedures are in place and not considered a high risk for internal audit review. Audit days will be reallocated to allow for more in-depth reviews of Commercial Waste and Parking Services.
Section 106 Agreements	An audit was scoped to assess processes and controls over the allocation, financial management and monitoring of s106 funds. Work was undertaken during December and January by BDO, the contracted service providers, but unfortunately they were unable to complete the review and issue a final report. The status of the review will be further assessed as part of the 2019/20 internal audit plan of work.

2. Implementation of agreed audit actions

We monitor the implementation of actions and recommendations raised by internal audit reviews to ensure that the control weaknesses identified have been satisfactorily addressed. Actions arising from low risk audit findings are followed up by management and reviewed, but not validated, by internal audit.

In total 58 actions were followed up for the July 2019 Audit Committee. This included an update on all actions due for completion by May 2019 or earlier. 30 out of 58 actions are complete or have been closed and both of the two High rated actions are complete.

A detailed listing of all internal audit actions, together with status update is included in Appendix 3.

Aylesbury Vale Broadband Review

The results of the independent review undertaken by BDO LLP, into the governance arrangements over the Council's investment in Aylesbury Vale Broadband Ltd (AVB) were reported to the Audit Committee in June 2018. This report made a series of 22 separate recommendations; drawing out lessons which could be learned from the Council's experience with AVB and that should be applied to other commercial investments in the future. In January 2019 it was reported that all 22 actions had been implemented and the Audit Committee approved an updated "Guide to Creation and Working with Companies in which AVDC has a Financial Interest"; reflecting the recommendations set out in the AVB report.

In regard to Recommendation 17:

> *"If the Council's wider Members are to have greater oversight of the Council's commercial ventures, then the confidentiality requirements of 'yellow papers' must be respected",*

the Council asked that the Monitoring Officer carry out an investigation into the unauthorised disclosure of the confidential information. The results of this investigation are attached in Appendix 5.

Appendix 1: Internal audit opinion and classification definitions

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

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

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

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

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

Appendix 2: Internal audit plan and progress tracker

The 2018/19 Annual Internal Audit Plan was approved by members of the Audit Committee in June 2018. A summary of progress on completion of the plan and changes is reported below.

Review	Description	Status/Comment	Overall Risk Rating
General Ledger	Assurance over control design and operating effectiveness of key financial processes.	Terms of reference agreed. Work planned April 2019	Medium
Accounts Payable		Audit removed - focus on follow up of prior year outstanding actions	-
Payroll	Review payroll processes and controls post new system implementation	XCD implementation cancelled. Existing processes will remain in place. Prior year audits are low risk.	-
Billing, debt management and recovery	Review of processes for billing selected income streams (inc. commercial & garden waste, licensing, property), debt management and recovery	Terms of reference agreed. Work planned April 2019	Low
TechOne	Review system integration and data transfer controls to ensure the data held in TechOne is complete and accurate.	Discussed with Dir & Corp Finance Manager. Integration aspects will be picked up in work on reconciliations as part of GL review and audit days reallocated.	-
Contracts & Procurement	Corporate processes	Complete	Medium
Health & Safety	Corporate processes	Complete	Medium
Customer comments, compliments & complaints	Corporate CCC process & new Customer Charter	Complete	Low
Section 106 Agreements	Audit work complete and report was due to come to January audit committee – BDO delays in report finalisation - deferred 2019/20		Deferred
Housing Benefits	Consider impact of Universal Credit	Complete	Medium
Waste & Recycling - Contracts	Original plan included review of the contracts for Street Cleansing/Horticulture and Recycling. Council recently approved the proposal to bring Street Scene services in-house, the contract will conclude in January 2020. Due to changes in the recycling market, we no longer receive income but pay for waste to be taken to a MRF through a contract with CasePak . For both contracts management procedures are in place and not considered a high risk for internal audit review.		-
Waste & Recycling – Commercial Waste	Focus on customer and commercial aspects of trade waste operations.	Complete	High
Parking services	Review of all the parking service	Complete	Medium
Connected Knowledge	Focus on benefits realisation, tracking and reporting	Work complete, report in June 19	Advisory
Company Governance	Assess governance arrangements for the Aylesbury Vale Estates	Complete	Advisory
Follow up audit actions	Validation that agreed internal audit actions have been implemented.	Ongoing	Ongoing
Disabled Facilities Grant	Grant compliance requirements	Complete	No issues

Appendix 3: Summary of internal audit actions

In total 58 actions were followed up for the July 2019 Audit Committee – this included an update on all actions due for May 2019 or earlier. Where actions are not yet completed, the previous due dates are shown along with the new revised date. 30 out of 58 actions are complete or have been closed which equates to 52%. Both of the 2 High rated actions are complete, this includes the action relating to Safeguarding training which has been in progress since December 2017.

Actions arising from Internal Audit reviews were on the whole being actively progressed. There is however, now a need to recognise the impact the Unitary transition process is having on completion of audit actions. In some cases, progress has been slower due to competing priorities for staff time; in other cases, the original action is no longer practical and/or relevant to complete. In these cases the action has been marked as "Closed".

Name of review	***Agreed actions due***	***Outstanding***			***Completed/ Closed***
		H	**M**	**L**	
Accounts Payable 2017-18	3	-	1	1	1 (1H)
Building Control 2017-18	6	-	-	1	5 (3M, 2L)
Comments, Complaints and Compliments 2018-19	5	-	-	1	4 (4M)
Commercial Waste 2018-19	7	-	5	-	2 (1M, 1L))
Contracts and Procurement 2018-19	3	-	1	2	-
Corporate Health and Safety 2018-19	6	-	5	1	-
Housing Benefits 2018-19	11	-	-	4	7 (3M, 4L)
Parking 2018-19	5	-	-	2	3 (3L)
Payroll 2017-18	4	-	-	-	4 (4M)
Planning & Planning Enforcement 2017-18	3	-	1	2	-
Safeguarding 2016/17	2	-	-	-	2 (1H, 1L)
Taxi Licencing 2017/18	3	-	1	-	2 (2L)
Total	**58**	**-**	**14**	**14**	**30 (52%)**

Progress update on overdue/incomplete actions

Name of review	*Action*	*Finding risk*	*Update*	*Revised Date*
Accounts Payable 2017-18	Review the process for receipting of invoices to automate where possible and avoid duplication, to ensure timely approval and payment.	**H → L**	Occasionally there are duplicate invoices, this has been raised with T1 and there is a fix in the test system. When testing is complete they will release it in the live environment. In the meantime AVDC have built an ETL to check for duplicate invoices, this has been checked and is regularly run, and business partners are constantly checking the ledger and picking up occasional duplicate invoices. As this is in progress and manual checks are in place to review duplicate invoices this has been moved from High to Low.	~~31/12/18~~ ~~30/04/19~~ 31/08/19
Accounts Payable 2017-18	The Finance Team should run the list of PO breaches on monthly basis to identify the most frequent offending department and report to the Finance Business Partner.	**H → M**	A report is now being shared with AD's and FBP's however this report is not complete. There is work ongoing with the report to pull through PO dates and receipt dates to identify those who are breaching. Other T1 development issues have taken priority over this report. Aim for August 19 completion date. As this is in progress and manual checks are in place to review this has been moved from High to Medium.	~~31/12/18~~ ~~30/04/19~~ 31/08/19
Building Control 2017-18	The financial statement should be completed, and signed off by the S151 Officer within six months of the end of the financial year and publicised on the Council's Public Website.	**L**	This is pending. This relates to the financial accounts of the Council which are delayed due to External Audit (EY) postponing the audit. Therefore this has been moved back until October 2019.	~~31/03/19~~ 31/10/19
Comments, Complaints and Compliments 2018-19	An e-learning compliance rate should be set and monitored and reported regularly by service area.	**L**	Customer Fulfilment are to liaise with HR as to who the owner is and how we enable this to be made mandatory or as a minimum to be updated annually. A meeting is scheduled for 09/07/19 to discuss this and then ensure changes happen.	~~31/03/19~~ 30/09/19

Commercial Waste 2018-19	Report the Site Risk Assessment schedule to every Quarterly Commercial Waste or Operations Board meeting to enable compliance monitoring and action	**H → M**	All site risk assessments are complete and since the audit breach was identified a new procedure has been implemented between the Business Development Team and the Operational Team to complete a site risk assessment before approving a new customer account. This is now very much BAU. We have not yet seen evidence of the report so the action remains but the risk reduced.	~~30/05/19~~ 30/09/19
Commercial Waste 2018-19	Terms of reference should be developed and approved for each of the five governance groups listed in this finding. This needs to specify the remit of the group, expected attendance and where agenda items are escalated, if required	**M**	No evidence provided	~~31/01/19~~ ~~30/05/19~~ 30/09/19
Commercial Waste 2018-19	Ongoing review of the effectiveness for the two new meetings needs to be completed to assess if they bring together operational and commercial staff and are an effective forum to take a holistic view of commercial waste activity. These assessments should be reported to the respective meeting with actions then taken to make improvements accordingly	**M**	This was due to take place on 1/7/19 but no evidence provided	~~30/04/19~~ 31/08/19
Commercial Waste 2018-19	Operational and commercial teams should speak with their respective Finance Business Partners to agree financial reporting requirements and agree actions over better report formats	**M**	The Finance Business Partner comes to operations board when required. No update on agreed reporting requirements.	~~28/02/19~~ ~~31/03/19~~ 31/08/19

Commercial Waste 2018-19	Develop a schedule which checks the response rate for duty of care responses and report compliance levels to the Quarterly Commercial Waste meeting	**M**	There is no way of doing this currently - Salesforce cannot report on accounts that have an attachment so this will take longer to achieve as it needs to look into a better way to do this with the systems admin team.	~~28/02/19~~ ~~30/05/19~~ 31/08/19
Contracts and Procurement 2018-19	Instances of non-compliance with the Contract Procedure Rules identified in this review (sample list provided) should be assessed and appropriate action taken i.e. obtain signed contracts, check contracts are appropriately sealed. N.B See finding 3 around training compliance and finding 4 around finalising the approval of the Contract Procedure Rules, which if actioned would help mitigate instances of non-compliance.	**M**	There has been a re-distribution of activities in order to seek compliance and update documentation. In the absence of the Corporate Contracts Manager (mat leave), the Contracts and Procurement Manager and the Contracts and Procurement Apprentice have shared responsibility for the council's contract management. The following actions were defined to mitigate the risk: Contracts Expired Over 30 Days Update the Register by 20/05 Send update request to Contract Owner via Smartsheet 21/05 Follow-up Check and escalate if needed on 10/06 Contract Register Completion Check if document is on Box by 24/05 If not, ask Contract Owner for a copy of the contract, and suggest they might get it from the Supplier by 31/05 Obtain copy of the contract and fill gaps in the Register Data Protection T&Cs Delegate to "Work Experience" in July 2019 Communication Workplace post 16/05 about the Contract Register and alerts Workplace post on 23/05 as follow-up Start Alerts from Smartsheet on 24/05 Presentation to Core Delivery Groups on 04/06 As there actions set to complete the register it is not at the stage of assessing compliance and therefore this is deemed incomplete until that is done.	~~30/11/18~~ ~~30/05/19~~ 31/08/19

Contracts and Procurement 2018-19	A training needs assessment for different roles and agreement of whether it is mandatory should be performed and communicated Appropriate training content then developed in consultation with Learning and Development, including eLearning/face-to-face, as appropriate	**L**	It was advised by People & Culture (P&C) not to make the Contract Procedure Rules training mandatory, and due to lack of capacity the P&C team will not be able to support training other than e-Learning development. In addition, due to lack of capacity of Contracts and Procurement team, and increased workload to various areas due to unitary, it has been suggested not to carry out f2f training where if low attendance is anticipated. The actions taken to mitigate the risk were: a) Update and implement the e-Learning which will be communicated and available to all staff; and b) Carry out regular Drop-in sessions where the Contracts and Procurement team will be available all day in a meeting room to help staff with queries and provide guidance on the Contract and Procedure Rules. As the above mitigating actions are in progress this will be followed-up later in the year.	~~31/12/18~~ ~~31/03/19~~ 30/09/19
Contracts and Procurement 2018-19	The compliance rates should be monitored on at least a quarterly basis and reported	**L**	A report has been agreed and is in development by Finance where spend with/without contract will be shown, highlighting spend over £30k where there has been no tender exercise or there's no contract in place. This action is pending with Finance to develop the report so Contract and Procurement can take actions with internal stakeholders.	~~31/03/19~~ 31/08/19
Corporate Health and Safety 2018-19	A project plan is needed to appropriately resource the completion of Council wide risk assessments. It is recognised the Corporate Health & Safety Manager will need to support Managers with the process in the first instance. Higher risk areas should be prioritised for completion	**M**	Good progress has been made on completion of risk assessments for higher risk areas eg Waste & Operations. Following the departure of the Corporate Health & Safety Manager in March 2019 work was put on hold. A new Corporate Health & Safety Manager was recruited in June 2019 and they are now recruiting to fill the remaining two vacant posts. This action will be progressed once the team is at capacity.	~~31/10/18~~ ~~30/04/19~~ 30/09/19

Corporate Health and Safety 2018-19	Once corporate risk assessments have been completed, a corporate monitoring and review process is needed to ensure the risk profile of the organisation is continually reviewed, activities assessed and appropriate action taken. This should be reviewed by the Health and Safety Board	**M**	As above	~~31/03/19~~ 30/09/19
Corporate Health and Safety 2018-19	The Corporate Health and Safety Team should develop a programme of training and communication, based on a matrix of requirements for different roles to ensure that staff are aware of the latest health and safety issues	**M**	A matrix has been developed with the Learning & Development. When the team is recruited, they will review the training materials and launch the programme.	~~31/12/18~~ ~~31/03/19~~ 30/09/19
Corporate Health and Safety 2018-19	Training material should be developed in consultation with Learning and Development, and signed off by the Corporate Health and Safety Manager	**M**	As above	~~31/12/18~~ ~~31/03/19~~ 30/09/19
Corporate Health and Safety 2018-19	Processes need to be developed to ensure training completion can be monitored and reported	**M**	As above	~~31/03/19~~ 30/09/19
Corporate Health and Safety 2018-19	Develop a policy review framework to identify all required policies	**L**	This will be reviewed by the new Corporate Health & Safety Manager	~~31/12/18~~ ~~30/04/19~~ 30/09/19
Housing Benefits 2018-19	A list of legacy complex cases should be prepared and presented to the Finance Steering Group in March or April 2019. Decision is needed over which cases to reconcile and pursue and which should be written off.	**L**	The legacy complex cases went to Finance Review Group on 25/04/19 in a recommendations document; the list of over 3,000 unreconciled reduced to 14 landlords and decision made on all except VAHT as Revenues and Benefits asked to complete the reconciliation work on this landlord as they were satisfied further reconciliation was achievable. The deadline to complete this VAHT work is July 2019.	~~30/04/19~~ 31/07/19

Housing Benefits 2018-19	A review of longstanding overpayment debts on Tech1 should be undertaken to identify those which are not in the process of being recovered so appropriate action can be taken.	**L**	The recovery team have gone through highest debt downwards. The total is £4.3m. AVDC has now recruited 2 new officers with starts between end of June and early July. They will check on-going recovery. The aim is to have this progressed and completed pre-unitary.	~~30/05/19~~ 30/11/19
Housing Benefits 2018-19	The reason for the discrepancy between the overpayment report and the values held on Northgate and Tech1 should be investigated, including identifying whether this will have an impact on the reconciliation process.	**L**	Note – this was one individual case out of a sample of 10. This still needs to be investigated.	~~30/05/19~~ 31/07/19
Housing Benefits 2018-19	A decision should be documented about whether to apply CRA where high risk cases are identified. The Risk Based Verification Procedure should then be updated, including the actions to be taken if AppCheck is not used	**L**	It has been agreed that the CRA will be completed on high risk cases and so the Team Manager and Controls and Compliance Officer are rewriting the procedure and are adding this to the checking sheet before the team are trained. It is expected that this will be complete by the end of June 19.	~~03/04/19~~ 31/07/19
Parking 2018-19	The Council has recently conducted a Council-wide review of devices and whether they are MDM supported. The current devices have not been through this process and should be added to it unless b) happens in the next 3 months	**L**	The Team are still waiting on new Handhelds from Conduent, until then, the Council cannot install MDM on the old handhelds and software.	~~31/03/19~~ 31/07/19
Parking 2018-19	A process should be developed which allows regular (at least monthly - TBC) data on chargebacks to be downloaded and reported to the central Parking Team. Appropriate action should then be taken to liaise with the Pay-by-Phone supplier to suspend accounts.	**L**	This is still being investigated with Finance and debt recovery team.	~~30/05/19~~ 31/07/19

Planning & Planning Enforcement 2017-18	Proactive planning enforcement needs to be undertaken per the Planning Enforcement Plan. Formal reporting to the Group Manager/Assistant Director on a quarterly basis is needed to assess the effectiveness with action taken thereafter	**M**	Proactive planning enforcement officer in now place; this is a full time post which commenced in February 2019. The first few months of their role involved a training programme to bring them up to speed. It is expected come August 2019 that information will be available to review on the success of enforcement. Therefore this is in progress.	~~31/03/18~~ ~~31/08/18~~ ~~31/03/19~~ 31/08/19
Planning & Planning Enforcement 2017-18	Pre application costs need to be substantiated to set out how hourly costs have been calculated and specifically setting out the recovery of any administration costs	**L**	Fees went up in April 2019 in line with inflation and this was applied. However, the Team have not identified the underlying costs of the service. A unitary work stream has been developed to standardise everything which will cover looking at underlying costs and future fees.	~~31/03/18~~ ~~31/09/18~~ ~~31/03/19~~ 30/09/19
Planning & Planning Enforcement 2017-18	Pre application costs need to also cover the use of consultants (temporary staff) specifically identifying and applying their costs	**L**	Per above	~~31/03/18~~ ~~31/09/18~~ ~~31/03/19~~ 30/09/19
Taxi Licencing 2017/18	Set out standard timeline parameters for processing decisions and protocols for where the Council diverge from these timelines.	**M**	In May 2019 a new structure was put in place to manage cases. This now involves applications coming into the admin team and once all checks have been performed (data and DBS checks) these are then handed over to the MoT Garage at the Depot. The Garage will then undertake the Enhanced Vehicle Checks and issue plates. This new process is more efficient and started in May 2019. The aim is to clear cases within two weeks. Due to a new process just being put in place it is too early to monitor this. It is therefore expected that by the end of August good data will be available to monitor timescales and this is the intention of the Team.	~~30/05/18~~ ~~30/07/18~~ ~~30/11/18~~ ~~31/03/19~~ 31/08/19

Completed or closed actions

Name of review	*Action*	*Finding risk*	*Update*
Accounts Payable 2017-18	Produce updated guidance for staff on process and procedures to raise and approve PO and GRNs, including the 'No PO, No Pay' policy.	**H**	Procedures available to staff is up to date. New users to T1 get links to user guides. New suppliers are advised of No PO , NO pay policy which was a recent introduction. An automated response on the payments@aylesburyvale email is being prepared to state: To assist prompt payment your invoice must quote a valid Purchase Order number. Invoices without POs will be returned unpaid. As sufficient progress has been made and the automated email is being developed this is considered completed.
Building Control 2017-18	Policies and procedures covering all activities undertaken by the Building Control Team should be documented, approved and disseminated to all relevant Officers	**M**	Salesforce has been adopted and implemented successfully since November 2018. A user guide is in place and is constantly being updated with new ideas of how to improve the process. This was reviewed by Internal Audit and the process for improvement was verified. AVDC continue to make suggestions for improvements through to the Systems Admin team and these are being reviewed on a rolling basis. AVDC have now introduced a Buddy System to ensure that the competency framework is accurate and vetted. This forms part of staff's quarterly REACH meetings and ensures the technical staff are appropriately trained. Policy and procedure will now form part of the unitary workstream, however the "Operation Framework" provides adequate direction.

Building Control 2017-18	The Building Control fees should be reviewed to ensure that they recover all costs incurred	**M**	Since the decision was taken by central Government to unify the 4 districts and county council to form the Buckinghamshire Council a number of workstreams have been started to look at methods of work. AVDC are working with the neighbouring authorities (Wycombe DC, Chiltern DC and South Bucks DC) to streamline the processes in order to make the merge more fluid. As part of this workstream AVDC shall be looking to unify the price structures. The most recent workstream meeting was on the 5th June and AVDC hope to establish what the pricing module should look like in readiness for unitary. Whilst the fees will not change - the underlying costs have been drafted which takes into account staff costs, admin costs and other costs; so this can be used to inform any future price changes. This was developed in January 2019 and is now a moving final document which may change as unitary discussions progress.
Building Control 2017-18	Any changes in fees should be approved through the appropriate Committee and this should occur on an annual basis ahead of 1 April each year thereafter	**M**	As above, a review of fees was undertaken at the beginning of the year which led to the creation of underlying costs to inform fees, however the announcement of unitary has pushed this back to 2020 and the launch of the new council.
Building Control 2017-18	The financial position should be reviewed at least annually to ensure that the Building Control Service is breaking even. This break even can be over a rolling period of three years, although five years may be appropriate where unusually large surpluses or deficits have occurred	**L**	This has not been done. Whilst the underlying costs are now known what this shows is that the service is charging less than neighbouring authorities especially given the fees were last updated in 2013. Therefore the Council are not in breach of rules by generating more than break-even and if anything are incurring greater costs. Per above comments, the financial position is not going to be looked at further other than to identify a consolidated fee for unitary status and therefore no further action will be taken on this.

Building Control 2017-18	A clear marketing strategy should be documented and approved to set out the Council's requirements for increased income generation	**L**	Now that the review of fees will form part of the workstream review for the move to unitary, there will also need for a holistic approach to marketing. However, there is obviously still an imperative for AVDC to retain customers and gain more revenue in the interim. There is not a clear documented marketing strategy however the following activities have taken place: 1) The Building Control Team met with the Commercial Team and agreed to have 'open days' in the coming months where agents can attend and AVDC can promote their services 2) The Building Control Team have compared the fees of the service to neighbouring councils. The have also anecdotally attempted to understand more about approved inspector fees and may pursue this further to help inform future fee discussions 3) Also agreed to try set up a 'demonstration sessions' which may attract builders to develop relationships to drive up future fees. Overall the current market share held by AVDC is 75% which comes through on a dashboard in Salesforce and is updated daily. With the focus now on Unitary, no further marketing activity will happen over and above those ideas listed above. The action is therefore deemed complete for audit purposes.
Comments, Complaints and Compliments 2018-19	Monitoring of the status of a comment, compliment or a complaint should be undertaken using iCasework by the Service Liaison Officer as per the policy with the relevant investigating manager being contacted for progress. Evidence will be obtained and added to ensure a case is not closed prematurely.	**M**	On a weekly basis a status report is emailed to Hazel Hutt and Emily Fymruk for outstanding CCC'P's. For any overdue complaints an email reminder is sent to the assigned officer. This process was reviewed by Internal Audit and regular emails started from May 2019 and has taken place each week with chaser emails sent. This evidence is kept in Box.
Comments, Complaints and Compliments 2018-19	Reminders will now be diarised	**M**	A reminder email is expected be sent to the officer who the complaint is assigned to on day 12 of a 15 day (15 days is the AVDC complaint turnaround time). Internal Audit tested recent cases and found that this was working: evidence on CCCP cases 1717228, 1719728 and 1734330 was reviewed and found to be working.

Comments, Complaints and Compliments 2018-19	Where there are delays in the concluding of an investigation the customer should be contacted to make them aware of the delay	**M**	It is expected that a complaint will not be responded to within the 15 days timeframe the customer is notified/updated. Internal Audit tested a recent case on CCCP reference 1719328 of a recent case where this is evidenced.
Comments, Complaints and Compliments 2018-19	The Council should record a next review date for the relevant policies and include the document change history for policies.	**M**	The next review is due October 2019; to ensure the subsequent review takes place timely a meeting arranged for 01/10/19 to ensure it is done timely. This will then document the correct date. Therefore this is deemed complete as the current plan is still valid and the next one has been set in calendars which Internal Audit reviewed.
Commercial Waste 2018-19	The full costs associated with Commercial Waste should be identified, captured and compared against all income on at least a quarterly basis and reported to the Quarterly Commercial Waste meeting	**M**	The costs and income have now been set out which is a fuller position. This is due to be reported in June 2019 and will continue thereafter. Therefore as this has been created and due to be reported it is deemed complete.
Commercial Waste 2018-19	A 100% review of customer accounts should be undertaken to ensure customer payment preferences/rates on Bartec match agreements and match what is on Tech1	**L**	The Team are doing random audit of 10 per month due to no report being available to check against all figures. The Team have informed us however that they reconcile amount billed (Tech 1) .versus amount we expect to bill (Bartec) every month. Our general ledger reconciliation audit in 2018/19 has picked up findings around reconciliations in this area and therefore this has been removed here and picked up in that report.
Housing Benefits 2018-19	Debts should only be written off in line with the agreed approval limits and evidence of authorisation should be retained/referenced.	**M**	Write off approval going through finance board with the debt size clarified. All but VAHT are subject to write-off; those with VAHT will be pursued. A spreadsheet is sent once a month to relevant delegated authority (£100 is GW, £1500 ND, £1500 to £5000 AS then £5000+ cabinet). Once the evidence is received, this is stored on Box and then passed to the Accounts Receivable Team who write-off the value in the finance system.
Housing Benefits 2018-19	Once written-off in Northgate, it should be confirmed that corresponding entry has been written-off Tech1.	**M**	Per above, this takes place and evidence is held in Box.

Housing Benefits 2018-19	The Debt Management Procedures should be reviewed, agreed by Finance Steering Group and appropriately approved and communicated to ensure all teams are aware of the processes to follow – this should include processes for write-offs due to bankruptcy or insolvency	**M**	The Debt Management Procedures were approved in May 2019 and shared with those involved in the process.
Housing Benefits 2018-19	The mapping exercise should be completed and actions/owners made clear once discussions have been completed	**L**	Mapping agreed and follow on actions agreed. Benefits, Recovery and Finance meet regularly to update on outstanding actions which are recorded on a central Box folder. These meetings will continue until all actions are complete.
Housing Benefits 2018-19	The invoice checks should be stored centrally (on Box) and include the Hornbill reference so there is an audit trail should the invoice later be queried.	**L**	These were reviewed as stored on Box and the information was held - Hornbill automatically logs references and these are added to invoice checks.
Housing Benefits 2018-19	The quality checking process should incorporate reviewing WURTI screenshots to confirm this has been completed.	**L**	The capturing of WURTI screen shots have been added to the checking process for Housing Benefit claims - this has been reviewed.
Housing Benefits 2018-19	Staff should be reminded of the importance of using WuRTI via training/ internal communication	**L**	This has been relayed verbally to the team in a huddle in May 2019 and has been incorporated in forthcoming benefits training due to be delivered to the whole team in June 2019. As training is planned and communication has been issued, this is deemed complete.
Parking 2018-19	Communicate this example to staff involved in approving PCN appeals and agree expectations regarding expected levels of challenge/evidence expected for appeals.	**L**	This is being picked up as a regular item on the agenda at Parking Team Meetings which includes Customer Fulfilment and Parking both front office and back.
Parking 2018-19	Correct the error by amending the direct debit amount for upcoming payments for the one exception identified	**L**	This has been amended and viewed as such on the finance system

Parking 2018-19	Approval of Variances above the Agreed Variance Limit should be documented in emails that are stored so that they can be easily accessed.	**L**	It was confirmed that these emails and correspondence are now recorded and kept in a stored folder.
Payroll 2017-18	A full review of all HR/Employment policies and procedures is in progress and is due for completion in November 2018. The Travel and Subsistence policy will be reviewed and updated as part of this.	**M**	A Travel & Subsistence policy was reviewed and launched. Therefore this is complete.
Payroll 2017-18	Guidance documents will be produced including specific requirements for receipts and how to review the reasonableness of claims.	**M**	The new Unitary Council has determined that all existing Councils will migrate to SAP from 1 April 2020. In the remaining lifetime of AVDC further changes to the payroll system and processes will not be made. Existing processes are deemed adequate so the action is Closed.
Payroll 2017-18	The new payroll system should be configured to enable the capture of sufficient detail for expenses to be reviewed, reported and monitored.	**M**	As above - Closed
Payroll 2017-18	A project to develop an automated starter/leaver process involving IT, HR, Finance, Facilities, Admin teams, commenced in May 2018, but has now been put on hold.	**M**	As above - Closed

Safeguarding 2016/17	The training records for each employee and their safeguarding level should be linked to their profile in the HR system. Moreover monthly reports should be generated and sent to managers to raise awareness of the compliance rate of each unit. Non-compliance with training should be noted in individuals' performance appraisal discussions. Employees in the Level 4 Exposure list are advised to receive refresher trainings on a more frequent basis (every two years)	**H**	It was agreed at the 7 March 19 Safeguarding Group Mtg that safeguarding training requirements should be aligned to DBS levels – None, Basic, Standard, and Enhanced. It was agreed that level 2 training will be delivered to all staff who have contact/exposure to vulnerable adults and level 3 training will be delivered to the Line Managers of these employees to ensure they have the necessary support and Managers are competent in the escalation process should this be required. All role profiles have been updated with the DBS and Safeguarding training level requirements. All staff are required to do the safeguarding eLearning, the current level of compliance (3 Jul 19) is 94%. The crew at Pembroke are not registered on e-learning and do not complete their training online. Instead classroom based training has been provided. Safeguarding training has been added to the REACH performance management template, so Manager's are now asking employee's to confirm if they have completed this. A Safeguarding compliance report has now been generated (Jul19) and will be run monthly. The HR Business Partner will notify the Line Manager if training has not been completed. If this is not completed by the following month, it will be escalated to the AD. For those employees who deal with potentially vulnerable adults over the phone, face to face or by other means, more detailed training is required which would be considered level 2. Line Manager's of these employees will require level 3 training to ensure they understand the level of exposure their teams will experience, as well as having a more in depth knowledge of safeguarding. Bespoke Level 2 and 3 training will be delivered by an external provider; CYP:First. The first sessions have been booked for 7th and 9th August. L4 is to be completed by members of the Safeguarding Board. Two have completed the BCC course so far. It has been agreed that this is now considered the best solution given the move to Unitary, and others will now be booked on.
Safeguarding 2016/17	Define the DS/DBS check criteria for a given job role and ensure it is consistently applied in the 'new structure'	**L**	Completed – see above

Taxi Licencing 2017/18	Licensing Committee Member training should be reviewed to ensure that all requirements in the Councillors Handbook are sufficiently covered	**L**	Completed. Training material for Councillors has been updated and delivered following the last Licensing Committee meeting on 28 May 2019 (22 May meeting was postponed).
Taxi Licencing 2017/18	A summarised hand out of training notes should be provided to Members for future reference.	**L**	Per above

Appendix 4: Internal audit reports

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

1. Connected Knowledge – Benefits Realisation
2. General Ledger Reconciliations and Management Information
3. Debt Management

Appendix 5: Report from the Monitoring Officer

Aylesbury Vale Broadband review and breach of confidentiality investigation

Internal Audit Report 2018/19

Connected Knowledge:

Benefits Realisation

MARCH 2019

Contents

Distribution List

For action:	Maryvonne Hassall (Assistant Director – Digital and Transformation)
	Megan Phillips (Connected Knowledge Programme Manager)
For information:	Andrew Small (Director and Section 151 Officer)
	Audit Committee

1. Background

Aylesbury Vale District Council approved 'Connected Knowledge – Technology Strategy 2017-22' (hereafter 'Connected Knowledge') at Full Council on the 10th January 2017.

Connected Knowledge sets out the Council's vision for its future use of technology and data to deliver:

- A leaner, better, and more unified customer experience;
- Improved access to information, enabling better and faster decision-making for all;
- Commercial opportunities from both our innovation and the recognition it receives (from partners, industry and our peers).

The Connected Knowledge programme is made up of a series of projects.

In March 2019, an internal audit review was performed of a sample of projects and considered whether projects within Connected Knowledge:

- Identify the financial and/or non-financial benefits they aim to achieve;
- Are realising those benefits and have appropriate reporting arrangements in place to track this;
- Have sufficient arrangements in place to identify and apply lessons learned to future projects.

The review focused on a sample of three completed Connected Knowledge projects to assess the approach the Council has taken in each of these areas. The sample was selected through discussion with the Connected Knowledge programme team to include one from each of the three types of Connected Knowledge projects:

- Transformation – projects may be part of wider programmes spanning all aspects of working practices to deliver better, more efficient customer services;
- Innovation – projects designed to "test" or pioneer new ways of working, the impact of which may not be apparent for some time to come;
- Legacy – the move to Software as a Service requires old server based systems to be replaced with hosted cloud solutions.

The projects selected were:

- Building Control (Transformation) - The Council's CRM system is Salesforce. The Council's back-office system for Building Control was Uniform. Previously staff at the Council were obtaining output from Salesforce and having to key it into Uniform because the two systems did not link. The Council therefore needed to move its back office systems for Building Control on to Salesforce. The decommissioning of

Uniform is part of the wider Built Environment Project whereby all the services, including Planning and Land Charges are moving over to Salesforce. The Building Control element of the project is now complete.

- Alexa (Innovation) - The Alexa project ran in two phases. Phase 1 was a trial to understand how customers used the service. It provided some basic information but was not particularly transactional. Phase 1a became more transactional and focussed on some specific services (e.g. 'find my bin day', 'sharps waste collection' and 'assisted waste collection'). This allowed information reported to Alexa to go straight to the Council's Customer Relationship Management (CRM) system and be actioned with no human interaction required. Phase 1a of the project is now complete.
- Northgate Software as a Service (SaaS) (Legacy) - Northgate provide the Council's revenues and benefits systems. However this was all held on servers within the Gateway and therefore was not as resilient as it could be. The Council therefore took a decision to move to a Northgate cloud solution for revenues and benefits and have it managed as 'software as a service' (i.e. no technical staff employed, just an online helpdesk available). This was a sensitive project, given the nature of the data, but not a particularly complex one, given the provider was the same. The project is now complete.

The full Terms of Reference for the review is included in Appendix 1.

Advice and recommendations were shared with management real-time during the review. A number of areas of good practice were noted along with areas for further improvement. This report sets out a summary of the findings, recommendations and agreed actions.

2. Good practice noted

The following areas of good practice were noted during the review.

Templates and documentation

- The Council has a standard set of project governance documents in place which form milestones in the lifecycle of a project.
- These include a Business Case template to be completed at the outset of a project, and signed off by the Connected Knowledge Programme Board, and a Project Close Form, to be produced at the end of a project to capture any lessons learned and key handover information.

Lesson learning

- In a recent review (October 2018) of Phase I and II of the Connected Knowledge programme, the Council has acknowledged that it needs to improve the specificity with which financial and non-financial benefits of projects are set out in business cases.
- An updated Business Case Template has been produced to support this which is designed to encourage the author of a business case to be more specific about the anticipated benefits. For example, the template now asks the author to: identify the quantum and phasing of financial benefits; clarify the timescales over which the benefits of the project are expected to be delivered; and be more specific about who is responsible for delivering the stated benefits.
- The Council also used the review of Phase I and II of Connected Knowledge to acknowledge it needed to improve how it tracked stated financial and non-financial benefits throughout the life of a project. The Project Close Form was updated to help facilitate evaluation at the point the project is closed down (and the work delivered becomes the Council's business as usual) and set up monitoring arrangements going forward. The new Project Close Form has been tailored to be paired with the updated Business Case Template to determine whether the planned benefits were actually delivered. The updated Project Close Form is also more specific about roles and responsibilities for applying lessons learned from those projects.
- The Connected Knowledge programme team have collated all lessons identified from previous projects into one searchable spreadsheet which is accessible by all project managers. There is also evidence of lessons being applied. For example, based on learning from the Regulatory Services (Licensing) project, the Building Control project introduced a contractual mechanism requiring the new provider to pay for extended licenses for legacy services as a result of any overruns in implementing the new system.
- Both the updated Business Case Template and Project Close Form improve how benefits are stated and tracked throughout the duration of a project, and after the project closes down. However it is important that both updated templates are used to their full potential and the findings in this report provide some recommendations

around how benefits can be better specified in the Business Case Template and reported appropriately.

Governance and oversight

- The Council has a governance structure in place to oversee Connected Knowledge. This covers the day-to-day management of Connected Knowledge (Steering Group) and oversight of the programme as a whole (Programme Board). These forums receive two standard documents setting out the progress on live projects in terms of timescales, resource usage and cost.
- However, these forums should also receive reporting on whether completed projects are delivering their anticipated financial and non-financial benefits.

3. Key findings and recommendations

This review has highlighted a number of areas where programme management could be improved and actions have been identified to address these. These recommendations fall into three categories: making benefits more specific and measurable; improving arrangements for tracking delivery of benefits; and closing down projects and learning lessons.

1) Making benefits more specific and measurable

- The Council should be clearer about how it states the financial and/or non-financial benefits of Connected Knowledge projects.
- Financial and non-financial benefits should be SMART (Specific, Measurable, Assignable, Realistic, Timebound). The Council's updated Business Case Template (see 'good practice' above) covers the last three of these and has made improvements on the first two. However accountability would be improved if benefits were set out in a way which is both more specific and measurable.
- Furthermore, where projects have been completed, the Council should retrospectively agree benefits for those projects which are sufficiently specific and measurable.

Agreed actions:

1.1 Update the Business Case Template to require a Benefit Profile for each financial and non-financial benefit stated in a business case.

1.2 For completed and 'in flight' projects, retrospectively agree a manageable and definitive list of financial and non-financial benefits, prepare a Benefit Profile for each of those benefits, and incorporate this in all benefits tracking going forward.

2) Improving arrangements for tracking delivery of benefits

- The Council would be better able to definitively state whether all the stated benefits of Connected Knowledge are being realised if there was greater specificity as to how those benefits were initially defined and improvements made to the way they are measured and reported.
- The Council should simplify how it reports benefits for each project to ensure consistency in the way delivery or non-delivery against benefits is communicated. This means that all projects will be fairly and objectively assessed, in the same manner, against the pre-agreed set of success criteria.
- Some reporting on benefits takes place within the service area concerned but these benefits also need to be reported to Connected Knowledge Programme Board so it can take an overall view on the success of the Programme.

Agreed actions:

2.1 Produce a single list of clearly defined financial and non-financial benefits, drawn from Benefits Profiles (see Finding 1).
2.2 Upload this single list of clearly defined financial and non-financial benefits on to Verto (project management software) and assign reporting against benefits to relevant service areas.
2.3 Use Verto to automate requests to service areas for quarterly reporting against the benefits assigned to them.
2.4 Report quarterly to Programme Board on whether all benefits which feature in the single list of agreed benefits are, or are not, being delivered.

3) Closing down projects and learning lessons

- Currently projects are handed over to services with considerable work still required to resolve issues necessary for the project/system in question to be used by the service as business as usual without ongoing support from the Connected Knowledge team or other technical staff.
- Whilst this is not unusual for IT projects, and is supported on an ongoing basis by the Connected Knowledge programme team, formalising this process into two stages ('Handover' and 'Project Completion') would ensure: a) lessons learned during the full implementation phase of a project can be applied to future projects; b) work required to fix implementation issues is appropriately resourced and therefore completed as soon as possible; and c) would increase confidence in service areas that projects are not left 'unfinished'.
- The first 'Handover' stage is already in place – i.e. when a project is formally handed over from the Connected Knowledge programme team to the service in question and a 'Project Close Form' is completed.
- The second stage should be the actual 'Project Completion Stage', when implementation is completed successfully and any implementation issues overcome.

Agreed actions:

3.1 Split the close down of projects into two phases – 'Handover' and 'Project Completion' and replace the current 'Project Close Form' with two forms, one for each stage of the close down process.
3.2 The 'Handover' project should clearly state the ongoing support which will be provided by the Connected Knowledge programme team post-handover.
3.3 Require both 'Handover' and 'Project Completion' forms to be completed and signed off by all affected services.

4. Conclusion and Management Comment

For the projects sampled in this review, the majority of service users feel that the projects have delivered improvements on the previous arrangements.

The Council has already spent, or committed to spend £2.3m across Phase I and II of the project. As stated in The Council report – 'Connected Knowledge: Phase I and II Look Back' (November 2018) – to date the programme has achieved £138k of savings. This is ahead of schedule as it was not predicted to deliver any financial savings before 2019/20. The Council has committed to (i.e. incorporated into its Medium Term Financial Plan) but not yet delivered, £371k of savings in 2019/20, and £630k of savings in each year thereafter. This was all set out before the decision to move to a single Unitary authority for Buckinghamshire. It is unknown at this stage how the new Buckinghamshire Council will take the Connected Knowledge programme forward from 1 April 2020.

The programme has also delivered a range of projects which have attracted national attention such as use of Alexa and Digital Genius to provide new automated channels through which service users can communicate with the Council. These have received national recognition with the Council being awarded an iESE Public Sector Transformation Award. The November 2018 report also sights other non-financial achievements including: increased breadth and depth of online services; process automation reducing staff processing time; improved systems resilience and increased staff productivity.

However, from the sample of projects considered, this review concludes that at this stage of the programme it is hard to form a definitive view on the benefits realised to date, with further improvement needed on the clarity with which anticipated benefits are stated and subsequently reported. Improvements have been made, but given the level of expenditure on the Connected Knowledge programme, it is essential that the Council puts in place more robust arrangements to monitor the ongoing delivery of financial and non-financial benefits stemming from the programme. This includes being more specific about the expected benefits for projects being developed, increasing specificity retrospectively for projects already completed or 'in flight', and then putting reporting arrangements in place to track delivery of these benefits at a programme-level, rather than just within service areas as business as usual. In addition the Council needs to further formalise its arrangements for closing down projects, using a two stage approach.

Management comment

We recognise that benefits realisation and lessons learnt require improvement within the Connected Knowledge programme (and projects as a whole) and have made a number of recent improvements to these and the overall project process. We welcome this report and its findings as it provides us with key areas of focus going forward and highlights how we could go about improving areas of weakness, but also where we should continue to build upon areas of strength.

For each of the recommendations, responsibilities and timeframes for implementation have been agreed. Not all actions will be implemented in the same way as suggested in the report. This is to ensure, as much as possible, improvements to the processes fit with the way in which we deliver projects and our systems to support this. However, the desired outcome will be the same. There are also a number of recommendations within this report which have already been implemented immediately following the review as part of the full rollout of our new project management system, Verto.

The recommendations in this report will be implemented throughout all projects that the AVDC corporate Project Management Office (PMO) is responsible for delivering as part of rolling out good practice, not just those that sit within the Connected Knowledge Programme.

Appendix 1. Terms of Reference

This review is being undertaken as part of the 2018/19 internal audit plan approved by the Audit Committee.

Background

Aylesbury Vale District Council approved 'Connected Knowledge – Technology Strategy 2017-22' (hereafter 'Connected Knowledge') at Full Council on the 10th January 2017. Connected Knowledge sets out the Council's vision for its future use of technology and data, based on delivering the following outcomes:

- A leaner, better, and more unified customer experience;
- Improved access to information, enabling better and faster decision-making for all;
- Commercial opportunities from both our innovation and the recognition it receives (from partners, industry and our peers).

Connected Knowledge also sets out other anticipated benefits. For example:

- Key practical outcomes (e.g. "being 100% software as a service consumers");
- Strategic technology objectives (e.g. "making technology a profit centre, not a cost centre");
- Measures of success (e.g. "all staff having ease of access to management information and data they can use to improve our services").

The wide ranging scope of the Connected Knowledge strategy has means that individual projects may have very different objectives, broadly this can be categorised into:

- Transformation – projects may be part of wider programmes spanning all aspects of working practices to deliver better, more efficient customer services
- Innovation – projects designed to "test" or pioneer new ways of working, the impact of which may not be apparent for some time to come
- Legacy – the move to Software as a Service require old server based systems to be replaced with hosted cloud solutions

Objectives and scope

This is an advisory review. We will not be providing assurance over controls and processes but will provide recommendations on each point as appropriate.

The review will focus on three projects undertaken as part of Connected Knowledge. We will consider the impact of these projects both on the service area most directly affected by that project concerned, and any foreseen or unforeseen impacts on specified other service areas across the Council.

For each project in our sample, we will assess how successfully the Council has:

- Stated the benefits the Council will get from Connected Knowledge (Focus Area 1);
- Realised stated benefits from Connected Knowledge (Focus Area 2);
- Identified and applied 'lessons learned' from projects during the earlier part of Connected Knowledge to projects undertaken during later parts of the programme (Focus Area 3).

Following consultation with stakeholders, it is proposed that one project be selected from each of the three categories; Transformation, Innovation, and Legacy, to ensure that our audit work and recommendations reflect the breadth of scope of the Connected Knowledge programme. The following projects are selected for review:

- 'Alexa' and/or the new Waste App (Innovation);
- Built Environment – focusing on building control (Transformation)
- Move from Northgate as as server to a hosted solution(Saas) (Legacy)

Approach

We will use a combination of interviews, document review and desktop research to form conclusions and make recommendations for each of our Focus Areas. We have summarised below the key tasks we will undertake for each Focus Area.

Focus Area 1 – Stating the benefits of Connected Knowledge

- Review business cases and other relevant documentation associated with sampled projects;
- Meet with Project Managers of sampled projects to confirm understanding of business cases;
- Gap analysis of financial and non-financial benefits set out in business cases to determine whether they are Specific, Measurable, Assignable, Realistic and Timebound (SMART);
- Mapping benefits set out in business cases to wider goals of Connected Knowledge to check alignment.

Focus Area 2 - Realising stated benefits from Connected Knowledge

- Review reporting on delivery of SMART benefits identified as part of Focus Area 1;
- Assess quality of data used to inform judgements on SMART benefits identified as part of Focus Area 1;
- Review unreported (i.e. where data is available and accessible but not structured in the form of a formal report) delivery of SMART benefits identified as part of Focus Area 1;
- Agree with Project Managers a small number of high-level 'proxy' benefits for projects where benefits are not sufficiently SMART to assess whether or not they have been realised.

Focus Area 3 – Learning from lessons identified throughout the project

- Analysis of project plans for Connected Knowledge projects to identify where projects have been formally completed;
- Review formal recording of 'lessons learned' from Connected Knowledge projects which have been completed;
- Review process for closedown of a Connected Knowledge project;
- Identify where and how these 'lessons learned' have been communicated to relevant staff;
- Interview staff working on ongoing Connected Knowledge projects to identify whether identified learning has been implemented.

Reporting

The output of this review will be a short advisory report to Management and the Audit Committee. This report will set out our key findings and recommendations.

Exclusions

The scope of this project excludes:

- Detailed work to identify SMART benefits from the Connected Knowledge programme, where these benefits have not already been identified – for example, baselining historic processes to identify whether processes have been made more efficient as a result of the Connected Knowledge programme;
- Holistic assessment of the impact of sampled projects on the Council, beyond the specific service areas identified by the Council which were expected to be impacted by that project;
- Connected Knowledge projects other than those included in the sample agreed for this review.

Aylesbury Vale
District Council

Internal Audit Report 2018/19

General Ledger Reconciliations and Management Information

July 2019

Contents

Distribution List

For action	Nuala Donnelly – Corporate Finance Manager
For information	Andrew Small – Interim Head of Paid Service & Section 151 Officer Audit Committee

1. Executive summary

*Report classification**	Total number of findings	Critical	High	Medium	Low	Advisory
	Control design	-	1	1	2	-
Medium Risk (15 points)	Operating effectiveness	-	-	-	-	1
2017/18 – High (22 points)	**Total**	**-**	**1**	**1**	**2**	**1**

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

Summary of findings

This report is classified as Medium risk and we identified one high, one medium and two low risk findings. The purpose of the review was to assess the control design and operating effectiveness with regards to AVDC's management of its general ledger particularly in terms of how it interfaces with other systems and the processes for reconciliation.

Over the last few years AVDC's Connected Knowledge digital strategy has delivered a number of new cloud based systems in core service areas, including Regulatory Services and Waste; plans are in place to migrate Planning and Asset Management in the near future. The scale and pace of system implementation has meant that plans have not always included sufficient detail on financial management and control implications. The lack of automated integration with the General Ledger at the point of go-live has resulted in the need for manual workarounds.

The high risk finding reflects this, and also notes that in some areas there is either inadequate, or no evidence of, reconciliation being performed. There is therefore some risk to the accuracy and completeness of data held on the finance system. This also creates inefficiency in some of the billing processes whereby Services manually provide information from which finance raise invoices; automated interfaces between these systems and the general ledger would improve accuracy, completeness and efficiency of the billing process.

The audit also notes that the existing plans for the introduction of the new systems for Asset Management (TechForge) and Planning (Built Environment) require more comprehensive detail on the processes for financial integration.

Our findings are summarised as follows:

- There is a lack of automated integration between some Council systems and the general ledger and some key reconciliations (including Licencing, Environmental Health (RegServe) and Commercial Property) are not taking place to confirm the accuracy and completeness of data held. The lack of integration creates inefficiency in some of the billing processes whereby Services manually provide information from which finance raise invoices; automated interfaces between these systems and the general ledger would improve accuracy, completeness and efficiency of the billing process. (Finding 1 – High)

- Reconciliations in the Waste service, including Garden Waste and Trade Waste, are not being undertaken (Finding 2 – Medium)

- Other areas for improvement in reconciliation processes were identified including Bulky Waste, Domestic Waste, Land Charges, Planning and Markets (Finding 3 – Low)

- Procedures relating to the completion of reconciliations between AVDC's various financial systems are not sufficiently detailed. There is also no documented reconciliation approval form in place for all reconciliations that do take place (Finding 4 – Low)

- The Quarterly Digest document is not always reported for formal scrutiny on a timely basis, which does not support effective scrutiny and decision making (Finding 5 – Advisory)

Good Practice Noted

A number of areas of good practice were noted during our review as set out below, these have been reflected in the overall "medium" risk classification of this report:

- The completion of reconciliations is being tracked via the Monthly Checks and Balances spreadsheet

- Reconciliations for the bank accounts, council tax and business rates were completed and documented appropriately on a consistent basis.

- The reconciliation for payroll was well documented in hard copy folders confirming preparers and approvers and supported by evidence before being passed to Finance.

- Building control has adopted the proforma reconciliation template documented within the Reconciliation Summary Spreadsheet for use when completing its reconciliations.

- The reconciliation for street naming and numbering was well documented. The local team compare the information held on salesforce to what is held on Tech1, document this and identify unreconciled items; they also document who prepared the reconciliation and authorised it. This process gives Finance confidence on the accuracy and completeness of data.

- Reconciliations are consistently completed and documented by the parking team to confirm income recorded within Sidem is consistent with that received and recorded within Tech1.

- Good progress has been made towards implementing the recommendations raised in the 2018/19 Housing Benefits audit report relating to reconciliations between Northgate and Tech1. These are being undertaken regularly and action has been taken to reduce the number of exceptions by writing off long outstanding irreconcilable debts, after seeking approval from the Finance Review Board.

- The Built Environment Finance Processes document contains a gap analysis highlighting the gaps required to be resolved by the introduction of the system.

- The content of management information produced is sufficient and of a high standard. A comparison of this information with other Local Authorities found that more diverse and comprehensive data was reported on by AVDC.

2. Background and Scope

Background

Internal Audits undertaken in 2016/17 and 2017/18 highlighted issues around a lack of automated interfacing between Tech1 and the feeder systems. As reconciliations were not being consistently undertaken for all of the sub-systems, any errors in the data transfer may have gone unnoticed and uncorrected. Inadequacies were also noted in reporting. The current quarterly digest provides only basic financial information by portfolio; work was needed to develop Tech1 reporting skills and functionality and eventually move to monthly reporting. This audit reviewed the progress and effectiveness of work in these two areas.

General Ledger Interfaces

A monthly “checks and balances” document has been created to detail the reconciliations that should be completed, with the Corporate Finance Manager confirming whether these have been done. This audit will focus on assessing the robustness of interfaces between Tech1 and the feeder systems, and the effectiveness of the reconciliation procedures for the following systems:

- Northgate (iWorld) - Council Tax, Business Rates, Housing Benefits
- iTrent - payroll
- Bartec – garden waste, trade waste
- Sidem – parking
- Salesforce (RegServe) – licensing, environmental health
- Salesforce (Built Environment) – building control
- Uniform – planning, land charges (NB – these are due to move to Built Environment imminently, the audit will review current status)
- Property sub ledger

Management information

The current quarterly closedown of the General Ledger relies on the use of spreadsheets to adjust the balances shown in the system and pull together the accounts. As there is no cut-off in the General Ledger, retrospective entries could be made resulting in there being no audit trail between the management information being reported, based upon the data held in the spreadsheet, and the Tech1 system balances.

There is a desire to move towards monthly closedown at the start of the 2019/20 financial year. Work has started to develop Tech1 Analytics and improve reporting. To achieve accurate and effective month-end reporting, it is vital that the data within Tech1 can be relied upon and easily extracted for reporting purposes.

This audit reviewed the effectiveness of the current quarterly close process.

Scope

The scope covered the key risks set out in the Terms of Reference (see Appendix 2). Our testing included:

- Review of the general ledger policies and procedures and reconciliation procedure notes
- Reviewing project plans for the implementation of TechForge and Built Environment

- Verifying the timeliness and appropriateness of management information and financial reporting
- Verifying the general ledger monthly closedown process
- Identifying the financial system interfaces
- Determining whether system reconciliations were being completed on a consistent basis, how these reconciliations were being carried out and who was responsible for their completion.

This does not represent a comprehensive list of tests conducted.

3. Detailed findings and action plan

1. Lack of integration and reconciliation between Council systems – Control design

Finding
The Council's services use a number of different systems/platforms which hold financial information that needs to be transferred to the general ledger system, Tech1. It is important that the Finance Team are assured on the completeness, accuracy and appropriateness of the financial information on Tech1 – this assurance can be achieved through regular and documented reconciliations between Tech1 and the systems which record the source information. As reported in the 2017/18 internal audit, the Finance Team are aware of the challenges surrounding the automation and integration between Tech1 and supporting systems. Where systems are not accurately interfacing, manual work-arounds are in place, but this is less efficient and more open to error. Work to automate interfaces between TechOne and other systems is taking place under the Connected Knowledge "Finance Process Improvement Project", which is seeking to establish working practices and system requirements to enable effective reconciliation of all financial information. This has not progressed as quickly as would have been anticipated due to factors including the priority of new system implementation projects, system admin/developer resource, finance capacity and more recently the demands of 'Unitary' on the teams involved. This audit was designed to assess the progress on establishing reconciliation procedures (automated and/or manual) and, where they are in place, to test the strength of the assurance provided. Discussions were held and evidence sought to understand the flow of financial information from other systems to Tech1. Enquiries were then made over whether reconciliations or similar controls are in place. The audit findings confirm there is still a lack of integration and inadequate reconciliation between some of the systems which means there is no confirmation of the completeness and accuracy of data held. We note reconciliations were not completed for the following areas: • Licencing and Environmental Health (RegServe) • Commercial Property • Trade and Garden Waste (Bartec) (see finding 2) • Planning (Uniform) (see finding 3) The lack of integration creates inefficiency in some of the billing processes whereby Services manually provide information from which finance raise invoices; automated interfaces between these systems and the general ledger would improve accuracy, completeness and efficiency of the billing process. Full details about the procedures that are in place for the services reviewed and recommended improvements can be found in Appendix I. The areas of higher income value and therefore greater risk are outlined below. <u>Licencing and Environmental Health</u> The Regulatory Service areas were the first to move to the Salesforce platform. Despite being a requirement for all projects to have finance involvement and sign off, the scale and pace of the Connected Knowledge Programme has meant that where SalesForce has been implemented, reconciliation arrangements have not been sufficiently predetermined and put in place prior to go-live. Instead requests are later being raised with the Systems Admin Team to modify the system to support future reconciliations.

This inevitably means that in the intervening time, which can be months, no standardised reconciliations take place and reliance is place on various manual interventions to ensure the accurate and complete transfer of data from SalesForce and Tech1.

Commercial Property

This is currently managed on excel spreadsheets which highlight when a customer should be billed and record when an invoice has been issued. There is currently no reconciliation taking place to confirm the accurate and complete transfer of data between local records and Tech1.

A project is underway to move asset management to a cloud based system, TechForge. A detailed plan is not yet in place for the integration of the TechForge system with Tech1, only a flow diagram showing what data will transfer between the systems. The TechForge flowchart document is not yet in its final versions and has not been signed off by finance.

New Salesforce Implementation Projects

A project is in-flight to migrate Development Management, Planning Enforcement, Planning Appeals, Street Naming and Numbering and Local Land Charges from Uniform to the Built Environment application on Salesforce. The Built Environment Finance Processes document outlines how the Built Environment system will integrate with existing finance systems and the need for regular system reconciliations; however the report does not provide details on how these reconciliations will be completed. The Built Environment Finance Process is not yet final and signed off by finance.

Risks / Implications

The accuracy and completeness of financial data is undermined where reconciliations are not undertaken regularly. Fraudulent activity may go undetected.

Manual processes increase the risk of inaccurate and incomplete billing.

Finding rating	*Action Plan*	
High	a) Licencing and Environmental Health – Interfaces between locally used systems, RegServe and Tech1 should be improved to enable automatic billing of customers when payments fall due. This is part of the Finance Business Processes project. Reconciliations between these should be carried out to confirm the accurate and complete transfer of data and billing of customers each month. b) Commercial Property - A reconciliation should be implemented between local records or TechForge (when implemented), and invoice and payment data from Tech1, to confirm all invoices have been raised. c) Produce a comprehensive planning document detailing how TechForge will integrate with Tech1 with adequate explanations of the steps involved in completing the integration and what processes will be undertaken to confirm	*Responsible person / title* Overall lead for oversight of completion of actions: Nuala Donnelly – Corporate Finance Manager *Target date* a) TBC – PMO involvement required b) 30 September 2019 c) TBC – PMO involvement required d) TBC – PMO involvement required e) TBC – PMO involvement required

accurate and complete system interfaces are in place. Ensure this is signed off by Finance

d) Develop the existing Built Environment Finance Processes document (Building Control) to include more detail on the reconciliation requirements. Ensure this is signed off by Finance.

e) The Built Environment (BE5) implementation for Planning and other services should not be introduced prior to documenting and approving sufficient plans to indicate how systems will interface with one another post implementation. Ensure this is signed off by Finance.

2. Waste reconciliations (Trade and Garden) – Control design

Finding
Bartec is the system used to manage waste collection rounds. It also holds information which is required to ensure paid-for waste collection services are accurately billed. There has been a lack of integration between Bartec and Tech1 (see finding 1). This has resulted in the implementation of manual processes in an attempt to overcome the lack of communication between the systems, including reports being sent between the services and the Finance Team to confirm the amounts which should be invoiced. However, there is no reconciliation after information has gone onto Tech1 to ensure what was instructed to be loaded was actually loaded onto Tech1 accurately and completely. <u>Trade Waste (2019/20 forecast income - £1,070,267)</u> Trade Waste customers are invoiced monthly. Reports are generated from Bartec detailing the cost to be charged, which is then communicated to the Finance Team and loaded onto Tech1 and the invoices issued. If a customer does not pay their invoice, they will be placed on the Stop List and no further collections should be made. No reconciliations are completed between customer rates, Bartec and Tech1 to confirm the accuracy of amounts being billed and the completeness of billing, ensuring collections only take place for invoiced amounts. *See Appendix I for full details of this process.* <u>Garden Waste (2018/19 income - £1,253,035)</u> AVDC provides 240 litre brown bins at an upfront cost of £45 p/bin p/year for the domestic collection of garden waste. The customer completes a direct debit form providing their information via My Account and this is loaded onto SalesForce automatically. Finance will then be instructed to create a customer account and upload an invoice to Tech1 and issue it to the customer. There are a number of known challenges with the administration of the garden waste service dating back to the time when Bartec and MyAccount were implemented. A project is nearing completion which will ensure customers are able to sign up for the service online, facilitate the annual renewal of the subscription and ensure that waste is only collected from properties for which a payment has been received. It is anticipated that the standardised annual renewal subscription will commence from January 2020, with customers being invoiced from November 2019. Leading up to this date, AVDC should set out what the reconciliation arrangements should be so that they can be undertaken immediately to give confidence in the accuracy of data.
Risks / Implications
Manual processes increase the risk of inaccurate and incomplete billing.

Finding rating	*Action Plan*	
Medium	a) Trade Waste – a reconciliation should be completed on a monthly basis between the customer rates/charges list, the Invoice Report from Bartec and Tech1 invoiced amounts. The first stage of this reconciliation should occur before the Invoice Report is sent to Finance and the latter stage within two weeks of the	*Responsible person / title* Overall lead for oversight of completion of actions: Nuala Donnelly – Corporate Finance Manager

month end. The reconciliation should be documented and be supported by a cover sheet confirming the check was performed and reviewed. b) Garden Waste – Documented reconciliation procedure notes should be set out prior to November 2019. This should provide assurance that payments have been received before bins are collected. This should happen every month commencing December 2019 for November 2019 data within two weeks after the subsequent month has completed and be supported by a cover sheet.	*Target date* a) 30 September 2019 b) 30 September 2019

3. Other areas for improvement in reconciliation processes – Control design

Finding
Other areas were identified in which reconciliations are not taking place, however they are either where AVDC has recognised the issues and taking action (Land Charges), where the customer pays upfront (Domestic Waste and Bulky Waste) and therefore the risk is lower, or where a reconciliation in some form is being completed, with the potential to improve this further. <u>Domestic Waste (2018/19 income - £235,684)</u> If a resident moves into a new property, and the developer has not purchased the domestic refuse bins, then a customer has to log into My Account and purchase a full set of bins for a one off payment of £120. Payment is made via a card on My Account which goes into Adelante. This directly interfaces with Tech1 to transfer financial information. This information also goes into SalesForce to show that a bin needs to be delivered to the property which has paid. SalesForce captures the case number and payment reference number. When a bin has been delivered then Bartec is updated to add the bin to a collection schedule. There is currently no reconciliation between Salesforce and My Account. <u>Bulky Waste (2018/19 income - £60,420)</u> AVDC can remove bulky waste from resident properties such as white goods (washing machines, dryers etc.), beds/sofas, electrical or garden equipment. This request is made via My Account and up to three items are charged at £75 with each additional item charged at £5 up to a maximum of 5. Ad-hoc requests outside of this can be accommodated and are agreed between AVDC and the customer. The customer pays for this service upfront via card payment on My Account; this is then transferred to Adelante and then onto Tech1 automatically. The customer request also interfaces with SalesForce to instruct what has been requested. No reconciliation is undertaken to confirm the completeness of the data transfer. For both of these areas, payments are made upfront and interfaces are automatic, making these lower risk areas. This being said, a reconciliation between My Account and SalesForce would be beneficial to confirm accurate payments are being received for the delivery of bins and collection of bulky waste. This could be achieved by downloading payments received from My Account with bin delivery confirmations and bulky waste collection confirmations from SalesForce each month. <u>Workshop (2018/19 income - £133,655)</u> The Depot Workshop provides MoT services principally to licenced taxis but also to the public. Referrals for taxis will come from the Taxi Licencing Team who enter the details on a booking system of vehicles which require MoT checks as part of the licence application/renewal process. MoTs are charged at £40. Once an MoT has been carried out the workshop staff have to login into the VOSA website to register an MOT has been undertaken; this can only be done by qualified personnel. They then must complete a form which is passed onto the Depot clerical staff who will pass the information to the Finance Team so they can raise an invoice on Tech1. All payments for MoT/workshop activity can only be paid by invoice and no other means i.e. cash or card. The risks to completeness and fraud could occur if and MOT, service or repair is undertaken but not reported to the Depot clerical staff i.e. completed at no charge or via cash in hand.

Markets (2018/19 income - £87,000)

Market stall holders are charged to have their stands and pay via Chip and Pin. These payments go via a provider and automatically interact with Tech1. The Finance Team identify a batch payment that comes through from the Chip and Pin provider to the AVDC bank account and match this to what is held in Tech1. This reconciles what has come through the Chip and Pin to Tech1 but it is looking at the overall balance only. What is not provided is a reconciliation document from the Town Centre Team which lists each receipt which matches the total balance which then reconciles to both the Chip and Pin amount and to Tech1.

The Markets Team should provide a line by line transaction listing of all receipts taken which reconciles to the Chip and Pin Data. This should be supported by a cover sheet confirming the preparer and approver and be emailed to the Finance Team within two weeks of every month for subsequent month activity.

Land Charges (2018/19 income - £270,750)

Land Charges data is held on a system called TLC. Payments are received via credit cards and cheques. When payments are received then a reference number is placed onto the individual's account on TLC.

If payment is made by credit card then an individual will pay either via an online link or provide details over the phone with the call handler completing the information on the online link for them. This information is managed by Adelante which interfaces with Tech1 to transfer income information to Tech1. The payment details will have a reference associated with them which makes it identifiable as a Land Charge income amount.

10 working days after a month the Finance Team will run off Tech1 the income code for Land Charges and email it to the Land Charges Team. The Land Charges Team will then reconcile this to their local information and send this back to Finance once it has been agreed.

Whilst the above process is expected to take place, no reconciliation has been carried out since October 2018. This has been due to a mixture of personnel changes and capacity challenges. As at June 2019, a reconciliation was being undertaken of all data from October 2018 to date, with the intention thereafter for it to return to monthly reconciliations. This area is also intending to move to SalesForce in July 2019 (this has been delayed from 2018); it is expected that once this change happens the reconciliation process should become easier as reports can be extracted more easily.

Planning (2018/19 income - £2,140,821)

The majority of customers use the Planning Portal to lodge and pay for their planning application. For major applications / large scale developments, payment is carried out by sending BACS details to applicants and requesting payment, with no invoicing taking place. This led to issues with tracking who had paid and who still owed money, as there was no clear audit trail. This type of payment totalled £76,020 (3.6%) for 2018/19.

Details within Uniform are manually updated to reflect invoicing and payment details as there is no automatic interface with Tech1. There is no reconciliation taking place to confirm the accuracy and completeness of data held on either system. The Built Environment project (see finding 1) will migrate Planning from Uniform to SalesForce from July 2019, until the new system is fully implemented, reconciliations between Uniform and Tech1 should take place.

Risks / Implications		
The accuracy and completeness of financial data is undermined where reconciliations are not undertaken regularly. Fraudulent activity may go undetected. Manual processes increase the risk of inaccurate and incomplete billing.		
Finding rating	*Action Plan*	
Low	a) Bulky Waste and Domestic Waste – A risk assessment of the bulky waste and domestic waste services should be undertaken to determine whether it would be cost beneficial to undertake a regular reconciliation. This assessment should be documented, clearly recording the factors considered and the outcome. If a reconciliation between My Account and SalesForce is required, the appropriate frequency should be documented, and a reconciliation undertaken in line with this and supported by a cover sheet b) Depot/Workshop - A reconciliation should be performed between confirmed bookings, forms raised with Depot clerical staff, a download of all MoTs registered on the VOSA website and the income code on Tech1 to ensure all activity was invoiced for. This should happen every month within two weeks of the month end and be supported by a cover sheet c) AVDC should also assess whether workshop payments can be made by alternative means i.e. card. This would ensure payments are received in advance and limit inefficiencies in raising invoices and chasing debt. d) The Markets Team should provide a line by line transaction listing of all receipts taken which reconciles to the Chip and Pin Data. This should be supported by a cover sheet confirming the preparer and approver and be emailed to the Finance Team within two weeks of every month for subsequent month activity. If it is deemed that this is not proportionate to the level of risk of a reconciliation not being completed, the rationale and any mitigating factors should be documented. e) Land Charges should complete their October 2018 to May 2019 reconciliation and document who prepared and authorised the	*Responsible person / title* Overall lead for oversight of completion of actions: Nuala Donnelly – Corporate Finance Manager *Target date* 31 October 2019

reconciliation prior to Finance review. Reconciliations should then continue on a monthly basis.

f) Planning – Issue invoices to all customers as opposed to sending BACS payment details to ensure a full audit trail is in place to track payments received and outstanding. Complete reconciliations between Uniform and Tech1 to confirm the accurate and complete transfer of data between systems.

4. Insufficient procedures to instruct staff on the completion of reconciliations and improvements can be made with reconciliation cover sheets – Control design

Finding

Reconciliation Summary Spreadsheet

The Frequency of and responsibilities for the completion of reconciliations is documented within the 'Reconciliation Summary Spreadsheet', with all reconciliations collated into the 'Monthly Checks and Balances' document.

The 'Reconciliation Summary Spreadsheet' records details such as the reconciliation owner, manager and the finance contact, however it contains limited detail on how the reconciliation process is to be carried out and which reconciliations still require manual processing. The reconciliation summary document also only covers some of AVDC's systems, with systems including Northgate (Council Tax and Business Rates), and iTrent (Payroll) not included within the spreadsheet.

Reconciliation cover sheet

The cover sheet should show the preparer and approver and the date these took place and also who in Finance conducted the check and when. This additional control supports the reconciliation process however was not in place in all but one of the reconciliations reviewed (Street Naming and Numbering).

Risks / Implications

Inconsistent completion of reconciliations, with errors in data transfers between AVDC's finance systems not being identified in a timely manner. The accuracy and completeness of Tech1 data may be undermined.

Finding rating	*Action Plan*	
Low	a) Develop the Reconciliation Summary into a more comprehensive document, ensuring it includes the reconciliations required for all systems and accurate information on who is responsible for the completion of these. This should clearly outline those reconciliations which are manual, rather than automated, and provide sufficiently detailed process notes on how these should be completed. b) All individual reconciliations should document who prepared and authorised the reconciliation and when. This could be done on a separate form or on the Finance Team's Monthly Checks and Balances Document	*Responsible person / title* Nuala Donnelly – Corporate Finance Manager *Target date:* 31 October 2019

5. Timely production and review of the quarterly digest – Advisory

Finding
The Finance Team create a Quarterly Digest document which is produced for each quarter and approved for released by the Corporate Finance Manager and Section 151 Officer. The "Digest" is published and is the principal report allowing Members and the public to scrutinise the Council's budget position. . The 2018-19 Q4 Quarterly Digest will be reviewed by Finance and Services Scrutiny on 2 July 2019, 3 months after year end. For Q1 2019-20, the digest is currently being populated and is likely to be issued at the end of July, which is reasonable. Due to summer recess, however it will mean that Members will not receive this for review until September, by which point it will also be 3 months out of date, making it far less meaningful. This issue of time lag is known and is dependent on the calendar of meetings which are timed to facilitate a number of Member priorities. . It should be noted, that the Quarterly Digest is only one of the mechanics by which financial information is reported and reviewed. At an Officer level, Finance Business Partners hold monthly meetings with Budget Holders and the Tech 1 dashboard has been significantly improved to provide real-time financial information. Strategic Board also receive monthly dashboards setting out budget information and areas of higher risk e.g. consultancy spend and Cabinet receive "Finance, Performance and Risk" reports (performance for the year to March 2019 was reported on 19 June). We therefore raise this as an advisory finding, to highlight this as an area for improvement, but recognising that there are other mechanisms for monitoring financial performance, and there is little action that can be taken to address the timing of meetings between now and March 2020.

Appendix 1. Detailed reconciliation findings

Activity	What currently happens	What should happen
Trade Waste (2019/20 forecast income £1,070,267)	A new customer enquires with AVDC regarding the services offered. The Commercial Team set up a new customer after they have received the customer's account opening form and direct debit form. This information once processed is passed onto the Finance Team who create the customer account on Tech1 which creates account codes. Once this is done the customer is added to the collection round on Bartec. The rates and charges based on specific preferences are pre-set and agreed when the customer signs up for the service. All customers are invoiced each month depending on the preferences they have requested. On the 1st of every month the Commercial Waste Team run a report from Bartec called the Invoice Report. This sets out the customer details, actual collections made (which may differ from those requested) and the cost to be charged. The actual collection information is informed via handheld devices recording collections. This Invoice Report goes onto Hornbill and then is sent to the Finance Team. This is then loaded onto Tech1 and each customer is invoiced. Invoices are raised on 1st of the month and call for money is on the 16th of the month. If the invoice is unpaid by 21st of the month a reminder is issued. The Commercial Team produce the Stop List on the 28th of the month if still unpaid. The spreadsheet (Stop List) is shared amongst Commercial Waste staff who then on hard copy collection sheets given each day to crews highlight which bins should not be collected as the customer has not paid. Customers who have paid have their payment information help against their account code on T1.	<u>Reconciliation 1 - Accuracy</u> A reconciliation between the Invoice Report from Bartec and the customer rates/charges should be performed each month before it is sent to finance and documented. This would ensure that what is transferred to Tech1 is going to be invoiced at the correct rate. In the 2018-19 Internal Audit of Commercial Waste it was found that some charges raised on Tech1 were incorrect as discounts were not applied and some rates applied were not correct. <u>Reconciliation 2 - Completeness</u> A reconciliation of Tech1 invoiced amounts for a given month to actual collections undertaken on Bartec. This would validate that the Stop List process is working and that only collections take place for invoiced amounts. This should be undertaken on a cover sheet confirming the check was performed and reviewed. This should be done within two weeks of the subsequent month the data related to.
Depot/ Workshop (2018/19 income £133,655)	There is a Depot at Pembroke Road which provides MoT/workshop services principally to licenced taxis but also to the public. Referrals for taxis will come from the Taxi Licencing Team who book in vehicles via a booking system which require MoT checks as part of their licence application/renewal process. MoTs are charged at £40. Once an MoT has been carried out the workshop staff have to login into the VOSA website to register an MOT has been undertaken; this can only be done by qualified personnel. They then must complete a form which is passed onto the Depot clerical staff who will pass the information to the Finance Team so they can raise an invoice on Tech1. All payments for MoT/workshop activity can only be paid by invoice and no other means i.e. cash or card.	The risks to completeness and fraud could occur if: • A service/repair is undertaken however not reported to the Depot clerical staff i.e. completed at no charge or via cash • An MoT is conducted however not invoiced for as it was not reported to Depot clerical staff. <u>Reconciliation – completeness and fraud</u> To mitigate these risks a reconciliation could be performed by downloading all MoTs registered on the VOSA website and reconciling this to the forms raised with the Depot clerical staff. A further reconciliation could be performed to reconcile the total of all forms completed to the income code on Tech1 to ensure all activity was invoiced for.

		<u>Reconciliation - fraud</u> Each Depot/workshop activity is shown on a booking system. A reconciliation could be performed between confirmed bookings and forms issued to Depot clerical staff as complete. This would provide greater assurance that all bookings resulted in invoices being raised. AVDC should also assess whether payments can be made by alternative means i.e. card. This would ensure payments are received in advance and limit inefficiencies in raising invoices and chasing debt.
Licencing (2018/19 income £972,295 - £136,88 Premises Licensing and £835,407 Taxi Licensing)	Information of what licenses have been issued and require payment is held on SalesForce. Reports are run from salesforce on a monthly basis showing which licenses require invoicing in that period. These reports are then issued to the transactional finance team to raise the invoices. Once completed the report is returned to the finance officer with the invoice reference numbers assigned to each licence on the report. The reference numbers are then manually entered into each licence on SalesForce to indicate the invoice has been issued. The transactional finance team then issue reports to the finance officer as invoices are paid so the licenses can be recorded as paid. However, the licence reports indicating which licenses require payment each month does not always pull through complete data, with some licenses being missed which require manual checks to ensure these are invoiced. Additionally, credit note information cannot be added to SalesForce due to the functionality of the system not being set up to allow this. This change has been requested with the Systems Admin Team. There is a significant amount of manual intervention required due to a lack of integration between SalesForce and Tech1 which introduces the potential for human error and is a time consuming process. <u>Reconciliation</u> Due to the credit note information not being on the SalesForce system, a reconciliation has not taken place.	Interfaces between SalesForce and Tech1 should be made sophisticated enough such that invoices can be raised automatically when licence payments fall due. Functionality should be available within SalesForce to add credit note information, which will enable appropriate reconciliations to be carried out.
Environmental Health (2018/19 income - £101,095)	A number of the Environmental Health income streams are paid up front on application, however there are some elements where invoices are issued to customers for services provided. This includes health certificates and private water supplies, works in default and environment permits. The service maintains a number of manual spreadsheets which are used to track billing requirements, with these being reviewed periodically to determine which invoices need to be raised. Requests to raise invoices are sent to finance based on the information in these spreadsheets. This process involves a lot of manual intervention, increasing the likelihood of errors arising.	Interfaces between SalesForce and Tech1 should be enhanced such that invoices can be raised automatically when licence payments fall due. Functionality should be available within SalesForce to add credit note information, which will enable appropriate reconciliations to be carried out. A reconciliation should be carried out between locally held spreadsheets, SalesForce and Tech1 on a regular basis to ensure all income is invoiced, and the systems contain accurate

	<u>Reconciliation</u> Discussions with service management determined that there is no process in place to complete reconciliations locally.	and complete information.
Building Control (2018/19 income £524,540)	Many of the building control payments are made in advance when applications are lodged, with income being automatically recorded on Tech1. However for full planning applications where site visits are required, payment for the inspection element only becomes payable when building work commences, with an invoice being raised for this payment. These processes operate in a similar fashion to those for Licencing, with reports being downloaded from SalesForce, showing which applications have commenced work, and forwarded to transactional finance to issue the invoice. The report with invoice reference numbers is then returned to the building control team who record the relevant plot as invoiced on SalesForce. Finance will then provide reports showing which invoices have been paid, and SalesForce is again manually updated by the Building Control team. There are similar issues to that of licensing where the SalesForce reports are not always complete, and occasionally ad hoc invoices need to be raised. There is a significant amount of manual intervention required due to a lack of integration between SalesForce and Tech1 which introduces the potential for human error and is a time consuming process. There are SalesForce report issues which have been raised with the Systems Admin Team. <u>Reconciliation</u> A member of the finance team is currently assisting with the completion of reconciliations for building control, using the template included within the Reconciliation Summary Spreadsheet to reconcile information within Tech1 to the SalesForce data, investigating discrepancies as they arise. No exceptions were identified relating to this, however the SalesForce reporting issues identified above undermine the integrity of this reconciliation.	Interfaces between SalesForce and Tech1 should be enhanced such that invoices can be raised automatically when application payments fall due.
Commercial Property (2018/19 income £3,850,000)	Customer records are maintained on an excel spreadsheet, highlighting when customers should be billed. This spreadsheet is reviewed on a weekly basis, with reports issued to finance to raise invoices accordingly. Finance then raise the invoice and details are recorded on the local spreadsheet as a record that the invoice has been issued. There are plans in place to implement the TechForge system which will facilitate an interface with Tech1, enabling invoices to be raised automatically without manual intervention. However, these plans have been delayed due to difficulties with implementation. <u>Reconciliation</u> There is currently no reconciliation taking place	Automatic interfaces should be put in place to facilitate the accurate and complete billing of customers and transfer of data between local systems and Tech1. A reconciliation should then be implemented, using either local records or TechForge, and invoice and payment data from Tech1, to confirm all invoices have been raised.

	locally to confirm the accurate and complete transfer of data between local records and Tech1.	
Planning (2018/19 income - £2,140,821)	The majority of customers use the Planning Portal to lodge and pay for their planning application. For major applications / large scale developments, payments is carried out by sending BACS payment details to applicants and requesting payment, with no invoicing taking place. This led to issues with tracking who had paid and who still owed money, as there was no clear audit trail in place to allow individual payments and debts to be tracked. <u>Reconciliations</u> Details within Uniform are manually updated to reflect invoicing and payment details as there is no automatic interface with Tech1. There is no reconciliation taking place to confirm the accuracy and completeness of data held on either system.	Invoices should be issued to applicants (who do not use the Planning Portal) for all services provided to ensure payments can be tracked accurately and action is taken to recover outstanding debts. A reconciliation should be carried out between invoicing and payment data from Uniform and Tech1 to confirm the accurate and complete transfer of data between the systems.

Appendix 2. Finding ratings and basis of classification

Report classifications

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

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

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

Individual finding ratings

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

Appendix 3. Terms of reference

The key risks agreed in the Terms of Reference are set out below. Each finding in the report is linked to a key risk from the Terms of Reference.

Sub-process	Risks	Objectives
Policies and procedures	Inadequate policies and procedures to instruct staff to accurately use systems	• Policies and procedures are clear, understood and followed to ensure the objectives of activity are met • Procedure notes for reconciliations are in place, where required, clearly identifying whether they are automated/manual and responsibilities.
Interfaces and reconciliations	Inaccurate and incomplete financial information	• The interfaces between sub-systems and Tech1 are complete and do not contain errors which inhibit the accurate flow of data between the systems • Reconciliations are performed regularly to ensure accuracy and completeness of financial information • Finance Team has oversight over who is charged with completing reconciliations for every interface to Tech1, the frequency of these reconciliations and escalation of large/unusual unreconciled items.
New system integration	Inaccurate and incomplete Interfaces financial information Inefficient processes and manual work-arounds	• A robust plan is in place and signed off by Finance for the integration of new systems with the finance system: – TechForge (PAM) – Built Environment
Management Information	Inaccurate or untimely management information	• The closedown process is done in an efficient manner, using data which can be confirmed to the Tech1 system. • Accurate monthly financial reporting, direct from Tech1

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Aylesbury Vale
District Council

Internal Audit Report 2018/19

Debt Management

July 2019

Contents

Distribution List

For action	Nuala Donnelly – Corporate Finance Manager Amanda Williams – Transactional Finance Team Lead
For information	Andrew Small – Interim Head of Paid Service & Section 151 Officer Audit Committee

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

1. Executive summary

*Report classification**	Total number of findings				
		Critical	High	Medium	Low
	Control design	-	-	-	2
Low Risk (6 points)	Operating effectiveness	-	-	1	1
	Total	**-**	**-**	**1**	**3**

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

Summary of findings

This report is classified as Low risk and we identified 1 medium risk and 3 low risks. The purpose of the review was to assess the control design and operating effectiveness with regards to the Council's debt management processes.

Following the implementation of the Tech1 finance system and then staff changes resulting from the Commercial AVDC restructure, significant work has been undertaken to improve the management and recovery of debt. This includes creating additional posts in the Corporate Finance team, with specific responsibility for credit control. The functionality of Tech1 has also been considerably improved to enable better review of aged debts and management reporting. The low risk audit report reflects the improvements that have been made to processes and controls in this area.

Further improvements can be made to address the remaining level of risk in the debt management area due to weaknesses in the design of some key controls, particularly around the ability for credit notes to be raised and approved by the same individual, exposing the Council to wrongful credit notes being issued.

Issues have been identified around the timely actioning of debt write off where it has been determined that a debt is irrecoverable. We note that procedures for performing and documenting customer due diligence checks, in higher risk "commercial" income streams should be considered and implemented. There is also inadequate documentation for the quarterly review of customer account changes.

The scope of this audit also covered review of processes to ensure the accurate and complete billing for Council services. Issues have been identified in this area as result of the lack of integration, automated interface and reconciliation between service systems and the general ledger. The issues have been reported as one high, and one medium risk finding in the 2018/19 *General Ledger Reconciliations and Management Information* internal audit report. The overall "low" risk rating of this report relates to debt management and recovery procedures only.

Summary of Findings

- Credit notes have been raised and approved by the same member of staff with a lack of segregation of duties, increasing the risk of inappropriate credit notes being issued (Finding 1 – Medium)
- Actioning of debt write-offs, where necessary, is not consistently carried out on a timely basis

(Finding 2 – Low)

- There is insufficient evidence of due diligence procedures carried out for new customers for whom the Council provide credit, with insufficient procedures in place to review the appropriateness of existing credit terms provided to current customers (Finding 3 – Low)

- There is no documentation to evidence the review of customer account changes has been completed and action taken where necessary (Finding 4 – Low)

Good Practice Noted

- There is a sufficiently detailed Corporate Debt Management Procedure (approved May 2019) detailing the procedures staff should follow when billing customers and recovering overdue debts.

- Reporting and review of debt recovery is discussed sufficiently during meetings of the Finance Review Board with KPIs also monitored via the monthly checks and balances spreadsheet.

- Council finance systems restrict amendments being made to transactions limiting the likelihood of fraudulent amendments being made.

- Changes to customer account details are subject to a monthly review to confirm changes are appropriate.

- Finance and services areas have effective communication with one another via meetings and discussions that take place

- Write-offs tested were approved and cleared in line with procedure notes.

- Credit notes tested were matched with invoices.

- There is a documented methodology for calculating an appropriate provision for outstanding debts with evidence in place showing how the final figure was calculated.

- 14 and 28 days debt reminder letters are raised and issued to debtors on a systematic basis in line with the Council's Corporate Debt Management Procedure.

2. Background and Scope

Background

The Council inputs, records and manages its Billing and Accounts Receivable processes through the main financial system, Tech1. Invoices may be raised by the finance team, or in the service areas, but debt recovery is performed centrally by the transactional finance team.

The income managed on Tech 1 is made up of both statutory income streams (Housing Benefit overpayments), and non-statutory streams such as Commercial Waste, Building Control, Garden Waste, Licencing and Commercial Property. Recently the responsibility for recovery of Housing Benefit overpayment has moved to the Ratings and Recovery team in Customer Fulfilment. The Finance team are therefore responsible for recovery of non-statutory debts.

Invoices are sent to customers electronically and different recovery cycles can be set up for different customer types. Management information from the system both on an overall position and by department is generated. Aged debt analysis is produced from Tech1 and monitored, at a high level, by the Finance Review Board. Write-offs are approved centrally.

The activities within accounts receivable are underpinned by the Council's financial instructions and following previous internal audit recommendations, new debt management procedures have been introduced.

Scope

The scope covered the key risks set out in the Terms of Reference (see Appendix 2). Our testing included:

- Review of the debt recovery policies and procedures
- Reviewing a sample of 15 credit notes issued to confirm suitable approval was provided for each
- Verifying the processes in place to ensure complete and accurate billing of services provided
- Reviewed the functionality of the Tech1 system and how amendments are made to transactions
- Confirming processes in place for new customer due diligence and how changes are made to existing customer account details
- Investigating 20 aged debts from the aged debtors listing to confirm suitable actions have been taken to recovery the monies owed
- Reviewing a sample of 10 debt write offs to confirm suitable approval was in place for this
- Review of debt recovery reporting and KPIs used to monitor performance

This does not represent a comprehensive list of tests conducted.

3. Detailed findings and action plan

1. Ability for credit notes to be raised and approved by the same individual – Operating effectiveness

Finding		
To ensure that only accurate and appropriate credit notes are raised and issued to customers, the Council has an approval process in place where credit notes are matched to invoices prior to a member of the finance team approving the credit note to be posted. The credit notes should be raised and approved by different individuals. We tested a sample of 15 credit notes, totalling over £300,000, over the period April 2018 to March 2019 to confirm this process had been followed and found that in two cases the credit note was created and approved by the same person. The combined value of these credit notes was £43k. Although there was legitimate rationale behind why these credit notes were raised, credit notes should not be raised and approved by the same individual to maintain appropriate segregation of duties. Current system workflows within Tech1 do not prevent this from being possible.		
Risks / Implications		
Credit notes being raised and approved by the same individual increases the risk of inappropriate credit notes being raised.		
Finding rating	*Action Plan*	
Medium	a) Communicate this finding by email and verbally to all staff involved with credit notes to reinstate the expected practices to help ensure all credit notes are being created and approved by separate individuals to maintain segregation of duties. b) Investigate the capability of the Tech1 system to determine if workflows can be implemented which prevent credit notes being raised and approved by the same individual.	*Responsible person / title* Amanda Williams - Transactional Finance Team Lead *Target date* a) 31 July 2019 b) 30 September 2019

2. Debts are not written off on a timely basis – Control effectiveness

Finding
To ensure timely recovery of moneys owed, aged debts should be regularly reviewed with processes in place to chase and recover payment in line with the Corporate Debt Management Procedures. This includes sending reminder letters 14 and 28 days after the agreed payment terms have elapsed. If the debt still remains unpaid after these actions then the Credit Control Officer systematically chases these debts, applying appropriate recovery mechanisms for different non statutory income streams, determined by the unique nature of the debt. A review of the aged debtor's listing at 31 March 2019 identified that the majority of overdue debt falls within the 'older than 120 days' category (£1,041,893 – 44.7%) compared to debt between 30-120 days (£162,575 – 4.4%) with the remainder being current debt (£1,640,391 – 44.7%). This suggests the Corporate Debt Management Procedures are being effectively implemented to recover debt in a timely manner, with the main concerns being with the recovery of long standing debt, much of which arose before the current team and procedures were in place. Action is now being taken by the Council to progress these debts, either through recovery or write-off. We tested a sample of 20 debts greater than 120 days. Exceptions were identified where the corporate debt management procedure with respect to write-offs, had not been followed: • In six instances the debt had been recorded as unrecoverable or an error and set to write-off, however this had not been actioned at the time of testing, with the oldest debt remaining in this status since January 2017. • For one debt with an outstanding balance of £2,948, there was no evidence of any recovery action since the debt was incurred in April 2014. This was because the debt was an item which was transferred to Tech 1 from the previous Aptos accounting system and no details exist in Tech1. It has since been processed for write-off. • One of the debts selected in our sample related to the Council's former contract for collection of recycling waste. There was an arrangement in place for "self-invoicing" whereby AVDC received income based on the expected tonnage, with a process for credit notes to adjust for variation in actual tonnage collect. The contract with the supplier came to end in August 2018 and there were a number of outstanding credits and invoices on the account. Subsequently a full reconciliation has been performed, with progress reported to the Finance Review Board. The final position has been agreed with the supplier, with a remaining balance on AVDC's ledger of £21,490. This amount needs to be written off, but was not set to write off until after completion of our audit testing, in July 2019. This will require Cabinet Member approval due to the high value. For the remaining items within the sample, sufficient recent evidence was provided that suitable recovery action was being taken.
Risks / Implications
Where debts are not written-off in a timely manner, in line with the Corporate Debt Management Procedures, the Council's debtors balance could be misstated.

Finding rating	*Action Plan*	
Low	A monthly review of the aged debtors listing should be undertaken to identify all longstanding debts for which no action is being taken. Where items are identified as being irrecoverable, the action being taken should be confirmed with service areas, and they should be processed for write-off that month, with approval in line with the Debt Management Procedure. This should be followed up on in the following month to confirm this has been actioned.	*Responsible person / title* Amanda Williams - Transactional Finance Team Lead *Target date* 30 September 2019

3. Lack of customer due diligence procedures – Control design

Finding

Credit terms differ depending on the customer, with the most common terms being for payment within 30 days of the transaction.

For non-statutory areas which have higher value transactions, we would expect there to be sufficient and appropriate due diligence procedures carried out, such as credit checks or basic background searches, with the extent of these procedures being proportional to the extent of credit extended. This will allow the Council to confirm the nature and background of the customer, and their ability to make payments in line with the credit terms offered.

The largest area of non-statutory debt is Commercial Property. This is actively monitored and settlement arrangements are in place for significant outstanding balances. Discussions with Council staff identified that, whilst basic due diligence procedures such as review of company accounts or D&B searches are completed for new customers within the Commercial Property service, no procedural guidance or documentation of these checks was available to evidence that this was routinely carried out. Additionally, no checks are undertaken for ongoing contracts to confirm whether the existing credit terms are suitable and assess the customer's continued ability to make payments.

Risks / Implications

A lack of due diligence procedures increases the risk of the Council engaging with customers who are not appropriate and increasing the risk of taking on irrecoverable debts.

Finding rating	*Action Plan*	
Low	a) An assessment of those higher risk areas for debt recovery should be undertaken, focusing on those with high value, low volume transactions such as Commercial Property, to identify the extent of due diligence procedures which would be appropriate. This could include setting thresholds above which these procedures are required. b) Once determined, these procedures should be implemented to confirm the background and nature of the customer as well as determining their ability to meet repayment terms, with completion of these procedures being documented to evidence completion. Due diligence procedures should be repeated at pre-determined intervals based on the risk and value of the customer contract, identifying any actions necessary to prevent any future irrecoverable debts, such as renegotiating payment terms (from quarterly to monthly for example). c) The capability of Tech1 should be investigated to enable this to support any credit limits which are imposed on certain customers.	*Responsible person / title* Amanda Williams - Transactional Finance Team Lead *Target date* a) 31 July 2019 b) 30 September 2019 c) This action is recognised as a control improvement but is not practical to implement. The Tech1 system will not be used by the new Unitary Council.

4. Insufficient documentation of review to confirm appropriateness of customer account changes – Control design

Finding		
Changes to customer account details are made by members of the finance team according to requests made by customers or Hornbill requests from service areas. There is a full audit trail maintained on Tech1 of all changes made to customer accounts and who actioned those changes. On a quarterly basis a report is pulled from Tech1 with a full record of all customer account changes made in the prior quarter. This report is sent to the Corporate Finance Manager for review. Discussions with the Corporate Finance Manager determined that on receipt of this report, a sample of changes are selected and conversations are carried out with members of the finance team to confirm the changes were made appropriately and for legitimate reasons. However, we found that there is no record produced relating to this review to detail the changes sampled, allowing confirmation that an appropriate number of changes are reviewed, or the outcome of the review and whether any further actions or investigations are required.		
Risks / Implications		
Fraudulent changes could be made to customer account details resulting in financial loss to the Council.		
Finding rating	*Action Plan*	
Low	When completing the review of customer detail changes, record on the change report which items have been reviewed, the outcome of the review and where necessary, what actions were taken to remedy any issues identified.	*Responsible person / title* Amanda Williams – Transactional Finance Team Lead *Target date* 30 September 2019

Appendix 1. Finding ratings and basis of classification

Report classifications

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

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

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

Individual finding ratings

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

Appendix 2. Terms of reference

The key risks agreed in the Terms of Reference are set out below. Each finding in the report is linked to a key risk from the Terms of Reference.

Sub-process	Risks	Objectives
Policies and procedures	Inadequate policies and procedures to instruct staff to accurately invoice, collect, record and recover income	• Policies and procedures are clear, understood and followed to ensure the objectives of activity are met
Invoicing, recording and collecting income	Inaccurate records and invoices, resulting in non-receipt of payments Unauthorised credit	• Invoices are raised for accurate amounts in a timely manner and issued to the correct customers • Invoices are raised for all income due to the Council, per records held on individual sub-systems • There is an adequate approval and review process in place to confirm the accuracy of billing • Credit notes are matched to invoices and are appropriately approved. • Cash collected in matched to invoice, discrepancies are investigated and resolved
New customers and changes to standing data or transactions	Fraudulent amendments to income due Inappropriate customers given credit	• New customers are subject to sufficient due diligence to provide reasonable comfort over the nature and background of the customers • New or existing customer change controls are in place to safeguard the integrity of changes made to data held • Amendments to transactions are subject to sufficient approval procedures to validate their accuracy
Recovery and write-off	Cost of recovery Income due not collected	• Debt recovery arrangements are in place to maximise the income received into the Council • Robust arrangements are in place to review and approve debt write-offs in line with the Corporate Debt Policy. • Effective communication between service areas and the Finance team facilitates the debt collection process
Reporting and oversight of debt	Under recovery of income, increased debt write offs	• Reporting is adequate to enable effective monitoring and oversight of debt. Issues are appropriately escalated. • Performance indicators are monitored

Audit Committee
15 July 2019

AYLESBURY VALE BROADBAND REVIEW AND BREACH OF CONFIDENTIALITY INVESTIGATION

1 Purpose

1.1 To reply to recommendation 17 in the Aylesbury Vale Broadband Review dated May 2018 carried out by BDO LLP (BDO).

2 Recommendation

2.1 To note the details and results of the investigation by the Monitoring Officer into the breach of confidentiality and make any comments about implementation of recommendation 17 made by BDO.

3 Background

3.1 In April 2015 the Council set up Aylesbury Vale Broadband (AVB), a trading company, to provide high-speed broadband functions in parts of the Vale which were not likely to be served by either commercial providers or through national schemes.

3.2 The Council was a 95% shareholder of AVB and invested £1.44m into the company.

3.3 AVB has now been sold to Gigaclear, a commercial provider. Prior to the sale of AVB the Council had concerns about the governance of and reporting by the company and the value for money achieved from the investment which resulted in political tension. After the sale, external auditors BDO were commissioned to provide an independent review of the inception, governance, reporting and investment in relation to AVB which could inform any future commercial activities entered into by the Council.

3.4 Whilst BDO considered that subject to any claim under the warranties provided on sale, AVB had provided value for money, they did identify issues with both reporting arrangements and reports which were made to the Council. BDO considered that whilst reports given to Council were in fact accurate, they did not present the whole picture and tended to focus on forecasts without sufficient actual trading background which may have allowed better views on whether the forecasts were realistic.

3.5 BDO considered that the leaking of confidential information during the creation of AVB contributed to the limited reporting by the company to the Council. The disclosure resulted in a complaint being made to the European Union by Village Networks that a loan by the Council to AVB, to enable it to start trading, was a breach of state aid rules. The complaint included confidential information which had been provided to Members on yellow pages and which was not, at the time, in the public domain. It should be noted that the complaint was not taken any further by the EU and no investigation ever sanctioned.

3.6 BDO therefore made the following recommendation in their review:

"Recommendation 17

If the Council's wider Members are to have greater oversight of the Council's commercial ventures, then the confidentiality requirements of 'yellow papers' must be respected"

3.7 The Council therefore asked that the Monitoring Officer carry out an investigation into the unauthorised disclosure of the confidential information.

4 Investigation

4.1 It was considered that the investigation should focus on who had disclosed the information, so that appropriate action could be taken, and how they had disclosed it, so that appropriate preventative measures (if any) could be recommended and considered for the future.

4.2 As BDO have already conducted an investigation which included gathering evidence and interviewing a number of individuals it was felt that they may have relevant information. BDO were therefore asked a number of general questions to check whether this was the case and to find out whether further investigation was possible.

4.3 BDO's response was that they did not hold any relevant information on either who had disclosed the information nor how it had been disclosed.

4.4 As the recipient of the confidential yellow papers, Village Networks, was also asked for details of who had provided them with the information and also how they had received it. As at the date of this report no response has been received.

4.5 Two other methods to find evidence of who had disclosed the information was considered and discounted as not viable.

4.6 The first of these was to search AVDC email accounts: this could potentially show the disclosure to Village Networks.

4.7 This was not considered a viable option as it was extremely likely that any such email would have already been deleted or it was sent from a non-AVDC account to which we would not have access. It was therefore considered that this option would be a disproportionate use of resources and potential invasion of privacy with no real prospect of success.

4.8 The second option was to interview or ask every member whether they had disclosed the information.

4.9 Given the well known cross party wish to learn lessons and follow the BDO recommendations, as no-one had voluntarily confirmed they had disclosed the information it is almost certain that this option would not identify the discloser and would similarly be a disproportionate use of resources.

4.10 In relation to how the information was disclosed, this could be confirmed either from an email trail (if this was in fact the method of disclosure), the person who disclosed the information or the recipient of the information. For the reasons detailed above the first two methods are not viable and the last has been requested but as stated no response has been received.

5 Current position

5.1 The Monitoring Officer knows what information was disclosed but does not know who disclosed it or how it was disclosed.

5.2 In the absence of any other details about the discloser or means of obtaining those details no further investigation is possible.

5.3 The BDO recommendation was to ensure confidentiality of yellow papers was respected. The implementation of the remainder of the recommendations made by BDO will help to ensure this. Further practical solutions for maintaining the confidentiality of yellow papers can also be used in the future if deemed necessary. The Monitoring Officer considers that such decisions should however be taken on a case by case basis taking into account the subject matter and the issues at the time.

5.4 Any comments of the Committee in this regard would be useful for future reference.

Contact Officer	Ifty Ali (01296) 585032
Background Documents	Aylesbury Vale Broadband Review

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Audit Committee
15 July 2019

REVIEW OF AVDC DRAFT STATEMENT OF ACCOUNTS 2018-19

1 Purpose

1.1 This report set out the current position in terms of the Statement of Accounts preparation. The report also sets out the provisional financial outturn for 2018/19.

2 Recommendations/ for decision

2.1 Members of the Committee are requested to consider the draft Statement of Accounts for 2018-19 (Appendix A)

2.2 Members of the Committee are requested to note the current position in relation to the Statutory Accounts preparation

2.3 Members of the Committee are requested to note the provisional financial outturn position for 2018-19.

3 The Accounts Approval Process

3.1 The Council must make available for audit its draft Annual Accounts by 31 May 2019 and the aim is to produce the Final (Audited) Annual Accounts for approval by 31 July 2019.

3.2 The Accounts and Audit Recommendations require that the Statement of Accounts is formally signed off by the Chairman of the Audit Committee and the Director responsible for Finance.

3.3 Whilst there is no requirement to do so, the guidance to the Accounts and Audit Regulations suggests it is good practice to give members an early notification of the financial outcome of the previous year and to this end, the draft Statement of Accounts is presented as part of this report.

3.4 The timetable for the preparation of the accounts was completed to a draft accounts deadline of 31 May 2019. The approval deadline is 31 July 2019. This “faster close” has been earlier than previous years and the change required have presented challenges for both the preparers and the auditors of the financial statements.

3.5 The draft accounts were published on 31st May 2019.

3.6 From 1 June 2019 to 15 July 2019 inclusive, members of the public and local government electors may inspect the accounts of the Council for the year ended 31 March 2019 and certain related documents.

3.7 A copy of the Council unaudited statement of accounts is currently available on the Councils website.

3.8 The Council’s accounts are subject to external audit by Andrew Brittain of Ernst & Young LLP.

3.9 In May 2019, the external audit team informed the Council that they would be unable to carry out the audit to meet the target date of 31st July 2019. The July deadline represents a target date for the publication of the accounts, and is not a statutory deadline.

3.10 Ernst and Young LLP have cited exceptional levels of staff vacancies leading to staff shortages as the primary reason for the delay for the Audit. AVDC is one of 19 authorities who are also subject to audit delay.

3.11 The Public Sector Audit Appointments (PSAA) who contract with EY have supported the decision to delay, on the understanding that the delay will ensure the required high quality of audit, the main consideration for them over timeliness. The NAO, MHCLG and the LGA have also been informed of the decision.

3.12 AVDC were not consulted on the delay and were presented with a “fait accompli”.

3.13 The Chair of the Audit Committee has met with EY and PSAA. The meeting was convened on 20th June 2019, and representatives from the other affected Authorities in Bucks were also in attendance.

3.14 The meeting was an opportunity for the Audit Chairperson to feedback on the impact of the changes, on staffing and also on the potential reputational impact of the Council.

3.15 The formal audit is now scheduled to commence on 2nd September 2019, and to continue for 4 weeks. This represents a delayed start.

3.16 It is intended that the Final Accounts be presented to the re-scheduled Audit Committee on 7th November 2019. Audit Committee members will, following the audit, consider and approve the statement of accounts.

3.17 Audit Committee will also be requested to consider the findings of the annual review of the effectiveness of the system of internal control, approve the Annual Governance Statement and consider the Annual Audit letter

3.18 The Accounts presented detail the Accounts for the Authority but also extends to the group financial statements where the Council has material interests in subsidiaries and joint ventures. The accounts include results for Aylesbury Vale Broadband, Vale Commerce and reflect material interest in Aylesbury Vale Estates.

4 The Accounts

4.1 Local authority financial statements are known to be complex and can be difficult to understand: they must comply with CIPFA’s Local Authority Code of Practice, which is based on International Financial Reporting Standards (IFRS), and also the requirements of accounting and financing regulations of central government.

4.2 The year end position within the Statutory Accounts contains transactions which are required by the Accounting Regulations. These transactions are intended to provide the reader with a complete picture of the Councils financial affairs during the course of the year.

4.3 The paper explains the key features of the primary statements and notes that make up the set of financial statements.

4.4 Narrative Report/Explanatory foreword: The purpose of the narrative report and the explanatory foreword is to provide a commentary on the financial statements. It includes an explanation of key events and their effect on the financial statements. The information included in the explanatory foreword will be familiar to Members from financial information provided during the year. The explanatory foreword reconciles the year end financial position reported to members (the outturn) to the statutory financial accounts.

4.5 Annual governance statement: The annual governance statement (AGS) sets out the arrangements the Council has put in place to manage and mitigate the risks it faces when meeting its responsibilities. The AGS gives the reader a clear sense of the risks facing the authority and the controls in place to manage them. While the AGS is prepared by the authority at the end of the year, it is built up from processes designed, run and tested throughout the year. The AGS will be presented to the November Audit Committee meeting.

4.6 Movement in reserves statement (MIRS): Reserves represent the authority's net worth and show its spending power. Reserves are analysed into two categories: usable and unusable. The movement in reserves statement (MIRS) analyses the changes in each of the authority's reserves from year to year. The statement provides detail on what has caused the movement in each reserve.

- Usable reserves: These result from the authority's activities and include the general fund, earmarked reserves and capital receipts reserve
- Unusable reserves: These are derived from accounting adjustments and cannot be spent. They include pensions reserve, revaluation reserve and the capital adjustment account

4.7 Comprehensive income and expenditure statement: The comprehensive income and expenditure statement (CIES) reports on how the authority performed during the year and whether its operations resulted in a surplus or deficit. The CIES includes cash payments made to employees and for services, as well as non-cash expenditure such as depreciation and accruals. It also shows all sources of income received and accrued in the year. The CIES shows the accounting position of the authority before statutory overrides are applied. It analyses income and expenditure based on services.

4.8 It includes:

- Cost of services: Presented in a standardised format as set out by the 'Service reporting code of practice for local authorities'. Includes service specific income and expenditure.
- Other operating income and expenditure: Includes the surplus or deficit from the sale of property, plant and equipment.
- Financing and investment income and expenditure: Includes interest payable and receivable.
- Taxation and general grant income: Includes revenue from council tax and the revenue support grant.
- Other comprehensive income and expenditure: Items which are not allowed to be accounted for elsewhere in the CIES, such as increases in the value of land and buildings and changes in the actuarial assessment of pension liabilities.

4.9 Balance sheet: The balance sheet is a 'snapshot' of the authority's financial position at a specific point in time, showing what it owns and owes at 31 March 2019. The balance sheet is always divided into two parts including a) assets less liabilities and b) reserves.

4.10 The main elements of the balance sheet are:

- Non current assets: including property, plant and equipment, heritage assets, intangible assets, investment property. Non-current assets have a life of more than one year. For AVDC, the biggest balance by far is property, plant and equipment. These are tangible assets that are used to deliver the authority's objectives.

- Current assets: includes cash and other assets that, in the normal course of business, will be turned into cash within a year from the balance sheet date. Other assets include investments, non-current assets held for sale, inventories and debtors.
- Current liabilities: Comprises short-term borrowing, trade creditors, amounts owed to other government bodies and receipts in advance.
- Long-term liabilities: Includes borrowings, any amounts owed for leases and private finance initiative (PFI) deals. There will also be an estimate for the cost of meeting the authority's pension obligations earned by past and current members of the pension scheme.
- Reserves: These are usable and unusable reserves.

4.11 The Accounts also include a number of other statements.

- Cash flow statement: Sets out the authority's cash receipts and payments during the year, analysing them into operating, investing and financing activities. Cash flows are related to income and expenditure, but are not equivalent to them.
- Collection fund: Shows the transactions in respect of council tax and
- Group accounts: Prepared if the authority has a significant subsidiary, such as a local authority trading company. Shows the combined income and expenditure and balances of all the constituent bodies

4.12 The Accounts also include Additional disclosures, contained within the notes to the financial statements. These include:

- Accounting policies: Set out the accounting rules the authority has followed in compiling its financial statements. They are largely specified by International Financial Reporting Standards and the Local Authority Code of Practice.
- Estimates: The authority may need to use estimates to value assets, liabilities and transactions. The major sources of estimation uncertainty should be disclosed if there is a significant risk the estimate will need to be materially adjusted next year.
- Property, plant and equipment: Details about assets acquired and disposed of during the year, whether they have been revalued, the impact of any changes in value and the amount of depreciation charged.
- Leases and PFI schemes: Set out how much will be paid annually to leasing companies and how much will be paid in total over the lifetime of the agreement.
- Employee remuneration Details of the pay of the most senior officers, all officers' remuneration, disclosed in bands, and the cost of any redundancies. Other notes show the annual cost and cumulative liabilities of pensions.
- Contingent liabilities: Details of possible costs that the authority may need to meet, but has not charged to the CIES because it thinks that it will probably be able to avoid them.

5 The Quarterly Financial Digest: 2018/19 Year End Position

5.1 The Statutory Accounts only present actual expenditure and income, without reference to budgeted levels. Therefore, whilst the accounts present the definitive position on the Authority by way of its financial resources, it does not inform the reader as to whether this was planned or expected position.

5.2 The Quarterly Financial Digest is the primary reporting tool for in-year financial management. The Digest provides Management information and is designed to explain significant financial events which occurred during the year by comparing them with the expected or budgeted equivalent figures.

5.3 The Quarterly Financial Digest for the financial year 2018-19 was presented to the Finance and Services Scrutiny meeting in early July 2019.

5.4 Based on the provisional financial results for 2018-19, Audit Committee Members are asked to note the provisional financial outturn. These, as stated, as still subject to audit.

5.5 The financial information is based on the actual income and expenditure for the 12 months of the financial year, April to March 2019.

5.6 The Council reported a surplus of £432,000 for the financial year 2018-2019 (before the transfer from general fund balances).

5.7 The outturn is better than planned by £192,000 and better than forecast by £353,000. A planned surplus of £240,000 had been assumed in budget plans for 2018-2019.

5.8 As a consequence of the outturn, General fund balances will be marginally higher than predicted as at the end of March 2019. The level of general balances for the financial year is now £2.353m. This is above the minimum assessed level of balances of £2.0m.

5.9 The Councils 2018/19 revenue outturn position is shown in the table below.

General fund revenue	2018/19 Budget £000	2018/19 Actual £000
Expenditure	88,131	98,072
Income	(71,197)	(68,346)
Net cost of services	16,934	29,726
Cost of borrowing	2,694	742
Other income	(274)	(5,021)
Investment interest	(2,184)	(2,266)
Retained business rates	(5,424)	(6,492)
Income from grants	(1,178)	(6,313)
Net expenditure	10,568	10,376
Local taxpayers	(10,808)	(10,808)
Net balance	(240)	(432)

General fund balances	2018/19 Budget £000	2018/19 Actual £000
Balance 1 April	(1,924)	(1,977)
Net balance to fund	(240)	(432)
Special application of balances	50	56
Balance 31 March	(2,114)	(2,353)

5.10 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.

5.11 The financial position for the year is largely being driven by above budgeted levels of staff costs.

5.12 Agency is employed in a number of key operational areas to support project work and service delivery. Agency spend is incurred for a number of reasons including

- To support funded project work e.g. Connected Knowledge programme and GDPR.
- To support service delivery where there are vacancies or activity related pressures.
- To provide flexibility of service provision

5.13 The use of agency to support vacancies and activity pressures incurs a premium cost and adverse variance to agreed budgets. The spend was largely as forecast.

5.14 Despite these known pressures on staff costs (adverse variance of £1.8m to budget), it has been possible to largely offset agency costs with additional efficiencies and income. These include:

- savings against budget in relation to transitional relief for business rates;
- increased income from commercial rents particularly at Pembroke Road, and for garden waste and commercial waste services;
- savings on vehicle costs at the depot due to previous capital investment; and
- general efficiencies in the running costs of departments including savings on GDPR implementation provisions.
- savings on interest charges due to lower than planned level of borrowing;
- Revision downwards of minimum revenue position required as a result of prudent borrowing position
- Higher than planned income on Business rates and collection fund

5.15 The draft outturn position is better than forecast at December 2018

5.16 The outturn is better than planned by £192,000 and better than forecast by £353,000. A planned surplus of £240,000 had been assumed in budget plans for 2018-2019.

5.17 In preparing forecasts, best estimates of income and expenditure are made in line with known expectations and intelligence on emerging issues in liaison with budget managers. Inevitably, organisational changes can lead to variation in spending patterns from the forecast set. Where this happens, action is required and taken to address variations across both portfolios and also within corporate budgets.

5.18 The changes to the forecast include:

- an increase of £96k on portfolio spend. A number of factors contribute to this change across all portfolios including increased levels of staff costs and also revision to income targets and other spend levels. The impact of 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.
- Lower than anticipated collection fund levy
- Realisation of dividend payments not previously forecast
- Above planned levels of business rates income particularly retained enterprise zone relief
- lower than forecast spend against contingency budget. It had been previously assumed that budget will be fully utilised.

- Higher than planned interest payments and lower borrowing costs.

6 Capital Outturn 2018-19

6.1 The Council reported a total spend on its capital plans of £9.166m. Of this, £3.024m was incurred in the creation of new assets including the Public Realm Waterside North and the Pembroke Road depot scheme. A further £6.142m was incurred to support capital development in relation to financing for the Public Realm Waterside North scheme and also the Enterprise Zone at Silverstone.

6.2 Capital expenditure was financed by revenue contributions and capital receipts (which includes planned use of New Homes Bonus). It was anticipated during the year that a significant element of the programme would be funded from prudential borrowing.

6.3 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 has therefore reduced the on-going financing cost of the capital programme.

7 Reserves and Balances

7.1 General fund balances will be marginally higher than predicted as at the end of March 2019. The level of general balances for the financial year is now £2.353m. This is above the minimum assessed level of balances of £2.0m.

7.2 The detail of the general fund is outlined below:

GENERAL FUND STATEMENT OF BALANCES	Actual Outturn 2017/18 £000s	Original Budget 2018/19 £000s	Actual Outturn 2018/19 £000s
Brought Forward 1st April	**-2,873**	**-1,924**	**-1,977**
Planned Contribution to Balances	0	-240	-240
Less General Over/(Under)spend Assumption	453	0	-192
Contribution to the HS2 Fund	3	0	6
Commercial AVDC Change Project	440	0	0
Commercial Activities	0	50	50
Net Use of/(Contribution to) Balances	896	-190	-376
Working Balance Carried Forward	**-1,977**	**-2,114**	**-2,353**

7.3 A full list of reserves and provisions is included in the Statement of the Accounts.

7.4 As at 31st March 2019, the Council holds £30.608m as reserves.

8 Reasons for Recommendation

8.1 The Accounts and Audit Recommendations require that the Statement of Accounts are formally signed off by the Chairman of the Audit Committee and the Director responsible for Finance by 31ST July 19

8.2 As outlined, for reasons outside the influence of the Council, the Accounts will be completed in October/November 2019.

8.3 Members of the Committee are requested to consider the draft Statement of Accounts for 2018-19

9 Resource implications

9.1 None.

Contact Officer	Nuala Donnelly 01296 585164
Background Documents	2018-19 Accounts

Aylesbury Vale District Council

Statement of Accounts for the Year Ended 31 March 2019

Welcome to Aylesbury Vale District Council's Annual Statement of Accounts for 2018/19.

This narrative report provides information about Aylesbury Vale District Council (the Council), including the key issues affecting the Council and its accounts. The accounts summarise the Council's transactions and its financial position for the year ended 31 March 2019.

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 report highlights the excellent management of the Councils' resources and sets this in the context of the financial challenges being faced by the Council. 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;
- 2018/19 revenue budget process and the medium term financial plan (MTFP);
- capital strategy and capital programme;
- treasury management ;
- revenue outturn 2018/19;
- capital outturn 2018/19;
- corporate and budgetary risks;
- summary overview;
- basis of preparation;
- receipt of further information; and
- acknowledgements.

AYLESBURY VALE DISTRICT COUNCIL

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 2018/19;
- 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. There are two main settlements in the district, Aylesbury and Buckingham, which provide the focal point for housing, employment, retail, and community services and facilities. The district was formed in April 1974 by the merger of the boroughs of Aylesbury and Buckingham, Aylesbury Rural District, Buckingham Rural District, Wing Rural District and part of Winslow Rural District and is currently divided into 33 wards which are served by 59 elected councillors.

Aylesbury Vale District Council are responsible for providing specific public services and facilities throughout the district, including;

- environmental health;
- licensing;
- planning and building control;
- housing;
- leisure;
- business services;
- revenues and benefits;
- parking;
- household recycling and waste;
- commercial recycling and waste; and
- community safety.

There are also a number of internal services provided by the Council to ensure the efficient delivery of these public services such as;

- finance;
- information technology;
- legal;
- human resources; and
- payroll.

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.

Key facts about Aylesbury and the Council

There are a number of key facts that should be taken into account when considering Aylesbury Vale and the Council:

- Population
  In 2016, the total population of Aylesbury Vale was 193,113, an annual increase of 2.3% and a 10.4% (18,233 residents) rise since 2011. This was the 5th highest rate of growth of any local authority in Great Britain at the 2011 census (source: MYPE, ONS 2017).
- Economy and employment
  Figures indicate that in 2018, unemployment levels across Aylesbury Vale were significantly lower than the level of Great Britain as a whole, with 2.6% of residents over the age of 16 classified as unemployed (source: NOMIS: official labour market statistics)
- Homes
  Aylesbury Vale continues to be an expensive area in which to buy or rent a home, with an average house price of £393,300 compared to a national average of £243,582. As of 31 March 2017, there were 78,847 households in the Vale, an increase of approximately 9,000 since the 2011 census.

  The social housing sector in the Vale is made up of 11,913 affordable homes (10,913 rented properties and 1,000 shared ownership). Between April 2018 and March 2019, an additional 1,200 new affordable homes were built across the district (source: AVDC Housing and Homelessness Strategy 2019 – 2022).

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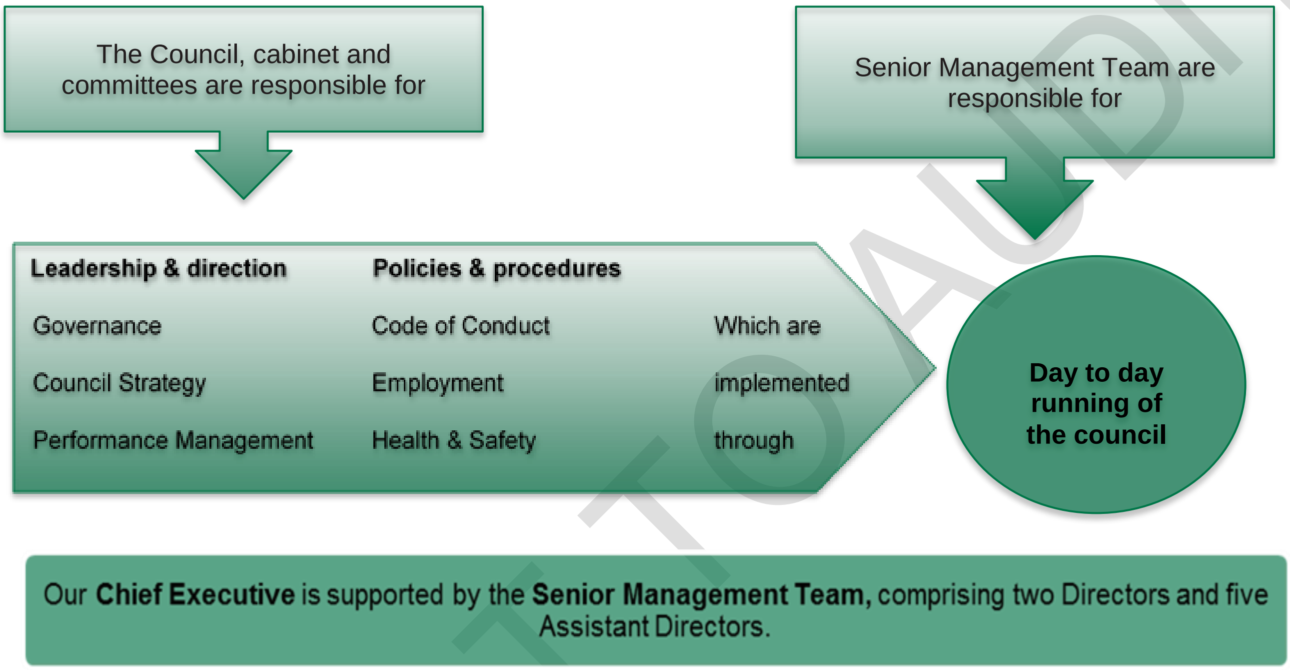
- Sharing our expertise
  The SEED (Social Enterprise Entrepreneurial Development) team was established to help AVDC and other councils and public sector organisations develop and implement new ways of working to create value for themselves, their residents and their customers. The team have visited numerous councils, sharing AVDC's experience, both the positive and the negative. For example, there are now 51 community lotteries around the UK which are based on the Vale Lottery model, many of which have been facilitated by AVDC, and these are generating over £2,000,000 nationwide for good causes.

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.



Other points of interest

AVDC provides a number of essential services for residents and businesses alike within a reduced central government budget. To help achieve the balance between cost efficiencies and service effectiveness, AVDC manages a number of projects. These include:

- 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.

  Through the Connected Knowledge programme, AVDC continues to progress its digital agenda, promoting innovation in the way services and information technology solutions are delivered for customers and staff. The ongoing programme has delivered a number of key impacts.

- Commercial venues
  AVDC manage a wide range of venues and contracts including the Gateway Conference Centre, five community centres and the Aylesbury Waterside Theatre. Management of these contracts is vital in ensuring the Council maximises income from these valuable assets.

- Aylesbury Vale Estates LLP (AVE)
  AVDC is a 50% shareholder in AVE, private sector asset managers who manage a number of industrial units, shops and offices in the Aylesbury Vale area.

- Town centre plan
  The Aylesbury town centre plan sets out a vision and programme of improvements to help future-proof Aylesbury and ensure it continues as a vibrant, prosperous town centre. In 2019, The Exchange, an exciting new development on part of The Exchange Street car park was opened. This included a brand new public square, four restaurants and 47 apartments. A £4,500,000 investment has also been approved by the Council for the town centre regeneration..

The future of Aylesbury Vale

In November 2018, the Secretary of State published a written ministerial statement regarding his decision to establish a new single unitary district council for Buckinghamshire, to come into existence in April 2020.

The five existing councils in Buckinghamshire (Aylesbury Vale District Council, South Bucks District Council, Chiltern District Council, Wycombe District Council and Buckinghamshire County Council) are now working together to plan the work needed for the new single council for Buckinghamshire. This will go live on 1 April 2020 and will provide all local public services for residents and businesses. In the meantime, the county and district councils remain responsible for services as normal.

The 2018/19 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 2018/19 and the MTFP at its meeting on 31 January 2018.

During 2018/19, a decision was made by the Secretary of State to create a single unitary district council for Buckinghamshire which will come into existence in April 2020. This fundamentally changes what will happen during the period of the proposed MTFP and removes the need for medium term planning for Aylesbury Vale as a single entity organisation, but the Council remains obligated to hand over its affairs to the new organisation in the best state it can. This means continuing to tackle known budgetary issues, generating new income streams and balancing its finances. There was no significant impact on finances of the Council for 2018/19 as a result of the decision.

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 2018/19 represented a best view of the known financial landscape then and for future years.

The key elements of the budget strategy are:

- ensuring that we are financially fit, including ensuring our commercial approaches of the past continue and we continue to grow and diversify our income streams;
- leading and the shaping place, ensuring we adopt VALP, and continue to cherish our towns, villages and areas whilst managing planned growth and regenerating our towns;
- focusing on our customers and our ongoing innovation in customer delivery and digitisation; and
- ensuring our partners and communities help us deliver our goals and we ensure they are included in our decision making.

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 faces 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 £6,313,000 of NHB in 2018/19. The new homes bonus is a grant paid by central government to local councils to reflect and incentivise housing growth in their areas.

- 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. The Council have adapted a prudent position and in 2018/19 did not plan for any gain in this budget proposal. The Council has to date held a business rates revaluation reserve, the purpose of which was to meet any significant year on year fluctuations caused by the volatility inherent in the business rates system. A decision was taken by Cabinet on 20th November 2018 to use the Business Rates revaluation reserve to support the transitional costs to a unitary organisation.

- 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. This arrangement allows the Pool to retain a proportion of Business Rates Growth which would normally go to the Government and allows councils to benefit (or lose) from changes in the amount of business rates collected in their area and thus each council will be incentivised to promote economic expansion. The pooling arrangements continued for 2018/19

  AVDC have benefited from the exiting 50% retention scheme and pooling arrangements. In its first year of operation, the gains from the pool across the whole pooling area amounted to approximately £2.18 million, of which £484,000 related to Aylesbury Vale District Council. During 2018/19 the pool generated pooling gains of £2.09 million, of which £515,000 related to AVDC.

- Pension fund
  Budgetary provision was made in the accounts for 2018/19 of £280,000 as a result of an higher employer pension contributions which increased from 23% to 24%. The contribution rate is reviewed every three years, with the next review planned for 2020/21.

- 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 2018/19 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. In reviewing the MTFP and setting the budget for 2018/19, it has been possible to realise savings in 2018/19 in advance of need, and therefore these have been added back to balances for use in 2019/20. The contribution to general balances included in the budget proposals for 2018-19 was £240,000 and this was exceeded. The ability to do this is prudent and reflects an early return on investments made to date.

- 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 2018/19 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)
  An AVE business plan for 2018/19 has been developed and was presented to both Economy Scrutiny Committee and Cabinet in November 2017 and January 2018 respectively. Dividend payments are forecast within the developing central version of the AVE business plan. A prudent assessment of the dividend payable was included in the budget proposal. This has been set at £200,000. The forecast dividend did not materialise.

  The AVE business plan also includes a downside business case, as part of their scenario planning, which does not include a dividend payment. This is recognised as a budgetary risk and account is taken of this in determining the appropriate level of working balances to be held this year.

- Commercial activities
  The Council's approach to balancing its finances over the medium term financial plan is contained within the Commercial AVDC programme. Whilst activities are underway to continue to explore and develop our commercial service offerings, this is recognised as a long term undertaking.

  During 2018/19, the Council has significantly grown its council to council sales, through activity such as implementing the Vale Lottery concept, behavioural assessments/culture change and digital work.

  Aylesbury Vale Broadband Ltd was set up in 2015, and sold 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 then can potentially be reused for further Broadband schemes within the vale. As such, its sale had no direct impact on the revenue budget.

  In 2015, AVDC introduced Vale Lottery, which has enabled local good causes to access funding which previously would have been available through council grants. To date, over £235,000 has been raised and the Council is proud to be able to continue to support these local schools, animal charities, disability groups and other good causes.

  Following the success of the lottery, AVDC has also introduced Our Vale, a crowdfunding initiative to further help local good causes. Our Vale offers the chance for individuals and organisations to donate to projects which will help transform shared spaces, inspire visitors and enhance Aylesbury Vale. Since it began in 2018, Our Vale has successfully funded four projects and over £275,000 has been pledged.

- Implications for council tax strategy 2018/19
  For 2018/19, 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 3.48% increase, equivalent to just under 10 pence per week, and increased the band D council tax for Aylesbury Vale District Council to £149.06.

Capital strategy and capital programme 2018/19

The capital programme for 2018/19 onwards was presented to Council for consideration and approval on 31 January 2018. 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 2018/19 these included Waterside North and the public realm north of Exchange Street and the depot at Pembroke Road.
- Housing schemes
  These are the housing enabling and housing grant based schemes. The main element of funding for 2018/19 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 2018/19 and beyond.

The capital strategy for AVDC for 2019/20 will focus on:

- core principles that underpin the Council's capital programme in the short term only and the issues and the risks that will impact on the delivery of the programme; and
- the governance framework required to ensure the capital programme is delivered and provides value for money for residents of Aylesbury Vale.

The capital programme for the council would normally be a long term ambition, with the lifetime of new and existing assets stretching far into the future. The obligation for maintaining and improving council dwellings and operational buildings is very long term and as such should be considered accordingly in financial and asset management planning. The development of the capital strategy for AVDC is disadvantaged by the uncertainty resulting from the unitary decision. However, to comply with statutory requirements, an expanded, but still abridged strategy, (reflecting a single year planning period) was presented alongside the Treasury Management Strategy in January 2019.

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 2018/19

The Council reported a surplus of £432,000 for the financial year (before the transfer from general fund balances).

This is an increase on the surplus assumed in budget plans for 2019/20 agreed by Council in January 2019. This leaves general fund working balances at a higher level than predicted.

The Council's 2018/19 revenue outturn position is shown in the table below.

General fund revenue	2018/19 Budget £000	2018/19 Actual £000
Expenditure	88,131	98,072
Income	(71,197)	(68,346)
Net cost of services	16,934	29,726
Cost of borrowing	2,694	742
Other income	(274)	(5,021)
Investment interest	(2,184)	(2,266)
Retained business rates	(5,424)	(6,492)
Income from grants	(1,178)	(6,313)
Net expenditure	10,568	10,376
Local taxpayers	(10,808)	(10,808)
Net balance	(240)	(432)

General fund balances	2018/19 Budget £000	2018/19 Actual £000
Balance 1 April	(1,924)	(1,977)
Net balance to fund	(240)	(432)
Special application of balances	50	56
Balance 31 March	(2,114)	(2,353)

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 and spend on agency costs in particular.

The Council incurred circa £3,700,000 in agency costs in 2018/19. Agency spend is incurred for a number of reasons including:

- to support funded project work e.g. Connected Knowledge programme and GDPR;
- to support service delivery where there are vacancies or activity related pressures; and
- to provide flexibility of service provision .

The use of agency to support vacancies and activity pressures incurs a premium cost and adverse variance to agreed budgets. The use of agency has been largely for the planning department where staff vacancies and demands on workload continue to drive spend. Agency staff are also being utilised in the housing benefit administration and enforcement teams as a result of staff vacancies from sickness and turnover. Agency staffing is also used for digital (IT) services. For IT, the appointment of permanent staff has resulted in a significant agency spend reduction over the last few months, with the trajectory downwards. This had largely been forecast. To a lesser extent, spend on agency staff has also been incurred within the people and payroll department where agency costs have been incurred to support both vacancies and prolonged periods of sickness absences, and also at the depot where agency loaders provide flexibility to meet staffing patterns.

Despite these known pressures on staff costs, it has been possible to largely offset agency costs with additional efficiencies and income for the period to date and forecast. These include:

- savings against budget in relation to transitional relief for business rates;
- increased income from commercial rents particularly at Pembroke Road, and for garden waste and commercial waste services;
- savings on interest charges due to lower than planned level of borrowing;
- savings on vehicle costs at the depot due to previous capital investment; and
- general efficiencies in the running costs of departments including savings on GDPR implementation provisions.

Forecast and outturn comparison

The reported year end variance is £353,000 better than the forecast outturn position reported at the end of December 2018. The variance, at portfolio level, remained largely as forecast . There were a number of changes in relation to the financing items, the overall impact of which was to improve the reported surplus. This included lower borrowing costs, lower than anticipated spend again the Council contingency budget, and higher than expected income from business rates.

The financial outlook is reviewed on an on-going basis to both reduce financial risks that may impact adversely on the financial forecast and also to identify opportunities to improve the forecast position. Budget managers are encouraged to flag any emerging issues in relation to finance and related activities, and early identification of issues allows for timely corrective action to be identified as required. Proactive budget management across the Council has allowed the financial forecast to be met and exceeded.

The financial environment is challenging and the focus of the Council continues to be delivering financial stability.

Capital outturn 2018/19

The Council spent £3,024,000 on the delivery of its capital programme in 2018/19. 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 2018/19:

	Spend 2018/19 £000
Waterside North phase 1	2,382
Depot refurbishment	540
Community centre upgrades	46
Carpark upgrades	40
Replacement transit van	16
	3,024

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 decision to create a single unitary district council for Buckinghamshire will inevitably impact on any future investment decisions made by Aylesbury Vale District Council. The AVDC mission is to ensure that in its last year it delivers its aims and priorities and embeds its values in the new unitary council.
- The financial environment for 2019/20 will remain challenging, particularly as the organisation will need to manage the uncertainty in relation to becoming a unitary organisation. In particular, it is recognised that the uncertainty from the unitary decision on staff retention and recruitment may potentially lead to further reliance on agency and temporary staffing arrangements. As a direct response to emerging financial risks, the Council will continue to identify where things could be done more efficiently, and at reduced cost, maximise all opportunities to increase income to the Council, and reduce spend on non-pay items where possible.
- For 2019/20, budget constraints and the need to achieve efficiency mean the Council continues to face challenges in delivering its commitments to service users. The Council remains committed to a savings programme of £1,905,000 in 2019/20 to balance the budget but this will need to be managed and reviewed as a consequence of the unitary decision.
- The Council is now heavily embedded in disaggregation and council tax harmonisation work to support the creation of the new authority, and prioritising all of the tasks to ensure service delivery and business as usual is still delivered to Aylesbury Vale residents upon the creation of the new authority.
- In common with all local government organisations, the single biggest issue 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 Chancellor's autumn budget in October 2018 promised more funding overall for public spending. However, the majority of this additional funding will be targeted to meet NHS service demands, with other departments likely to bear the brunt of continuing financial pressures and funding reductions. It is therefore reasonable to assume that local government will continue to see ongoing reductions in funding over coming years and this should remain the central planning assumption.

- 2019/20 is the final year of the 4 year funding settlement. 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 (Fair Funding), based on a government consultation, will be introduced in 2020/21 alongside a government wide comprehensive spending review. The Fair Funding Review will affect how funding is allocated and redistributed between local authorities from 2020 onwards. It is expected to use three main cost drivers, population, deprivation and sparsity, together with additional cost drivers related to specific local authority services.
- 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.
- Working together with the other councils in Buckinghamshire, AVDC made a successful application to test the 75% retention pilot in the next financial year. From April 2019, participation in the 75% retention pilot will increase the level of retained rates to the council and will also provide the opportunity to test and gather information on the design of the new business rates retention system in preparation for 2020/21. The pilots will test authorities' administration, technical planning for implementation, and look at system maintenance, how the accounting, data collection and IT systems will work.
- 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 2019/20 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.
- 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.

Summary position

It is clear that the Council's financial performance in 2018/19 continues to be good. The overall revenue outturn surplus of £432,000 was better than planned, capital outturn was £3,024,000 and the Council has sufficient reserves and balances to provide financial resilience for 2019/20 and future years.

Aylesbury Vale District Council have lead on strong and robust financial planning, against the backdrop of the most challenging times for local government. We have faced these unprecedented financial challenges with honesty, ingenuity and ambition. It is the intention that in planning for the new Buckinghamshire Council that the values of AVDC are embraced and used in forging its own unitary budget.

AVDC have a balanced budget up until 2022 and even though we won't be the council delivering these plans, we have designed an organisation and a workforce that is fit for the future. Over the past decade the conversation has consistently been driven by the reductions in central government support for local government, resulting in the biggest crisis ever faced by the sector.

In this final year, 2019/20, Aylesbury Vale District Council will actually receive slightly more grant than last year (for the 1st time in a decade) because of the government's decision to abolish negative revenue support grant. However, it is feared that with the introduction of the new Fairer Funding System being implemented from April 2020, this is only a respite and the downwards trend for grant will continue, and will thus remain the central issue facing the new Buckinghamshire Council.

Beyond 2019/20, it will be for the new Buckinghamshire Council to manage, but the plans presented assume continued reductions and, most importantly of all, set out the actions this AVDC would have taken to balance the budget.

The Council have worked hard to protect and improve services by balancing the budget from efficiencies and new income generation and a further £1,905,000 has been identified for 2019/20. This takes the total amount captured since 2011/12 to over £20 million.

Central to a large part of the efficiency savings achieved is the ongoing investment in technology and process redesign. This work comes under the umbrella title of Connected Knowledge and has received national recognition for its innovative, modern and class leading approach. At its very heart are the needs of the customer and an understanding of what they want from a modern council.

The budget for 2019/20 has been prepared as if Aylesbury Vale District Council was a continuing council, with the full intention of handing over a budget to the new Buckinghamshire Council that clearly sets out the financial challenges it would have faced and presents the solutions it would have delivered to solve these. It also provides, via its reserves and balances, for those liabilities it knows it would have faced.

In this respect, Aylesbury Vale District Council's proud financial legacy is a sound set of budgets and an organisation with a very clear sense of its financial pressures and financial opportunities.

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.

Andrew Small
Director (with responsibility for finance)

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 2018/19 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 2019. The current valuation shows a deficit on the fund of £95,543,000 (£97,567,000 at 31 March 2018) 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 2019 has been prepared and I confirm that these accounts were approved by the audit committee at its meeting on

Councillor Richard Newcombe
Chairman of Audit Committee

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 2018/19* - the Code.

In preparing this statement of accounts, I have:

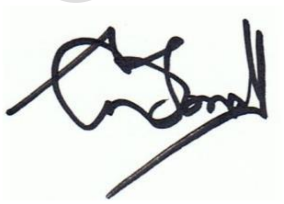
- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the Code.

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 2019.



Andrew Small
Director (with responsibility for finance)
31 May 2019

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.

2017/18 restated								2018/19					
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
8,973	(3,907)	5,066	8,973	(3,907)	5,066	Civic amenities		3,972	(4,009)	(37)	3,972	(4,009)	(37)
2,679	(74)	2,605	2,679	(74)	2,605	Communities		2,437	(666)	1,771	2,437	(666)	1,771
5,470	(3,275)	2,195	5,470	(3,275)	2,195	Economic development		4,039	(3,059)	980	4,039	(3,059)	980
6,208	(2,603)	3,605	6,208	(2,603)	3,605	Environment & leisure		7,089	(2,553)	4,536	7,089	(2,553)	4,536
57,483	(47,746)	9,737	57,483	(47,746)	9,737	Finance & resources		56,773	(47,747)	9,026	56,773	(47,747)	9,026
4,409	(721)	3,688	4,409	(721)	3,688	Leader		2,999	(651)	2,348	2,999	(651)	2,348
4,872	(2,718)	2,154	4,872	(2,718)	2,154	Planning & enforcement		4,401	(2,986)	1,415	4,401	(2,986)	1,415
3,980	(1,371)	2,609	3,980	(1,371)	2,609	Strategic planning & infrastructure		3,651	(1,813)	1,838	3,651	(1,813)	1,838
11,191	(4,236)	6,955	11,191	(4,236)	6,955	Waste & licensing		12,711	(4,862)	7,849	12,711	(4,862)	7,849
105,265	**(66,651)**	**38,614**	**105,265**	**(66,651)**	**38,614**	**Cost of services**		**98,072**	**(68,346)**	**29,726**	**98,072**	**(68,346)**	**29,726**
		3,279			3,279	Other operating income and expenditure	10			4,626			4,626
		1,130			2,743	Financing and investment income and expenditure	11			912			1,896
		(32,606)			(32,606)	Taxation and non-specific grant income	12			(32,348)			(32,348)
		10,417			**12,030**	**Deficit on provision of services**				**2,916**			**3,900**
		(10,523)			(11,479)	(Surplus)/deficit on revaluation of property, plant and equipment assets	26.1			2,224			1,266
		(14,295)			(14,295)	Remeasurement of net defined benefit	26.4			(6,321)			(6,321)
		(24,818)			**(25,774)**	**Other comprehensive income and expenditure**				**(4,097)**			**(5,055)**
		(14,401)			**(13,744)**	**Total comprehensive income and expenditure**				**(1,181)**			**(1,155)**

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** £000	**Capital receipts reserves** £000	**Capital grants unapplied** £000	**Total usable reserves** £000	**Unusable reserves** £000	**Total Council reserves** £000
Balance at 1 April 2017 restated	**(35,495)**	**(6,809)**	**(2,943)**	**(45,247)**	**(40,198)**	**(85,445)**
Movement in reserves during 2017/18 restated						
(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 restated	**(481)**	**(3,900)**	**(12)**	**(4,393)**	**(10,008)**	**(14,401)**
Balance at 31 March 2018 restated	**(35,976)**	**(10,709)**	**(2,955)**	**(49,640)**	**(50,206)**	**(99,846)**
Movement in reserves during 2018/19						
(Surplus)/deficit on provision of services	2,916	**-**	**-**	2,916	(4,097)	(1,181)
Adjustments between accounting basis & funding basis under regulations (Note 8.2)	99	(1,737)	(1,847)	(3,485)	3,485	-
(Increase)/decrease in 2018/19	**3,015**	**(1,737)**	**(1,847)**	**(569)**	**(612)**	**(1,181)**
Balance at 31 March 2019	**(32,961)**	**(12,446)**	**(4,802)**	**(50,209)**	**(50,818)**	**(101,027)**

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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 2017 restated	**(32,986)**	**(6,809)**	**(2,943)**	**(42,738)**	**(40,198)**	**(82,936)**	**(4,128)**	**(87,064)**
Movement in reserves during 2017/18 restated								
(Surplus)/deficit on provision of services	12,030	-	-	12,030	(24,818)	(12,788)	(948)	(13,736)
Adjustments between group accounts and authority accounts (Note 8.1)	(1,313)	-	-	(1,313)	-	(1,313)	1,313	-
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 restated	**(181)**	**(3,900)**	**(12)**	**(4,093)**	**(10,008)**	**(14,101)**	**365**	**(13,736)**
Balance at 31 March 2018 restated	**(33,167)**	**(10,709)**	**(2,955)**	**(46,831)**	**(50,206)**	**(97,037)**	**(3,763)**	**(100,800)**
Movement in reserves during 2018/19								
(Surplus)/deficit on provision of services	3,900	-	-	3,900	(4,097)	(197)	(958)	(1,155)
Adjustments between group accounts and authority accounts (Note 8.1)	(984)	-	-	(984)	-	(984)	984	-
Adjustments between accounting basis & funding basis under regulations (Note 8.2)	99	(1,737)	(1,847)	(3,485)	3,485	-	-	-
(Increase)/decrease in 2018/19	**3,015**	**(1,737)**	**(1,847)**	**(569)**	**(612)**	**(1,181)**	**26**	**(1,155)**
Balance at 31 March 2019	**(30,152)**	**(12,446)**	**(4,802)**	**(47,400)**	**(50,818)**	**(98,218)**	**(3,737)**	**(101,955)**

Analysis of the general fund balance

1 April 2017 restated		31 March 2018 restated			31 March 2019	
Council	Group	Council	Group		Council	Group
£000	£000	£000	£000		£000	£000
(32,622)	(32,622)	(33,999)	(33,999)	Amounts earmarked (note 9)	(30,608)	(30,608)
(2,873)	(364)	(1,977)	832	Amounts uncommitted	(2,353)	456
(35,495)	(32,986)	(35,976)	(33,167)		(32,961)	(30,152)

Reconciliation of movement in reserves statement to balance sheet

1 April 2017 restated	31 March 2018 restated		31 March 2019
Group only	Group only		Group only
£000	£000		£000
(87,064)	(100,800)	Total reserves in the movement in reserves statement	(101,955)
8	-	Minority interest share of reserves of subsidiaries	-
(87,056)	**(100,800)**	**Total reserves in the balance sheet**	**(101,955)**

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 2017 restated		31 March 2018 restated				31 March 2019	
Council	Group	Council	Group			Council	Group
£000	£000	£000	£000		note	£000	£000
				Property, plant & equipment			
132,183	132,183	133,292	133,292	Other land and buildings	13.7	127,800	127,800
1,314	2,250	5,049	5,049	Vehicles, plant and equipment	13.7	3,848	3,848
19	19	19	19	Community assets	13.7	3,019	3,019
1	1	1	1	Surplus assets not held for sale	13.7	1	1
220	220	220	220	Heritage assets	13.7	520	520
1,118	1,118	5,453	5,453	Assets under construction	13.7	5,074	5,074
134,855	**135,791**	**144,034**	**144,034**	**Total property, plant & equipment**		**140,262**	**140,262**
415	415	673	673	Investment property	14	673	673
1,284	-	1,284	-	Long term investments	15	1,284	-
-	3,100	-	2,500	Investment in joint venture	16	-	2,533
49,039	48,001	46,986	46,986	Long term debtors	17,36	53,415	53,415
185,593	**187,307**	**192,977**	**194,193**	**Long term assets**		**195,634**	**196,883**
38,081	38,081	34,582	34,582	Short term investments	18	31,100	31,100
3	3	3	3	Inventories		-	-
11,158	11,257	12,461	13,640	Short term debtors	18,19	13,431	13,616
4,496	4,496	6,236	4,744	Short term loans	18,20	6,273	4,781
4,695	4,726	11,810	11,900	Cash and cash equivalents	18,21	4,585	5,577
58,433	**58,563**	**65,092**	**64,869**	**Current assets**		**55,389**	**55,074**
-	-	(5,028)	(5,028)	Short term borrowing	18	-	-
(13,775)	(14,008)	(18,298)	(18,337)	Short term creditors	18,22	(14,162)	(14,168)
(797)	(797)	(1,662)	(1,662)	Provisions	23	(2,049)	(2,049)
(14,572)	**(14,805)**	**(24,988)**	**(25,027)**	**Current liabilities**		**(16,211)**	**(16,217)**
(166)	(166)	(306)	(306)	Provisions	23	(287)	(287)
(120,433)	(120,433)	(114,732)	(114,732)	Other long term liabilities	24	(115,495)	(115,495)
(23,410)	(23,410)	(18,197)	(18,197)	Long term borrowing	18	(18,003)	(18,003)
(144,009)	**(144,009)**	**(133,235)**	**(133,235)**	**Long term liabilities**		**(133,785)**	**(133,785)**
85,445	**87,056**	**99,846**	**100,800**	**Net assets**		**101,027**	**101,955**
(45,247)	(42,007)	(49,640)	(44,779)	Usable reserves	MiRS, 25	(50,209)	(44,364)
(40,198)	(45,049)	(50,206)	(56,021)	Unusable reserves	MiRS, 26	(50,818)	(57,591)
(85,445)	**(87,056)**	**(99,846)**	**(100,800)**	**Total reserves**		**(101,027)**	**(101,955)**

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.

2017/18 restated				2018/19	
Council	Group			Council	Group
£000	£000		note	£000	£000
(10,417)	(12,030)	Net deficit on the provision of services		(2,916)	(3,900)
21,719	22,455	Adjustment to deficit on the provision of services for non cash movements	27.1	7,341	9,227
(3,225)	(3,225)	Adjustments for items included in the net deficit on the provision of services that are investing and financing activities	27.2	(10,036)	(10,036)
8,077	7,200	Net cash flows from operating activities		(5,611)	(4,709)
(715)	221	Net cash flows from investing activities	28	5,251	5,251
(247)	(247)	Net cash flows from financing activities	29	(6,865)	(6,865)
7,115	7,174	Net increase/(decrease) in cash and cash equivalents		(7,225)	(6,323)
4,695	4,726	Cash and cash equivalents at the beginning of the reporting period		11,810	11,900
11,810	**11,900**	**Cash and cash equivalents at the end of the reporting period**	21	**4,585**	**5,577**

1. Accounting Policies

1.1 General principles

The statement of accounts summarises the Council's transactions for the 2018/19 financial year and its position at 31 March 2019. 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 2018/19, 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; and
- 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 amortisation. 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 based on a classification and measurement approach that reflects the business model for holding the financial assets and their cash flow characteristics. There are three main classes of financial assets measured at:

- amortised cost;
- fair value through profit or loss (FVPL); and
- fair value through other comprehensive income (FVOCI)

The Council's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised costs, except for those whose contractual payments are not solely payment of principal and interest (i.e. where the cash flows do not take the forma of a basic debt instrument)

1.8.2.1 Financial assets measured at amortised cost

Financial assets measured at amortised cost are recognised on the balance sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. 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 asset multiplied by the effective rate of interest for the instrument. This means that 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.

1.8.2.2 Expected credit loss model

The Council recognises expected credit losses on all of its financial assets held at amortised cost.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays an important part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed in the basis of 12 month expected losses.

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.

1.10 Interests in companies and other entities

The Council has a material interest in Aylesbury Vale Estates LLP (AVE), Aylesbury Vale Broadband Ltd (AVB) and Vale Commerce (VC) Ltd, 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 2018/19 (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 2019/20 code are:

- amendments to IAS 40 investment property: transfers of investment property;
- annual improvements to IFRS standards 2014-2016 cycle;
- IFRIC 22 foreign currency transactions and advance consideration;
- IFRIC 23 uncertainty over income tax treatments; and
- amendments to IFRS 9 financial instruments: prepayment features with negative compensation.

These changes are not expected to have a material impact on the Council’s single entity or group statements.

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 2019 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 2019. 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 2019.

- 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 2019, the Council had a balance of sundry debtors for £11,662,000. A review of significant balances suggested that an impairment for doubtful debts of 26% (£3,072,000) 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 2018/19, 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 £150,200 for every year that useful lives had to be reduced.

- Provisions for liabilities including restructuring, redundancy and onerous contracts - no provision is made for redundancies as 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 will be authorised for issue by the Director on 29 July 2019. 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 2019, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

6. Prior period adjustments

The Council engages with external providers to prepare the financial accounts of its subsidiary companies and joint venture. 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 accounts for prior years have now been amended to reflect the true position. The adjustments to the accounts are set out below:

	31 March 2018 published	Adjustments	31 March 2018 restated	31 March 2018 published	Adjustments	31 March 2018 restated
	Council			Group		
	£000	£000	£000	£000	£000	£000
Comprehensive income & expenditure statement						
Other operating income and expenditure	2,979	300	3,279	2,979	300	3,279
Financing and investment income and expenditure	1,430	(300)	1,130	2,904	(65)	2,839
Surplus on revaluation of property, plant and equipment assets	(10,523)	-	(10,523)	(11,576)	97	(11,479)
Balance sheet						
Investment in joint venture	-	-	-	2,801	(301)	2,500
Short term debtors	12,396	65	12,461	13,575	65	13,640
Short term loans	6,301	(65)	6,236	4,744	-	4,744
Share of joint venture profit and loss reserves	-	-	-	2,083	(293)	1,790
Share of subsidiary profit and loss reserves	-	-	-	327	(65)	262
General fund balance	(1,977)	-	(1,977)	532	300	832
Revaluation reserve	(35,482)	-	(35,482)	(41,591)	294	(41,297)

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.

2017/18 restated							2018/19					
Council			Group				Council			Group		
Net expenditure chargeable to the general fund	Adjustments between the funding and accounting basis (note 7.1)	Net expenditure in the comprehensive income and expenditure statement	Net expenditure chargeable to the general fund	Adjustments between the funding and accounting basis (note 7.1)	Net expenditure in the comprehensive income and expenditure statement		Net expenditure chargeable to the general fund	Adjustments between the funding and accounting basis (note 7.1)	Net expenditure in the comprehensive income and expenditure statement	Net expenditure chargeable to the general fund	Adjustments between the funding and accounting basis (note 7.1)	Net expenditure in the comprehensive income and expenditure statement
£000	£000	£000	£000	£000			£000	£000	£000	£000	£000	£000
5,066	(6,095)	(1,029)	5,066	(6,095)	(1,029)	Civic amenities	(37)	(659)	(696)	(37)	(659)	(696)
2,605	(172)	2,433	2,605	(172)	2,433	Communities	1,771	(108)	1,663	1,771	(108)	1,663
2,195	(3,202)	(1,007)	2,195	(3,202)	(1,007)	Economic development	980	(1,639)	(659)	980	(1,639)	(659)
3,605	(666)	2,939	3,605	(666)	2,939	Environment & leisure	4,536	(1,681)	2,855	4,536	(1,681)	2,855
9,737	254	9,991	9,737	254	9,991	Finance & resources	9,026	715	9,741	9,026	715	9,741
3,688	(335)	3,353	3,688	(335)	3,353	Leader	2,348	(211)	2,137	2,348	(211)	2,137
2,154	(501)	1,653	2,154	(501)	1,653	Planning & enforcement	1,415	(317)	1,098	1,415	(317)	1,098
2,609	(294)	2,315	2,609	(294)	2,315	Strategic planning & infrastructure	1,838	(139)	1,699	1,838	(139)	1,699
6,955	(1,635)	5,320	6,955	(1,635)	5,320	Waste & licensing	7,849	(1,907)	5,942	7,849	(1,907)	5,942
38,614	**(12,646)**	**25,968**	**38,614**	**(12,646)**	**25,968**	**Net cost of services**	**29,726**	**(5,946)**	**23,780**	**29,726**	**(5,946)**	**23,780**
(28,197)	1,748	(26,449)	(26,584)	435	(26,149)	Other income and expenditure	(26,810)	6,045	(20,765)	(25,826)	5,061	(20,765)
		(481)			**(181)**	**(Surplus)/deficit**			**3,015**			**3,015**
		(35,495)			(32,986)	Opening general fund balance at 1 April			(35,976)			(33,167)
		(481)			(181)	(Surplus)/deficit for the year			3,015			3,015
		(35,976)			**(33,167)**	**Closing general fund balance at 31 March**			**(32,961)**			**(30,152)**

7.1 Note to the expenditure and funding analysis

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

	2018/19				2018/19			
	Council				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	(578)	(81)	-	(659)	(578)	(81)	-	(659)
Communities	-	(108)	-	(108)	-	(108)	-	(108)
Economic development	(1,520)	(119)	-	(1,639)	(1,520)	(119)	-	(1,639)
Environment & leisure	(1,548)	(133)	-	(1,681)	(1,548)	(133)	-	(1,681)
Finance & resources	-	715	-	715	-	715	-	715
Leader	-	(211)	-	(211)	-	(211)	-	(211)
Planning & enforcement	(2)	(315)	-	(317)	(2)	(315)	-	(317)
Strategic planning & infrastructure	-	(139)	-	(139)	-	(139)	-	(139)
Waste & licensing	(901)	(1,006)	-	(1,907)	(901)	(1,006)	-	(1,907)
Net cost of services	**(4,549)**	**(1,397)**	**-**	**(5,946)**	**(4,549)**	**(1,397)**	**-**	**(5,946)**
Financing items	10,228	(2,900)	(1,283)	6,045	10,228	(2,900)	(1,283)	6,045
Share of subsidiary and joint venture reserves	-	-	-	-	-	-	(984)	(984)
Other income and expenditure	**10,228**	**(2,900)**	**(1,283)**	**6,045**	**10,228**	**(2,900)**	**(2,267)**	**5,061**

	2017/18 restated Council				2017/18 restated 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	(5,947)	(148)	-	(6,095)	(5,947)	(148)	-	(6,095)
Communities	-	(172)	-	(172)	-	(172)	-	(172)
Economic development	(3,019)	(183)	-	(3,202)	(3,019)	(183)	-	(3,202)
Environment & leisure	(277)	(389)	-	(666)	(277)	(389)	-	(666)
Finance & resources	-	254	-	254	-	254	-	254
Leader	-	(335)	-	(335)	-	(335)	-	(335)
Planning & enforcement	-	(501)	-	(501)	-	(501)	-	(501)
Strategic planning & infrastructure	-	(294)	-	(294)	-	(294)	-	(294)
Waste & licensing	(348)	(1,287)	-	(1,635)	(348)	(1,287)	-	(1,635)
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	-	-	-	-	-	-	(1,313)	(1,313)
Other income and expenditure	**4,927**	**(2,835)**	**(344)**	**1,748**	**4,927**	**(2,835)**	**(1,657)**	**435**

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:

2017/18 restated			2018/19	
Council	Group		Council	Group
£000	£000		£000	£000
		Expenditure		
29,865	29,865	Employee benefits expenses	29,306	29,306
66,100	66,100	Other service expenses	64,428	64,428
(291)	(291)	Support service recharges	(211)	(211)
9,591	9,591	Depreciation & impairment	4,549	4,549
3,652	3,652	Interest payments	3,178	3,178
5,338	5,338	Precepts & levies	5,768	5,768
(14)	(14)	Loss/(gain) on disposal of fixed assets	5	5
-	1,256	Share of (profits)/losses attributable to joint venture	-	925
-	57	Losses attributable to subsidiary companies	-	59
479	479	Other expenditure	385	385
114,720	**116,033**	**Total expenditure**	**107,408**	**108,392**
		Income		
(66,651)	(66,651)	Fees, charges & other service income	(68,346)	(68,346)
(2,222)	(2,222)	Interest and investment income	(2,266)	(2,266)
(21,418)	(21,418)	Income from council tax & non-domestic rates	(23,994)	(23,994)
(2,339)	(2,339)	Post stock transfer capital receipts	(1,102)	(1,102)
(11,188)	(11,188)	Government grants & contributions	(8,354)	(8,354)
(300)	-	Dividends receivable	-	-
(185)	(185)	Other income	(430)	(430)
(104,303)	**(104,003)**	**Total income**	**(104,492)**	**(104,492)**
10,417	**12,030**	**Deficit on the provision of services**	**2,916**	**3,900**

8. Adjustments

8.1 Adjustments between group accounts and Council accounts

2017/18 restated		2018/19
Group		Group
£000		£000
1,256	Share of AVE LLP (profit)/loss for the year	925
47	Aylesbury Vale Broadband Ltd loss for the year	58
10	Vale Commerce Ltd loss for the year	1
1,313		**984**

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	**2018/19**		
	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)	(4,297)	-	-
• Financial instruments (transferred to/(from) the financial instruments adjustments reserve)			
• Council tax and NNDR (transferred from the collection fund adjustment account)	(1,395)	-	-
• Holiday pay (transferred from the accumulated absences reserve)	112	-	-
• 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)	437	-	(6,037)
Total adjustments to the revenue resources	**(5,143)**	**-**	**(6,037)**
Adjustments between revenue and capital resources			
Transfer of non-current asset sale proceeds from revenue to the capital receipts reserve	3,999	(3,999)	-
Statutory provision for the repayment of debt (transferred from the capital adjustment account)	1,243	-	-
Total adjustments between revenue and capital resources	**5,242**	**(3,999)**	**-**
Adjustments to capital resources			
Use of the capital receipts reserve to finance capital expenditure	-	3,300	-
Application of capital grants to finance capital expenditure	-	-	4,190
Cash payments in relation to deferred capital receipts	-	(1,038)	-
Total adjustments to capital resources	**-**	**2,262**	**4,190**
Total adjustments	**99**	**(1,737)**	**(1,847)**

Council and group	2017/18		
	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)	(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)**

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 2017/18 and 2018/19.

Council and group	Balance 1 April 2017 restated	Transfers out 2017/18	Transfers in 2017/18	Balance 31 March 2018 restated	Transfers out 2018/19	Transfers in 2018/19	Balance 31 March 2019
	£000	£000	£000	£000	£000	£000	£000
Capital purposes							
Amenity areas	(2,920)	-	(177)	(3,097)	293	(70)	(2,874)
Property sinking	(1,812)	-	-	(1,812)	46	-	(1,766)
Property strategy	(540)	-	-	(540)	-	-	(540)
Information technology	(1,569)	1,370	-	(199)	518	(397)	(78)
Future vehicle costs	(139)	55	-	(84)	50	-	(34)
	(6,980)	**1,425**	**(177)**	**(5,732)**	**907**	**(467)**	**(5,292)**
Revenue purposes							
Unitary	-	-	-	-	26	(5,000)	(4,974)
New homes bonus - town centre regeneration	-	-	-	-	-	(4,500)	(4,500)
New homes bonus - parishes	(1,816)	1,063	(1,585)	(2,338)	339	(856)	(2,855)
Business rates	(2,001)	(1,228)	1,461	(1,768)	3,123	(3,248)	(1,893)
New homes bonus - connected knowledge	-	-	-	-	1,159	(2,910)	(1,751)
New homes bonus - uncommitted	(9,681)	9,681	-	-	8,759	(10,307)	(1,548)
New homes bonus - high speed broadband	-	-	(1,536)	(1,536)	-	-	(1,536)
Repairs & renewals	(1,098)	136	(183)	(1,145)	310	(287)	(1,122)
Fairford Leys riverine	(870)	-	(8)	(878)	-	(16)	(894)
Planning fees	(2,010)	1,851	(400)	(559)	1,609	(1,658)	(608)
New homes bonus - depot refurbishment	-	-	(209)	(209)	-	(388)	(597)
Health licensing income	(411)	-	(118)	(529)	31	-	(498)
Self insurance	(541)	-	-	(541)	93	-	(448)
Aylesbury special expenses	(552)	85	-	(467)	42	-	(425)
New homes bonus - east/west rail link	-	-	(350)	(350)	-	-	(350)
Car parking	(207)	-	-	(207)	94	(110)	(223)
District elections	(244)	147	(67)	(164)	12	(48)	(200)
Recycling & composting	(223)	-	(69)	(292)	620	(500)	(172)
Leisure activities	(259)	103	-	(156)	-	-	(156)
Historic buildings	(140)	5	-	(135)	-	-	(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	(433)	400	-	(33)	593	(595)	(35)
Business transformation	(29)	-	-	(29)	-	-	(29)
New homes bonus - Waterside North	-	-	(8,798)	(8,798)	8,798	-	-
New homes bonus - affordable housing	-	-	(2,158)	(2,158)	2,461	(303)	-
Interest equalisation	(2,897)	(1)	876	(2,022)	2,022	-	-
New homes bonus - Silverstone heritage	-	-	(2,000)	(2,000)	2,000	-	-
LABGI	(857)	-	-	(857)	857	-	-
Superannuation	(1,006)	277	-	(729)	729	-	-
	(25,642)	**12,519**	**(15,144)**	**(28,267)**	**33,677**	**(30,726)**	**(25,316)**
	(32,622)	**13,944**	**(15,321)**	**(33,999)**	**34,584**	**(31,193)**	**(30,608)**

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) Unitary
The Council has established a reserve to meet the costs of the creation of the new unitary council.

(b) 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.

(c) 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.

(d) New homes bonus
The Council has established a reserve from payments received from the Government. The new homes bonus payments are an incentive scheme aimed at encouraging authorities to increase housing supply through new build and returning empty properties to use.

(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.

10. Other operating income and expenditure

2017/18 restated		2018/19
Council and Group		Council and Group
£000		£000
5,338	Parish precepts	5,768
(2,339)	Post stock transfer capital receipts	(1,102)
(176)	Commuted sum income	(70)
470	Other operating costs	25
(14)	Loss/(gain) on disposal of non-current assets	5
3,279		**4,626**

11. Financing and investment income and expenditure

2017/18 restated			2018/19	
Council	Group		Council	Group
£000	£000		£000	£000
817	817	Interest payable and similar charges	742	742
2,835	2,835	Net interest on the net defined liability	2,436	2,436
(2,222)	(2,222)	Interest receivable and similar income	(2,266)	(2,266)
-	57	Losses attributable to subsidiary companies	-	59
-	1,256	Share of (profits)/losses attributable to joint venture	-	925
(300)	-	Distribution attributable to joint venture (note 31)	-	-
1,130	**2,743**		**912**	**1,896**

12. Taxation and non-specific grant income

2017/18 restated Council and Group		2018/19 Council and Group
£000		£000
(16,587)	Council tax income	(17,502)
(4,831)	Non domestic rates	(6,492)
(9,442)	Non-ringfenced government grants (note 31)	(6,313)
(1,746)	Capital grants and contributions	(2,041)
(32,606)		**(32,348)**

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	3 - 7 years
Equipment	5 years

13.4 Capital commitments

The Council had no outstanding capital commitments at 31 March 2019.

The Council had no construction contracts in effect at 31 March 2019.

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 £150,200 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.

For 2018/19, valuations of all the community centres were carried out. Supplementary valuations were also completed arising from the commissioned market review. This included some specialised properties including leisure properties, the theatre and the depot. The market review takes a broader view of the way in which material or economic factors may have affected the overall levels of value which are stated in the accounts, to reflect a true position and give an impairment allowance (where required) against the 2018/19 accounts.

The valuations have been carried out by M S Aldis BSc (Hons) MRICS, IRRV (Hons) RICS, Registered Valuer, Associate Partner and P C Smith BSc (Hons) MRICS, IRRV (Hons), RICS, Registered Valuer, & Senior Surveyor of Wilks, Head and Eve as at 31 March 2019. The valuations have been checked by G S C Harbord MA MRICS IRRV (Hons), Partner of Wilks, Head and Eve, who also prepared a valuation report.

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 and group	2018/19						
	Other land & buildings £000	Vehicles, plant & equipment £000	Community assets £000	Surplus assets £000	Heritage assets £000	PP&E under construction £000	Total PP&E £000
Cost or valuation							
At 1 April 2018 restated	135,678	10,502	19	11	220	5,453	151,883
Additions	87	16	-	-	-	2,921	3,024
Revaluation decreases recognised in the revaluation reserve	(4,552)	(314)	-	-	-	-	(4,866)
Revaluation decreases recognised in the deficit on the provision of services	(2,463)	(859)	-	-	-	-	(3,322)
Derecognition - disposals	(23)	-	-	-	-	-	(23)
Other movements in cost or valuation	118	3	3,000	(10)	300	(3,300)	111
At 31 March 2019	**128,845**	**9,348**	**3,019**	**1**	**520**	**5,074**	**146,807**
Accumulated depreciation							
At 1 April 2018 restated	(2,386)	(5,453)	-	(10)	-	-	(7,849)
Depreciation charge	(2,531)	(904)	-	-	-	-	(3,435)
Depreciation written out to the revaluation reserve	2,642	-	-	-	-	-	2,642
Depreciation written out to the (surplus)/deficit on the provision of services	1,348	860	-	-	-	-	2,208
Other movements	(118)	(3)	-	10	-	-	(111)
At 31 March 2019	**(1,045)**	**(5,500)**	**-**	**-**	**-**	**-**	**(6,545)**
Net book value							
At 31 March 2019	**127,800**	**3,848**	**3,019**	**1**	**520**	**5,074**	**140,262**
At 1 April 2018 restated	**133,292**	**5,049**	**19**	**1**	**220**	**5,453**	**144,034**

Council	2017/18 restated						
	Other land & buildings £000	Vehicles, plant & equipment £000	Community assets £000	Surplus assets £000	Heritage assets £000	PP&E under construction £000	Total PP&E £000
Cost or valuation							
At 1 April 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	(2,852)	(348)	-	-	-	-	(3,200)
Depreciation written out to the revaluation reserve	1,033	-	-	-	-	-	1,033
Depreciation written out to the (surplus)/deficit on the provision of services	3,614	-	-	-	-	-	3,614
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 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 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	(2,852)	(348)	-	-	-	-	(3,200)
Depreciation written out to the revaluation reserve	1,033	-	-	-	-	-	1,033
Depreciation written out to the (surplus)/deficit on the provision of services	3,614	-	-	-	-	-	3,614
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**

14. Investment properties

There are no restrictions on the Council's ability to realise the value inherent in its investment property or on the Council's right to the remittance of income and the proceeds of disposal. The Council has no contractual obligations to purchase, construct or develop investment property or carry out repairs, maintenance or enhancement.

The following table summarises the movement in the fair value of investment properties over the year:

31 March 2018 restated		31 March 2019
Council and group		Council and group
£000		£000
415	Balance at 1 April	673
258	Revaluations	-
673	**Balance at 31 March**	**673**

15. Long term investments

1 April 2017 restated	31 March 2018 restated		31 March 2019
Council	Council		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 2017 restated	31 March 2018 restated		31 March 2019
Group	Group		Group
£000	£000		£000
1,308	1,308	Investment at cost	1,308
(24)	(24)	Capital repayments and distributions	(24)
(2,509)	(2,809)	Distributions	(2,809)
(534)	(1,790)	AVDC share of accumulated losses	(2,715)
4,859	5,815	AVDC share of accumulated revaluation gains	6,773
3,100	**2,500**		**2,533**

17. Long term debtors

1 April 2017 restated		31 March 2018 restated			31 March 2019	
Council	Group	Council	Group		Council	Group
£000	£000	£000	£000		£000	£000
27,422	27,422	26,970	26,970	Aylesbury Vale Estates LLP	26,474	26,474
15,150	15,150	14,923	14,923	Finance leases	14,686	14,686
0	0	0	0	Durkan	5,893	5,893
4,912	4,912	4,213	4,213	Hale Leys LLP	3,862	3,862
986	-	-	-	Aylesbury Vale Broadband Ltd	-	-
500	500	500	500	Bucks Advantage	500	500
-	-	375	375	Silverstone	2,000	2,000
50	-	-	-	Vale Commerce Ltd	-	-
19	19	5	5	Car purchase loans	-	-
49,039	**48,003**	**46,986**	**46,986**		**53,415**	**53,415**

18. Financial instruments

18.1 Categories of financial instruments

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

1 April 2017 restated				31 March 2018 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				
-	38,081	-	38,081	-	34,582	-	34,582	Loans and receivables	-	31,100	-	31,100
-	**38,081**	**-**	**38,081**	**-**	**34,582**	**-**	**34,582**	**Total investments**	**-**	**31,100**	**-**	**31,100**
								Debtors				
49,039	4,496	48,001	4,496	46,986	6,236	46,986	4,744	Loans and receivables	53,415	6,273	53,415	4,781
-	8,615	-	8,714	-	8,251	-	9,430	Financial assets carried at contract amounts	-	7,373	-	7,558
49,039	**13,111**	**48,001**	**13,210**	**46,986**	**14,487**	**46,986**	**14,174**	**Total debtors**	**53,415**	**13,646**	**53,415**	**12,339**
								Cash and cash equivalents				
-	4,695	-	4,726	-	11,810	-	11,900	Financial assets carried at contract amounts	-	4,585	-	5,577
-	**4,695**	**-**	**4,726**	**-**	**11,810**	**-**	**11,900**	**Total cash and cash equivalents**	**-**	**4,585**	**-**	**5,577**
								Borrowings				
(23,410)	-	(23,410)	-	(18,197)	(5,028)	(18,197)	(5,028)	Financial liabilities at amortised cost	(18,003)	-	(18,003)	-
(23,410)	**-**	**(23,410)**	**-**	**(18,197)**	**(5,028)**	**(18,197)**	**(5,028)**	**Total borrowings**	**(18,003)**	**-**	**(18,003)**	**-**
								Creditors				
-	(8,468)	-	(8,701)	-	(9,633)	-	(9,672)	Financial liabilities carried at contract amounts	-	(7,373)	-	(7,379)
-	**(8,468)**	**-**	**(8,701)**	**-**	**(9,633)**	**-**	**(9,672)**	**Total creditors**	**-**	**(7,373)**	**-**	**(7,379)**

18.2 Income, expense, gains and losses

2017/18 restated Council and group				2018/19 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
-	817	817	Interest expense	-	742	742
-	-	-	Provision for expected credit losses	8	-	8
-	**817**	**817**	**Total expense in deficit on the provision of services**	**8**	**742**	**750**
(2,222)	-	(2,222)	Interest income	(2,274)	-	(2,274)
(2,222)	**-**	**(2,222)**	**Total income in deficit on the provision of services**	**(2,274)**	**-**	**(2,274)**
(2,222)	**817**	**(1,405)**		**(2,266)**	**742**	**(1,524)**

18.3 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 2017 restated				31 March 2018 restated					31 March 2019			
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
£000	£000	£000	£000	£000	£000	£000	£000		£000	£000	£000	£000
								Financial assets				
49,039	49,039	48,001	48,001	46,986	46,986	46,986	46,986	Long term debtors	53,415	53,415	53,415	53,415
38,081	38,621	38,081	38,621	34,582	34,582	34,582	34,582	Short term investments	31,100	31,100	31,100	31,100
4,695	4,695	4,726	4,726	11,810	11,810	11,900	11,900	Cash and cash equivalents	4,585	4,585	5,577	5,577
91,815	**92,355**	**90,808**	**91,348**	**93,378**	**93,378**	**93,468**	**93,468**		**89,100**	**89,100**	**90,092**	**90,092**
								Financial liabilities				
(14,461)	(14,461)	(14,461)	(14,461)	(17,165)	(17,165)	(17,165)	(17,165)	Long term creditors	(19,952)	(19,952)	(19,952)	(19,952)
(23,410)	(27,708)	(23,410)	(27,708)	(18,197)	(22,095)	(18,197)	(22,095)	Long term borrowing	(18,003)	(22,478)	(18,003)	(22,478)
-	-	-	-	(5,028)	(5,028)	(5,028)	(5,028)	Short term borrowing	-	-	-	-
(37,871)	**(42,169)**	**(37,871)**	**(42,169)**	**(40,390)**	**(44,288)**	**(40,390)**	**(44,288)**		**(37,955)**	**(42,430)**	**(37,955)**	**(42,430)**

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

19. Short term debtors

1 April 2017 restated		31 March 2018 restated			31 March 2019	
Council	Group	Council	Group		Council	Group
£000	£000	£000	£000		£000	£000
696	696	1,722	1,722	Central government bodies	3,281	3,281
276	276	185	185	Other local authorities	323	323
187	187	187	187	NHS bodies	169	169
193	-	193	-	Amounts owed by joint venture	193	-
12,558	12,850	12,921	14,293	Other entities and individuals	12,537	12,915
13,910	14,009	15,208	16,387		16,503	16,688
(2,752)	(2,752)	(2,747)	(2,747)	Provision for impairment of bad debts	(3,072)	(3,072)
11,158	**11,257**	**12,461**	**13,640**		**13,431**	**13,616**

20. Short term loans

1 April 2017 restated	31 March 2018 restated			31 March 2019	
Council and group	Council	Group		Council	Group
£000		£000		£000	£000
2,900	3,250	3,250	Hale Leys LLP	3,250	3,250
1,596	1,494	1,494	Aylesbury Vale Estates LLP	1,531	1,531
-	1,442	-	Aylesbury Vale Broadband Ltd	1,442	-
-	50	-	Vale Commerce Ltd	50	-
4,496	**6,236**	**4,744**		**6,273**	**4,781**

21. Cash and cash equivalents

1 April 2017 restated		31 March 2018 restated			31 March 2019	
Council	Group	Council	Group		Council	Group
£000	£000	£000	£000		£000	£000
1	1	1	1	Cash	1	1
1,191	1,222	879	969	Bank current accounts	-	992
3,503	3,503	10,930	10,930	Short term deposits	4,666	4,666
4,695	4,726	11,810	11,900		4,667	5,659
-	-	-	-	Bank overdraft	(82)	(82)
4,695	**4,726**	**11,810**	**11,900**		**4,585**	**5,577**

22. Short term creditors

1 April 2017 restated		31 March 2018 restated			31 March 2019	
Council	Group	Council	Group		Council	Group
£000	£000	£000	£000		£000	£000
(3,290)	(3,290)	(4,968)	(4,968)	Central government bodies	(3,053)	(3,053)
(3,356)	(3,356)	(2,673)	(2,673)	Other local authorities	(2,219)	(2,219)
(118)	(118)	(83)	(83)	NHS bodies	(4)	(4)
(7,011)	(7,244)	(10,574)	(10,613)	Other entities and individuals	(8,886)	(8,892)
(13,775)	**(14,008)**	**(18,298)**	**(18,337)**		**(14,162)**	**(14,168)**

23. Provisions

	Council and group		
	Short term		Long term
	NNDR appeals	Expected credit losses	Refundable bonds
	£000	£000	£000
Balance at 1 April 2017 restated	**(797)**	**-**	**(166)**
Additional provisions made in 2017/18 restated	(865)	-	(140)
Balance at 31 March 2018 restated	**(1,662)**	**-**	**(306)**
Additional provisions made in 2018/19	(379)	(8)	19
Balance at 31 March 2019	**(2,041)**	**(8)**	**(287)**

24. Other long term liabilities

1 April 2017 restated	31 March 2018 restated		31 March 2019
Council and group	Council and group		Council and group
£000	£000		£000
(105,972)	(97,567)	Pension liability	(95,543)
(14,461)	(17,165)	Developer contributions	(19,952)
(120,433)	**(114,732)**		**(115,495)**

25. Usable reserves

Movement in usable reserves are summarised below:

Council	1 April 2017 restated	Movements		31 March 2018 restated	Movements		31 March 2019
		Debits	Credits		Debits	Credits	
	£000	£000	£000	£000	£000	£000	£000
General fund balance	(2,873)	139,431	(138,535)	(1,977)	153,769	(154,145)	(2,353)
Capital receipts reserve	(6,809)	-	(3,900)	(10,709)	3,300	(5,037)	(12,446)
Capital grants unapplied	(2,943)	84	(96)	(2,955)	4,190	(6,037)	(4,802)
Earmarked reserves	(32,622)	13,944	(15,321)	(33,999)	34,584	(31,193)	(30,608)
	(45,247)	**153,459**	**(157,852)**	**(49,640)**	**195,843**	**(196,412)**	**(50,209)**

Group	1 April 2017 restated	Movements		31 March 2018 restated	Movements		31 March 2019
		Debits	Credits		Debits	Credits	
	£000	£000	£000	£000	£000	£000	£000
General fund balance	(364)	139,431	(138,235)	832	153,769	(154,145)	456
Capital receipts reserve	(6,809)	-	(3,900)	(10,709)	3,300	(5,037)	(12,446)
Capital grants unapplied	(2,943)	84	(96)	(2,955)	4,190	(6,037)	(4,802)
Earmarked reserves	(32,622)	13,944	(15,321)	(33,999)	34,584	(31,193)	(30,608)
Joint venture profit and loss reserves	534	-	1,256	1,790	-	925	2,715
Subsidiary profit and loss reserves	197	301	(236)	262	59	-	321
	(42,007)	**153,760**	**(156,532)**	**(44,779)**	**195,902**	**(195,487)**	**(44,364)**

26. Unusable reserves

Movement in unusable reserves are summarised below:

Council only	1 April 2017 restated	Movements Debits	Movements Credits	31 March 2018 restated	Movements Debits	Movements Credits	31 March 2019
	£000	£000	£000	£000	£000	£000	£000
Revaluation reserve	(24,959)	5,331	(15,854)	(35,482)	10,328	(8,104)	(33,258)
Capital adjustment account	(77,110)	10,005	(2,200)	(69,305)	5,600	(8,733)	(72,438)
Deferred capital receipts	(43,344)	771	-	(42,573)	1,038	-	(41,535)
Pensions reserve	105,972	9,676	(18,081)	97,567	8,434	(10,458)	95,543
Collection fund adjustment account	(929)	227	0	(702)	1,395	-	693
Accumulated absences account	172	289	(172)	289	177	(289)	177
	(40,198)	**26,299**	**(36,307)**	**(50,206)**	**26,972**	**(27,584)**	**(50,818)**

Group	1 April 2017 restated	Movements Debits	Movements Credits	31 March 2018 restated	Movements Debits	Movements Credits	31 March 2019
	£000	£000	£000	£000	£000	£000	£000
Revaluation reserve	(29,818)	5,331	(16,810)	(41,297)	10,328	(9,062)	(40,031)
Capital adjustment account	(77,110)	10,005	(2,200)	(69,305)	5,600	(8,733)	(72,438)
Deferred capital receipts	(43,344)	771	-	(42,573)	1,038	-	(41,535)
Pensions reserve	105,972	9,676	(18,081)	97,567	8,434	(10,458)	95,543
Collection fund adjustment account	(929)	227	-	(702)	1,395	-	693
Accumulated absences account	172	289	(172)	289	177	(289)	177
Minority interests	8	-	(8)	-	-	-	-
	(45,049)	**26,299**	**(37,271)**	**(56,021)**	**26,972**	**(28,542)**	**(57,591)**

26.1 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.

2017/18 restated Council	2017/18 restated Group		2018/19 Council	2018/19 Group
£000	£000		£000	£000
(24,959)	(29,818)	Balance at 1 April	(35,482)	(41,297)
(14,821)	(15,777)	Upward revaluation of assets	(5,462)	(6,420)
(1,033)	(1,033)	Depreciation written back to revaluation reserve	(2,642)	(2,642)
5,331	5,331	Downward revaluation of assets and impairment losses not charged to the deficit on the provision of services	10,328	10,328
(10,523)	**(11,479)**	**Surplus on revaluation of non-current assets not posted to the (surplus)/deficit on the provision of services**	**2,224**	**1,266**
(35,482)	**(41,297)**	**Balance at 31 March**	**(33,258)**	**(40,031)**

26.2 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.

2017/18 restated			2018/19	
Council and group			Council and group	
£000	£000		£000	£000
	(77,110)	Balance at 1 April		(69,305)
		Reversal of items relating to capital expenditure debited to the comprehensive income and expenditure statement		
(414)		● Charges for depreciation and impairment of non-current assets	1,227	
10,005		● Revaluation increases recognised in the (surplus)/deficit on the provision of services	3,322	
-		● Revenue expenditure funded from capital under statute	1,028	
-		● 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	23	
	9,591	Net written out amount of the non-current assets consumed in the year		5,600
		Capital financing applied in the year		
	-	● Use of the capital receipts reserve to finance new capital expenditure		(3,300)
	(84)	● Application of grants to capital financing from the capital grants unapplied account and earmarked reserves		(4,190)
	(1,702)	● Statutory provision for the financing of capital investment charged against the general fund		(1,243)
	(69,305)	**Balance at 31 March**		**(72,438)**

26.3 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.

2017/18 restated		2018/19
Council and group		Council and group
£000		£000
(43,344)	Balance at 1 April	(42,573)
771	Transfer to the capital receipts reserve upon receipt of cash	1,038
(42,573)	**Balance at 31 March**	**(41,535)**

26.4 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.

2017/18 restated Council and group			2018/19 Council and group	
£000	£000		£000	£000
	105,972	Balance at 1 April		97,567
(3,771)		Return on plan assets in excess of interest	(3,457)	
(10,524)		Change in financial assumptions	10,330	
-		Change in demographic assumptions	(13,194)	
	(14,295)	Remeasurement of net defined benefit		(6,321)
	9,676	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		8,434
	(3,786)	Employer's pensions contributions and direct payments to pensioners payable in the year		(4,137)
	97,567	**Balance at 31 March**		**95,543**

26.5 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.

2017/18 restated Council and group		2018/19 Council and group
£000		£000
(929)	Balance at 1 April	(702)
227	Amount by which council tax income and non domestic rates income credited to the comprehensive income and expenditure statement is different from council tax and non domestic rates income calculated for the year in accordance with statutory requirements	1,395
(702)	**Balance at 31 March**	**693**

26.6 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.

2017/18 restated			2018/19	
Council and group			Council and group	
£000	£000		£000	£000
	172	Balance at 1 April		289
(172)		Settlement or cancellation of accrual made at the end of the preceding year	(289)	
289		Amount accrued at the end of the current year	177	
	117	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		(112)
	289	**Balance at 31 March**		**177**

27. Cash flow statement

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

2017/18 restated			2018/19	
Council	Group		Council	Group
£000	£000		£000	£000
(414)	(414)	Depreciation and impairment losses	1,227	1,227
11,547	11,547	Impairment and downward revaluations	4,869	4,869
(1,284)	(1,284)	Upward revaluations	(1,547)	(1,547)
7,289	7,095	Increase in creditors	294	261
(2,056)	(2,382)	Decrease in debtors	(2,193)	(1,199)
-	-	Decrease in inventories	3	3
5,890	5,890	Pension liability	4,297	4,297
-	-	Carrying amount of non-current assets sold	23	23
-	1,256	Share of losses attributable to joint venture	-	925
(258)	(258)	Movement in investment property values	-	-
1,005	1,005	Other non-cash items charged to the net surplus or deficit on the provision of services	368	368
21,719	**22,455**		**7,341**	**9,227**

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

2017/18 restated		2018/19
Council and group		Council and group
£000		£000
(3,129)	Proceeds from the sale of property plant and equipment, investment property and intangible assets	(3,999)
(96)	Any other items for which the cash effects are investing or financing cash flows	(6,037)
(3,225)		**(10,036)**

27.3 Operating activities

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

2017/18 restated Council and group		2018/19 Council and group
£000		£000
2,224	Interest received	2,273
(817)	Interest paid	(742)

28. Cash flow statement - investing activities

2017/18 restated			2018/19	
Council	Group		Council	Group
£000	£000		£000	£000
(8,505)	(7,569)	Purchase of property, plant and equipment, investment property and intangible assets	(3,024)	(3,024)
(57,503)	(57,503)	Purchase of short term and long term investments	(48,017)	(48,017)
(895)	(895)	Other payments for investing activities	(7,519)	(7,519)
3,900	3,900	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	5,037	5,037
61,000	61,000	Proceeds from the sale of short term and long term investments	51,500	51,500
1,288	1,288	Other receipts from investing activities	7,274	7,274
(715)	**221**		**5,251**	**5,251**

29. Cash flow statement - financing activities

2017/18 restated Council and group		2018/19 Council and group
£000		£000
(62)	Other payments for financing activities	(1,643)
(185)	Repayment of short and long term borrowing	(5,222)
(247)		**(6,865)**

30. Distribution attributable to joint venture

2017/18 restated Council		2018/19 Council
£000		£000
(300)	Distribution attributable to joint venture for the year	-
(300)		**-**

31. Grant income

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

2017/18 restated Council and group		2018/19 Council and group
£000		£000
	Credited to taxation and non specific grant income	
(7,945)	New homes bonus	(6,313)
(583)	Revenue support grant	-
(915)	Other grants	-
(9,443)		**(6,313)**

2017/18 restated Council and group		2018/19 Council and group
£000		£000
	Credited to services	
(912)	Renovation grants	(1,004)
(585)	Homelessness	(929)
(223)	Council tax/NNDR collection grant	(224)
(100)	Planning delivery	(185)
(53)	Individual elector registration	(42)
-	Land searches	(37)
(361)	Aylesbury garden town	(30)
(1,500)	HS2	-
(3,734)		**(2,451)**

32. Trading operations

The table below shows those operating units of the Council where service managers are required to operate within a commercial environment and balance their budget by generating income from other parts of the Council, other organisations and the general public.

2017/18 restated Council and group			2018/19 Council and group	
Turnover	(Surplus)/ deficit		Turnover	(Surplus)/ deficit
£000	£000		£000	£000
(1,014)	(24)	Trade waste	(1,088)	(109)
(958)	(372)	Garden waste	(1,253)	(618)
(3,241)	(1,429)	Car parks	(3,264)	(1,237)
(493)	(55)	Building control - chargeable	(443)	87
(92)	3	Market management	(96)	3
(309)	(25)	Land charges	(271)	9
(6,107)	**(1,902)**		**(6,415)**	**(1,865)**

33. Members' allowances

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

2017/18 restated Council and group		2018/19 Council and group
£000		£000
319	Salaries	327
133	Allowances	143
11	Travel and other allowances	10
463		**480**

34. Officers' remuneration

34.1 Senior officers' remuneration

There is a requirement to disclose the individual remuneration of senior officers (those whose remuneration is more than £50,000 and are a designated head of a paid service and/or have responsibility for the management of the Council). The following table sets out the remuneration for senior officers whose salary is above £50,000 or where employed during the financial year, for those earning more than £150,000 then they must be named. The remuneration paid to the Council's senior employees is as follows:

	2018/19 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	149	25	174	34	208
Corporate Director	104	-	104	24	128
Corporate Director	99	-	99	23	122
Assistant Director - Commercial Property	72	-	72	17	89
Assistant Director - Business Strategy & Support	69	-	69	16	85
Assistant Director - Customer Fulfilment	69	-	69	16	85
Assistant Director - Community Fulfilment	69	-	69	16	85
Digital Director	68		68	16	84
Assistant Director - Business Support & Enablement - Resigned	40	-	40	9	49
	739	**25**	**764**	**171**	**935**

	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	147	23	170	34	204
Corporate Director	100	-	100	23	123
Corporate Director	92	-	92	21	113
Assistant Director - Commercial Property	70	-	70	16	86
Assistant Director - Commercial & Business Strategy	66	-	66	15	81
Assistant Director - Customer Fulfilment	66	-	66	15	81
Assistant Director - Community Fulfilment	66	-	66	15	81
Digital Director	66		66	15	81
Assistant Director - Business Support & Enablement	66	-	66	15	81
	739	**23**	**762**	**169**	**931**

34.2 Officers' remuneration

The Council's other employees receiving more than £50,000 remuneration for the year (excluding employer's pension contributions) were paid the following amounts:

2017/18 restated		2018/19
Council and group		Council and group
Number of employees		Number of employees
15	£50,000 - £54,999	12
9	£55,000 - £59,999	7
3	£60,000 - £64,999	6
27		**25**

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	
	2017/18 restated	2018/19	2017/18 restated	2018/19	2017/18 restated	2018/19	2017/18 restated	2018/19
	Council and group		Council and group		Council and group		Council and group	
							£000	£000
£0 - £20,000	21	-	3	1	24	1	265	16
£20,001 - £40,000	22	1	-	-	22	1	702	39
£40,001 - £60,000	12	-	-	-	12	-	565	-
£60,001 - £80,000	2	-	1	-	3	-	204	-
	57	**1**	**4**	**1**	**61**	**2**	**1,736**	**55**

35. External audit costs

The Council has incurred the following costs in relation to the audit of the statement of accounts, certification of grant claims and statutory inspections and to non-audit services provided by the Council's external auditors:

2017/18 restated Council and group £000		2018/19 Council and group £000
58	Fees payable to the appointed auditor with regard to external audit services	46
26	Fees payable to the appointed auditor for the certification of grant claims and returns for the year	18
84		**64**

36. Leases

Council as lessee

36.1 Finance leases

The Council has acquired a number of buildings under finance leases, the majority of which are at a peppercorn rent. The assets acquired under these leases are carried as property, plant and equipment in the balance sheet at the following net amounts:

1 April 2017 restated Council and group £000	31 March 2018 restated Council and group £000		31 March 2019 Council and group £000
5,702	8,048	Other land and buildings	6,835
5,702	**8,048**		**6,835**

36.2 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:

2017/18 restated Council and group £000		2018/19 Council and group £000
6	Not later than one year	-
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:

2017/18 restated Council and group £000		2018/19 Council and group £000
797	Minimum lease payments	182
797		**182**

Council as lessor

36.3 Finance leases

The Council has leased out University Campus Aylesbury Vale to Buckinghamshire New University (BNU) on a finance lease with a remaining term of 32 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 2017 restated	31 March 2018 restated		31 March 2019
Council and group	Council and group		Council and group
£000	£000		£000
		Finance lease debtor (net present value of minimum lease payments):	
218	227	● Current	237
15,150	14,923	● Non current	14,686
13,735	13,074	Unearned finance income	12,422
29,103	**28,224**		**27,345**

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

1 April 2017 restated		31 March 2018 restated			31 March 2019	
Council and group		Council and group			Council and group	
Gross investment in lease	Minimum lease payments	Gross investment in lease	Minimum lease payments		Gross investment in lease	Minimum lease payments
£000	£000	£000	£000		£000	£000
(879)	(218)	(879)	(227)	Not later than one year	(879)	(237)
(3,517)	(970)	(3,517)	(1,012)	Later than one year and not later than five years	(3,517)	(1,056)
(24,707)	(14,180)	(23,828)	(13,911)	Later than five years	(22,949)	(13,630)
(29,103)	**(15,368)**	**(28,224)**	**(15,150)**		**(27,345)**	**(14,923)**

36.4 Operating leases

The Council leases out property under operating leases for the following purposes:

- for the provision of community services, such as sports facilities, tourism services and community centres.
- for economic development purposes to provide suitable affordable accommodation for local businesses.

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

2017/18 restated		2018/19
Council and group		Council and group
£000		£000
(1,405)	Not later than one year	(1,276)
(4,196)	Later than one year and not later than five years	(3,990)
(9,919)	Later than five years	(8,949)
(15,520)		**(14,215)**

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

37. Capital expenditure and capital financing

The total amount of capital expenditure incurred in the year is shown in the table below, together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Council, the expenditure results in an increase in the capital financing requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed.

2017/18 restated Council and group		2018/19 Council and group
£000		£000
34,485	**Opening capital financing requirement**	41,204
	Capital investment	
4,170	Property, plant and equipment	103
4,335	Assets under construction	2,921
-	Revenue expenditure funded from capital under statute	1,028
	Sources of finance	
-	Capital receipts	(3,300)
(84)	Government grants and other contributions	(4,190)
	Sums set aside from revenue:	
(1,702)	Minimum revenue provision	(1,243)
41,204	**Closing capital financing requirement**	**36,523**
	Explanation of movements in year	
6,719	(Decrease)/increase in underlying need to borrow (unsupported by government financial assistance)	(4,681)
6,719	**Increase/(decrease) in capital financing requirement**	**(4,681)**

38. Defined benefit pension schemes

38.1 Participation in pensions schemes

As part of the terms and conditions of employment of its officers, the Council makes contributions towards the cost of post-employment benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments that needs to be disclosed at the time that employees earn their future entitlement.

The Council participates in two post-employment schemes:

- The Local Government Pension Scheme, administered locally by Buckinghamshire County Council – this is a funded defined benefit final salary scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.

- Arrangements for the award of discretionary post-retirement benefits upon early retirement – this is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pension liabilities, and cash has to be generated to meet actual pensions payments as they eventually fall due.

38.2 Transactions relating to post-employment benefits

The Council recognises the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against council tax is based on the cash payable in the year, so the real cost of post-employment/retirement benefits is reversed out of the general fund via the movement in reserves statement.

The following transactions have been made in the comprehensive income and expenditure statement and the general fund balance via the movement in reserves statement during the year:

	Local government pension scheme		Discretionary benefits arrangements	
	2017/18 restated	2018/19	2017/18 restated	2018/19
	Council and group		Council and group	
	£000	£000	£000	£000
Cost of services:				
• service cost	6,720	5,888	-	-
Financing and investment income and expenditure				
• net interest on the defined liability	2,835	2,436	-	-
Administration expenses	121	110	-	-
Total post employment benefit charged to the comprehensive income and expenditure statement	**9,676**	**8,434**	**-**	**-**
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	(9,676)	(8,434)	-	-
Actual amount charged against the general fund balance for pensions in the year:				
• employers' contributions payable to scheme	3,457	3,912		
• retirement benefits payable to pensioners			329	225

The amount of actuarial gains and losses recognised in the comprehensive income and expenditure statement during 2018/19 is a gain of £6,321,000 (a gain of £14,295,000 during 2017/18).

38.3 Assets and liabilities in relation to post-employment benefits

Reconciliation of the present value of the scheme liabilities (defined benefit obligation):

	Funded liabilities		Unfunded liabilities: discretionary benefits arrangements	
	2017/18 restated	2018/19	2017/18 restated	2018/19
	Council and group		Council and group	
	£000	£000	£000	£000
Opening balance at 1 April	235,246	231,021	(4,195)	(4,435)
Current service cost	5,215	5,878	-	-
Interest cost	6,171	5,718	-	-
Change in financial assumptions	(10,524)	10,330	-	-
Change in demographic assumptions	-	(13,194)	-	-
Estimated benefits paid net of transfers in	(7,503)	(5,598)	-	-
Past service costs including curtailments	1,505	10	-	-
Contributions by scheme participants	911	1,091	-	-
Unfunded pension payments	-	-	(240)	(235)
Closing balance at 31 March	**231,021**	**235,256**	**(4,435)**	**(4,670)**

Reconciliation of the fair value of the scheme assets:

	Funded liabilities	
	2017/18 restated	2018/19
	Council and group	
	£000	£000
Opening balance at 1 April	(125,079)	(129,019)
Interest on assets	(3,336)	(3,282)
Return on assets less interest	(3,771)	(3,457)
Administration expenses	121	110
Contributions by employer including unfunded	(3,786)	(4,137)
Contributions by scheme participants	(911)	(1,091)
Estimated benefits paid plus unfunded net of transfers in	7,743	5,833
Closing balance at 31 March	**(129,019)**	**(135,043)**

Pension scheme assets comprised:

	31 March 2018 restated				31 March 2019			
	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	11,763	-	11,763	9%	16,666	-	16,666	12%
UK equities	12,856	-	12,856	10%	6,886	-	6,886	5%
Overseas equities	53,113	-	53,113	41%	55,625	-	55,625	41%
Private equity	-	6,764	6,764	5%	-	6,210	6,210	5%
Other bonds	16,799	-	16,799	13%	20,130	-	20,130	15%
Property	8,775	516	9,291	7%	10,281	271	10,552	8%
Cash	4,926	-	4,926	4%	4,317	-	4,317	3%
Hedge funds	-	6,113	6,113	5%	-	7,279	7,279	5%
Absolute return portfolio	-	6,019	6,019	5%	-	6,343	6,343	5%
Alternative Assets	-	1,375	1,375	1%	-	1,035	1,035	1%
	108,232	**20,787**	**129,019**		**113,905**	**21,138**	**135,043**	

38.4 Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. The local government pension scheme liabilities have been assessed by Barnett Waddingham, an independent firm of actuaries, estimates being based on the latest full valuation of the scheme as at 31 March 2016.

The significant assumptions used by the actuary have been:

2017/18 restated Council and group		2018/19 Council and group
	Mortality assumptions	
	Longevity at 65 for current pensioners:	
24.0	Men	22.9
26.1	Women	24.8
	Longevity at 65 for future pensioners:	
26.2	Men	24.6
28.4	Women	26.6
2.30%	Rate of Inflation	2.40%
3.80%	Rate of increase in salaries	3.90%
2.30%	Rate of increase in pensions	2.40%
2.55%	Rate for discounting scheme liabilities	2.40%

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%)	(4,189)	4,272
Rate of increase in salaries (increase or decrease by 0.1%)	367	(363)
Rate of increase in pensions (increase or decrease by 0.1%)	3,902	(3,830)
Longevity (increase or decrease by 1 year)	8,366	(8,071)

38.5 Impact on the Council’s cash flows

The liabilities show the underlying commitments that the Council has in the long run to pay post-employment (retirement) benefits. The total liability of £95,543,000 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 2020 is £3,827,000

38.6 Scheme history

	2014/15	2015/16	2016/17	2017/18 restated	2018/19
	Council and group				
	£000	£000	£000	£000	£000
Present value of liabilities					
Local government pension scheme	197,718	190,044	235,246	231,021	235,256
Discretionary benefits	(4,162)	(3,884)	(4,195)	(4,435)	(4,670)
Fair value of assets in the local government pension scheme	(103,249)	(103,227)	(125,079)	(129,019)	(135,043)
(Surplus)/deficit in the scheme:					
• local government pension scheme	94,469	86,817	110,167	102,002	100,213
• discretionary benefits	(4,162)	(3,884)	(4,195)	(4,435)	(4,670)
Total	90,307	82,933	105,972	97,567	95,543

38.7 History of experience gains and losses

The actuarial gains identified as movements on the pensions reserve in 2018/19 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2019:

	2014/15	2015/16	2016/17	2017/18 restated	2018/19
	Council and group				
	%	%	%	%	%
Differences between the expected and actual return on assets	2.61	1.91	14.24	5.51	4.99
Experience gains and losses on liabilities	6.88	-	1.19	-	-

39. Nature and extent of risks arising from financial instruments

The Council's activities expose it to a variety of financial risks:

- credit risk – the possibility that other parties might fail to pay amounts due to the Council.
- liquidity risk – the possibility that the Council might not have funds available to meet its commitments to make payments.
- market risk – the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates and stock market movements.

The Council's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by a central treasury team, under policies approved by the Council. The Council provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk and the investment of surplus cash.

39.1 Credit risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers.

This risk is minimised through the annual investment strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, as laid down by Fitch and Moody's Ratings Services. The annual investment strategy also imposes a maximum sum to be invested with a financial institution located within each category.

The credit criteria in respect of financial assets held by the Council are as detailed below:

Investments are limited to the top 20 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 20 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 £31,100,000 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 2019 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 2019	Average historial experience of default	Historial experience adjusted for market conditions at 31 March 2018	Estimated maximum exposure to default and uncollectability at 31 March 2019	Estimated maximum exposure at 31 March 2018	Estimated maximum exposure at 1 April 2017
	£000	%	%	£000	£000	£000
Counterparty Rating	A	B	C			
AA	9,022	0.006	0.006	-	0.5	-
AA-	2,002	0.008	0.008	0.2	0.3	0.1
A+	3,012	0.004	0.004	0.1	-	-
A	7,006	0.013	0.013	0.9	1.0	2.6
A-	1,002	0.003	0.003	-	-	0.4
BBB+	3,007	0.029	0.029	0.9	2.8	1.1
BBB	3,004	0.024	0.024	0.7	3.3	1.0
BBB-	-	-	-	-	-	2.0
BB-	3,003	0.176	0.176	5.3	-	-
B+	-	-	-	-	14.3	-
Other rated	42	-	-	-	-	-
Customers	7,305	5.000	5.000	365.3	304.5	295.1
	38,405			**373.4**	**326.7**	**302.3**

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 £5,227,000 of the £7,305,000 balance is past its due date for payment. The due but not impaired amount can be analysed by age as follows:

1 April 2017 Council and group	31 March 2018 Council and group		31 March 2019 Council and group
£000	£000		£000
1,966	1,102	Less than three months	2,078
467	472	Three to six months	564
367	1,008	Six months to one year	744
3,101	3,508	More than one year	3,919
5,901	**6,090**		**7,305**

39.2 Liquidity risk

The Council manages its liquidity position through the risk management procedures above as well as through cash flow management procedures required by the Code of Practice. In the event of an unexpected cash requirement the Council has ready access to borrowings from the money markets to cover any day to day cash flow need. The Council is also required to provide a balanced budget through the Local Government Act 1992, which ensures sufficient monies are raised to cover the annual expenditure. Therefore, there is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

All trade and other payables are due to be paid in less than one year.

39.3 Market risk

39.3.1 Interest rate risk

The Council is exposed to risk in terms of its exposure to interest rate movements on its investments. Movements in interest rates have a complex impact on the Council, depending on how variable and fixed interest rates move across differing financial instrument periods. For instance, a rise in interest rates would have the following effects:

- investments at variable rates – the interest income credited to the surplus or deficit on the provision of services will rise
- investments at fixed rates – the fair value of the assets will fall.

Changes in interest payable and receivable on variable rate investments will be posted to the (surplus)/deficit on the provision of services or other comprehensive income and expenditure lines and affect the general fund balance, subject to influences from government grants. Movements in the fair value of fixed rate investments will be reflected in the other comprehensive income and expenditure line.

The Council has strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together the Council's prudential indicators and its expected treasury operations, including an expectation of interest rate movements. From this a prudential indicator is set which provides maximum and minimum limits for fixed and variable interest rate exposure. The treasury team will monitor market and forecast interest rates within the year to adjust exposures appropriately. For instance, during periods of falling interest rates, fixed rate investments may be taken for longer periods to secure better long term returns.

The treasury management team has a strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is used to update the budget quarterly during the year. This allows any adverse changes to be accommodated.

39.3.2 Price risk

The Council does not invest in equity shares and is not exposed to losses arising from movements in the prices of the shares.

39.3.3 Foreign exchange risk

The Council has no financial assets or liabilities denominated in foreign currencies and thus has no exposure to loss arising from movements in exchange rates.

39.4 Environmental risk

The Council has taken out a rolling 10 year environmental warranty to safeguard against the risk of contaminated land that was transferred to the Vale of Aylesbury Housing Trust as part of the stock transfer. The risk of having to make use of the warranty is minimal.

40. Contingent liabilities

A contingent liability is a potential liability which depends on the occurrence or non occurrence of one or more uncertain future events. The Council has identified the following contingent liabilities as at 31 March 2019.

- 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. 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.

41. Contingent assets

A contingent asset is an asset that may be received but only if a future event occurs that is not under the control of the Council. At 31 March 2018, the Council had no material contingent assets.

42. Related party transactions

The Council is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. Disclosure of these transactions allows readers to assess the extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council.

Central government
Central government has effective control over the general operations of the Council – it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills, housing benefits).

Members
Members of the Council have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2018/19 is shown in Note 33. A review has been made of the Register of Members' Interests and of declarations of interests made by members during the year. In addition, members have been requested to sign a form declaring whether there were any related party transactions during the year. 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.

Chilterns Crematorium Joint Committee
Aylesbury Vale District Council is one of three constituent members of the Chilterns Crematorium Joint Committee along with Chiltern and Wycombe District Councils. The Joint Committee manages the crematorium and associated facilities located in Amersham. In the event of the Joint Committee ceasing to exist, any assets held are vested in the authority in which the assets are located. In this case, the assets would transfer to Chiltern District Council.

Under the terms of the Joint Committee, any deficit or surplus earned by the Joint Committee is shared between the constituent authorities on the basis of the number of cremations from the area of each authority in comparison to total cremations. However, it has been agreed by all constituent authorities that any surplus will not be distributed, but will be retained by the Joint Committee for use in funding replacement capital expenditure and to meet future deficits. Aylesbury Vale District Council's share of the accumulated reserves is £849,100 (2017/18 £1,843,364).

The assets and liabilities of the Joint Committee have not been consolidated into the Council's accounts, reflecting the separate statutory nature of the service. Further details on the financial affairs and a full Statement of Accounts of the Joint Committee can be obtained from the Treasurer, Chilterns Crematorium Joint Committee, King George V House, King George V Road, Amersham, Bucks, HP6 5AW.

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.

2017/18 restated					2018/19		
Council tax	**NNDR**	**Total**			**Council tax**	**NNDR**	**Total**
£000	£000	£000		note	£000	£000	£000
			Income				
(120,120)	-	(120,120)	Income from council tax	C2	(130,204)	-	(130,204)
-	(53,891)	(53,891)	Income collectable from business ratepayers	C3	-	(54,159)	(54,159)
-	-	-	Transitional protection payment due from govt		-	(137)	(137)
(120,120)	**(53,891)**	**(174,011)**			**(130,204)**	**(54,296)**	**(184,500)**
			Expenditure				
			Precepts and demands				
86,613	-	86,613	• Buckinghamshire County Council		93,609	-	93,609
12,108	-	12,108	• Thames Valley Police Authority		13,217	-	13,217
4,329	-	4,329	• Bucks & Milton Keynes Fire Authority		4,546	-	4,546
16,410	-	16,410	• Aylesbury Vale District Council		17,415	-	17,415
			Payments of NNDR 1 proportionate shares				
-	25,577	25,577	• Government	C3	-	27,971	27,971
-	4,604	4,604	• Buckinghamshire County Council	C3	-	5,035	5,035
	512	512	• Bucks & Milton Keynes Fire Authority	C3		559	559
-	20,462	20,462	• Aylesbury Vale District Council	C3	-	22,377	22,377
			Distribution of previous year estimated (deficit)/surplus				
1,188	-	1,188	• Buckinghamshire County Council	C4	322	-	322
171	-	171	• Thames Valley Police Authority	C4	45	-	45
61	-	61	• Bucks & Milton Keynes Fire Authority	C4	16	-	16
228	-	228	• Aylesbury Vale District Council	C4	61	-	61
			Disregarded amounts				
	220	220	• Renewable energy		-	227	227
	282	282	• Enterprise zone growth		-	524	524
			Other payments				
-	223	223	• Cost of collection		-	224	224
-	449	449	• Transitional protection payment due to govt		-	-	-
			Bad and doubtful debts				
(406)	91	(315)	• Write offs		(487)	183	(304)
(231)	96	(135)	• Increase/(decrease) in provision		1,251	(45)	1,206
-	2,161	2,161	Increase in provision for appeals		-	948	948
120,471	54,677	175,148			129,995	58,003	187,998
351	**786**	**1,137**	**(Surplus)/deficit for the year**		**(209)**	**3,707**	**3,498**
(1,183)	(1,912)	(3,095)	Accumulated (surplus)/deficit b/fwd		(832)	(1,126)	(1,958)
351	786	1,137	(Surplus)/deficit for the year		(209)	3,707	3,498
(832)	**(1,126)**	**(1,958)**	**Accumulated (surplus)/deficit c/fwd**		**(1,041)**	**2,581**	**1,540**

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 (NNDR) and its distribution to local government bodies and the government.

The Council has a statutory requirement to operate a collection fund as a separate account to the general fund. The purpose of the collection fund therefore is to isolate the income and expenditure relating to council tax and NNDR. The administrative costs associated with the collection process are charged to the general fund.

Collection fund surpluses declared by the billing authority in relation to council tax are apportioned to the relevant precepting bodies in the subsequent financial year. Deficits likewise are proportionately charged to the relevant precepting bodies in the following year. For Aylesbury, the council tax precepting bodies are Buckinghamshire County Council (BCC), Thames Valley Police Authority (TVPA) and Buckinghamshire and Milton Keynes Fire and Rescue Authority (BMKFRA).

In 2013/14, the local government finance regime was revised with the introduction of the retained business rates scheme. The main aim of the scheme is to give Councils a greater incentive to grow businesses in their area. It does, however, also increase the financial risk due to non-collection and the volatility of the NNDR tax base.

The scheme allows the Council to retain a proportion of the total NNDR received. Aylesbury Vale District Council's share is 40% with the remainder paid to our precepting bodies, central government 50%, BCC 9% and BMKFRA 1%.

NNDR surpluses declared by the billing authority in relation to the collection fund are apportioned to the relevant precepting bodies in the subsequent financial year in their respective proportions. Deficits likewise are proportionately charged to the relevant precepting bodies in the following year.

The national code of practice followed by local authorities in England stipulates that a collection fund income and expenditure account is included in the Council's financial statements. The collection fund balance sheet meanwhile is incorporated into the Council's consolidated balance sheet.

C2. Calculation of council tax

Council tax derives from charges raised according to the value of residential properties, which have been classified into 9 valuation bands (A* - H) for this specific purpose. Individual charges are calculated by estimating the amount of income required to be taken from the collection fund by the Council for the forthcoming year and dividing this by the council tax base (i.e. the equivalent number of band D dwellings).

The council tax base for 2018/19 was 72,507 (2017/18: 71,106). The tax base was approved under delegated authority by the Cabinet Member for Resources and was calculated as follows:

2017/18				2018/19		
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**
4	5/9	2	A*	2	5/9	1
2,584	6/9	1,723	A	2,579	6/9	1,719
11,060	7/9	8,602	B	11,160	7/9	8,680
20,426	8/9	18,156	C	20,690	8/9	18,391
12,871	9/9	12,871	D	13,191	9/9	13,191
10,722	11/9	13,105	E	10,840	11/9	13,249
7,591	13/9	10,965	F	7,796	13/9	11,261
6,045	15/9	10,075	G	6,117	15/9	10,195
371	18/9	742	H	374	18/9	748
71,674		76,241		72,749		77,435
		(1,219)	Allowance for non-collection			(1,165)
		(3,916)	Council tax support scheme			(3,763)
		71,106	**Council tax base**			72,507

C3. Non-domestic rates

The Council collects national non-domestic rates (NNDR) for its area based on local rateable values provided by the Valuation Office Agency (VOA) multiplied by a uniform business rate set nationally by central government. In previous financial years the total amount due, less certain allowances, was paid to a central pool (the 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 NNDR changed following the introduction of a business rates retention scheme which aims to give Councils a greater incentive to grow businesses in their area but also increases the financial risk due to volatility and non-collection of rates. Instead of paying 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 2018/19 were estimated before the start of the financial year as £27,929,000 to central government, £5,261,000 to BCC, £559,000 to BMKFRA and £22,376,000 to Aylesbury Vale District Council. These sums have been paid in 2018/19 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 £15,981,000 from the general fund in 2018/19.

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 2019. 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 2018/19 has been calculated as a debit of £948,000 (2017/18: a debit of £2,161,000).

The total non-domestic rateable value at 31 March 2019 was £142,393,199 (31 March 2018: £140,824,738). The national non-domestic rate multiplier for the year was 48.0p for small businesses (2017/18: 46.6p) and 49.3p for all other businesses (2017/18: 47.9p).

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 2018 it was estimated that the collection fund would have a surplus of £444,100, which was payable during 2018/19.

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.

Audit Committee
15 July 2019

CORPORATE RISK REGISTER

1 Purpose

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

2 Recommendations/for decision

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

3 Corporate Risk Register - Supporting information

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

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

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

4 Reasons for Recommendation

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

5 Resource implications

5.1 None

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Background Documents None

Corporate Risk Register Update

The Corporate Risk Register (CRR) shows the key risks to the Council and the actions that are being taken to respond to these risks. The risk register was last reviewed by Audit Committee on 25 March 2019 and by Cabinet on 16 June. The Corporate Risk Register was fully updated in January 2019 to reflect the impact of the Secretary of State's decision to implement a single unitary authority for Buckinghamshire. The table below shows the changing risk profile over time.

	Total	Low	Moderate	High	Extreme	Not yet assessed
July 2019	**23**	**4**	**8**	**8**	**3**	**-**
May 2019	23	4	8	9	2	-
March 2019	23	3	8	7	4	1
January 2019	23	3	8	7	4	1
October 2018	26	2	13	7	1	3
June 2018	25	2	12	9	1	1
March 2018	22	2	12	6	1	1

There are **23 risks** on the corporate risk register. The residual risk rating is summarised as follows:

Low risk (4)	**Moderate risk (8)**	**High Risk (8)**	**Extreme risk (3)**
1) Fail to achieve the Medium Term Financial Plan. Annual sector budgets are not delivered 10) Fail to manage and deliver major capital projects on budget and to time - The Exchange 22) Fraud, corruption, malpractice by internal or external threats. 23) Equalities is not considered in decisions resulting in Judicial Review and other litigation.	4) Staff morale, mental, physical wellbeing deteriorates, increased demand on HR resource to support staff 12) Aylesbury Vale Estates (AVE) does not deliver capital receipts and objectives of business plan. 13) Fail to deliver a sound Vale of Aylesbury Local Plan before the transition to new unitary council. 17) Health & Safety - Non-compliance with Fire and Health and Safety legislation. Failure to provide a safe place for staff and visitors on AVDC property and/or events. 18) Fail to plan for a major or large scale incident. Risk to safety of public & staff. 19) Business interruption affecting the Council's resources and its ability to deliver critical services. 20) Information Governance - A significant data breach, Inappropriate access, corruption or loss of data 21) Safeguarding arrangements, internal policies and processes are not adequate to address concerns about /protect vulnerable adults & children.	5) Lack of clarity and/or political engagement with partners hinders ability to engage in & influence next round of growth including consideration of CaMKOx Corridor, HS2, housing need targets. A Bucks wide plan could result in even more housing in the Vale geography. 7) In-housing of Street and Horticulture service (Streetscene) is not completed by the end of the current contracts (January 2020), and in line with AVDC Council decision. 8) Depot Transformation Programme fails to deliver commercial, customer, H&S, Environmental objectives 9) Pembroke Road Redevelopment programme is not delivered to time or budget - EA Fire Prevention Plan required resulting in possible extra capital cost up to £1m - risk assessing options to understand impact and time delay 11) Decline in retail sector reduces ongoing viability of AVDCs Town Centre assets and limits success of regeneration programme 14) Inadequate working with stakeholders to ensure safety of residential buildings following Grenfell. 15) Impact of BREXIT - financial (eg fuel costs), procurement, employment, regulatory, environmental, major projects//partnering arrangements 16) Deterioration of quality of planning service delivery, decisions and timeliness of response to applications in the face of increasing growth demand; compounded by vacancies in the planning team, reliance on consultants and the national reduction in applicants; challenge locally due to job market and growth, unitary uncertainty	2) Loss of AVDC leadership and vision as the unitary programme progresses 3) Loss of key staff (external or to Unitary programme) & inability to recruit high performing individuals 6) Failure to deliver the Connected Knowledge Strategy and achieve the Council's Digital objectives within AVDC lifetime. Lack of alignment to wider strategic / unitary authority objectives. New and existing systems/processes are not fully integrated.

Staff capacity

The highest risk currently facing AVDC (represented on the CRR by risks 2,3,4) is the lack of staff capacity to maintain services and deliver priority projects. There is increasing recognition that there is no longer "business as usual"; we need to operate under a new model as we transition away from AVDC and towards the new Buckinghamshire Council.

We are currently operating in an environment of ambiguity over the shape and structure of the new Council. The likelihood of restructuring and potential job changes / losses leads to a threat to perceived job security in a high employment geography. In an environment where the organisation has been run on a lean basis, protecting public funds, the significant additional responsibilities of preparing for the new Buckinghamshire Council both in terms of direct involvement and backfilling has led to concerns over flight risk, the loss of discretionary effort and disengagement. The strain on the organisation and stress on individuals this engenders may manifest itself in increased sickness absence. This is should also be viewed in the context of increasing challenges to hire into roles where there is so much uncertainty,

Support to Unitary Implementation

We have already "lost" 5 full time staff members to the Unitary Implementation team and are aware of others who may be considering moves. This is a credit to the calibre of AVDC staff who have been successful in being recruited to these roles, and we should encourage our staff to take opportunities for development whenever they can; but this leaves a gap that can not easily be filled in most cases.

We are also experiencing significant demands on "Experts" to resource unitary work streams, in some cases, AVDC senior managers are providing 50% or more of their time to support unitary work. Across every area of operation the pressure is increasingly being felt, across front line services, and "back office"; Finance, HR, IT and Communications in particular, are heavily involved. Most of our Senior Managers and all of our Assistant Directors and Directors are spending considerable time, every week, engaging in Unitary activities.

The scope and scale of resource involvement is likely to increase over time. We have very little control over the demands of Unitary and the "pull" on our resources to support the various workstreams. None of our services are built or staffed to deliver this type of impact and also continue to manage services in a continuing entity context.

Staff retention and recruitment

We are also losing key staff to outside organisations and there have been a number of recent management resignations. Staff may see that a more secure future lies outside the Buckinghamshire Council, and having recently gone through a major organisational transformation programme at AVDC, the thought of another, and the uncertainty in the meantime, may be a "push" factor.

We already have a number of hard to fill posts (Development Management for example), when the instability associated with the unitary transition is overlaid, recruitment is likely to be increasingly challenging, if not impossible.

Andrew Grant (Chief Executive) and Tracey Aldworth (Director) have already confirmed their plans to leave AVDC. Now that the process for recruitment to Tiers 2 and 3 is out for consultation, we may expect a second wave of leadership exits. There is an increasing risk that our existing leadership structures will no longer be sufficient to operate as they have done previously, and be able to provide the same levels of support to in-flight projects, new initiatives and day-to-day management.

Managing the risk

It is essential that critical services are maintained, priorities delivered, and that AVDC transitions to the new Council in an orderly fashion. The risk of losing key staff on our ability to achieve this is greater in some areas than others at the current time, but is likely to increase everywhere as we approach April 2020.

A range of options are being applied to address the staff capacity issues on a case by case basis. Certain roles have been initially identified as 'key' either due to the nature of the service or the circumstances surrounding them. The loss of these individuals is being continually reviewed and a range of mitigations put in place, including succession planning, cross council working and retention packages.

We have also assessed the risk for each of our core activities (services/activities/programmes) and produced a "Transition Risk Register"; this highlights priority areas and actions. A process is now in place to prioritise work and resource allocation accordingly over the transition period. This is being reviewed regularly and there is ongoing consideration and decision about of priorities and scope of work. Cabinet members have been briefed on this process and will continue to engage as risks and priorities are reviewed and further actions required.

Additional support has also been identified to provide stability and consistency to the leadership team and take forward actions. Karen Jones is returning to AVDC (from the Unitary PMO) to provide leadership at a Director level. We have also engaged a consultant to provide programme management support for the transition of AVDC to the new Unitary Council and help establish a framework for decision making and a prioritisation process for the evaluation of current services and for proposed new projects and programmes. This will be overseen by Kate Mulhearn who, in addition to her existing responsibilities as Corporate Governance Manager, will provide oversight of the programme to ensure the "safe and legal", orderly transition of AVDC, reporting to the Directors.

This is not just an AVDC challenge. It is also worth recognising that as the Unitary Programme moves forward, there will be an increase in demands on all of the organisations and their resources to effectively gear up for the new Council, whilst at the same time managing the existing 5 Councils.

Risks associated with "No-deal Brexit"

In line with advice from MHCLG, we have for some time been monitoring the potential risks associated with Brexit. Risk #15 on the CRR reflects the overall level of risk to AVDC. In recent months, we have focused on risks associated with a "no deal Brexit". The risks are regularly updated as more information is released from Central Government. In March 2019 Audit Committee received a report summarising the identified key risks that AVDC may face should the UK exit the EU without a deal. This provided a level of assurance to the Audit Committee that, as far as possible, appropriate planning and/or contingencies are in place should the UK exit the EU without a deal.

Risk Scoring Methodology

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

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

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

Risk Rating – Likelihood

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

Risk Rating - Impact

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

AVDC Corporate Risk Register

Last review date: 3 July 2019

Ref	Risk Owner	Delegated Manager	Risk	Potential Consequences	Inherent Risk Rating: Likelihood	Inherent Risk Rating: Impact	Inherent Risk Rating: Overall Risk Rating	Capacity to Manage Risk	Existing Controls & Mitigation	Residual Risk Rating: Likelihood	Residual Risk Rating: Impact	Residual Risk Rating: Overall Risk Rating	DoT (up = increasing risk)	Proposed Actions/Comment	Completion Date
1	Andrew Small	Strategic Board	Fail to achieve the Medium Term Financial Plan. Annual sector budgets are not delivered.	Failure to meet statutory obligations and business objectives; Pressure on budgets increase; Inefficient and ineffective use of resources; Poor publicity and reputation damage; Inability to meet the demands of the future and ensure continuous improvement of services.	4	5	20	Substantial	Longer term view, still maintain 4 years balanced budget, but working towards March 2020. Strategic Board monitoring the budget; regular reporting through Cabinet. Quarterly financial digest. Budget managers review cost centre reports.	1	3	3	→	Draft 19/20 budget and MTFP to 2023 to Cabinet in December, scrutiny in January and Full Council in Feb 2019. Balanced budget for the timeframe of AVDC.	
2	Tracey Aldworth	Strategic Board	Loss of AVDC leadership and vision as unitary programme progresses.	Uncertainty over future direction impacts all areas of activity; Impact felt through organisation, lack of vision/purpose, knock on effect to other staff, loss of discretionary effort, AVDC reputation for innovation and forward thinking is diminished.	5	5	25	Limited	Staff communication, smooth handover, additional support to leadership team; Ongoing monitoring of KPIs and metrics established to support AVDC updated "vision"	5	4	20	↑	Internal & Member comms plan - strong message from leadership team. Additional support to Leadership Team in place. Risk may further increase following clarity on Snr Leadership Consultation for Tiers 2,3.	
3	Andrew Small	Strategic Board	Loss of key staff (external or to Unitary programme) & inability to recruit high performing individuals.	Core service - deterioration in delivery due to loss of key staff & inability to recruit or retain high performing staff Projects (capital, improvement, transformation) are delayed/cancelled; Financial cost of agency staff.	5	5	25	Moderate	Unitary HR protocols in place - recruitment aligned across all 5 councils. Behavioural Framework used for candidate selection and case studies refreshed. REACH relaunched, building behaviours more formally into the REACH process. Employee Relations - Collaboration and healthy challenge with trade union and staff representatives and challenges addressed in partnership. New E'ee reps added to current group Wellbeing -Outplacement scheme implemented. Coaching programme in place. Recruitment ongoing with a range of strategies - new roles updated to reflect Unitary decision. Use of contractors to cover permanent vacancies. Contractor (Agency) costs are monitored monthly.	5	4	20	↑	Impacts across all areas of AVDC. Ongoing risk analysis and clear process for assessing priorities - continue/stop/delay. Member engagement in priorities and risks. Range of HR strategies considered to secure and recruit staff Tracking staff involvement in unitary and impact on "day job" Ongoing focus on staff development. £95k cap review ~ approx 90 staff over 55yrs, 60% current employees <2yrs.	
4	Andrew Small	Strategic Board	Staff morale, mental, physical wellbeing deteriorates, increased demand on HR resource to support staff	increased sickness, Increase in staff stress levels; impact on service delivery	4	3	12	Moderate	Staff development opportunities, promote flexible working, REACH	2	3	6	New	Continued focus on Staff Comms to maintain focus and discretionary effort. Increase in training spend Continued focus on Wellbeing and Mental Health including external providers for support. Consider potential for additional recognition opportunities, particularly for those staff taking on additional responsibilities to back-fill.	
5	Tracey Aldworth	Will Rysdale	Lack of clarity and/or political engagement with partners hinders ability to engage in & influence next round of growth including consideration of CaMKOx Corridor, HS2, housing need targets. A Bucks wide plan could result in even more housing in the Vale geography.	Lack of engagement in planning issues impacting the Vale geography; expose district to "planning by appeal"; developer challenge; Government sanctions; lack of ability to secure strategic infrastructure; additional housing growth absorbed by Aylesbury Vale.	4	4	16	Moderate	AVDC and other Bucks DCs are part of Central Area Growth Board . Close working with other neighbouring LA's.	3	4	12	↓	AVDC is part of Econ & Regen Unitary workstream looking at how to tackle Bucks wide growth after 1 April 2020 - incl. CaMKOx, HS2 and response to consultation. Need focus on delivering local plans as a priority (refer risk #13) - Unitary HG&E Board to table policy paper (July19) for recommended approach. Clarity on comms with external partners and key stakeholders. Visibility of AVDC and "seat at the table" important to maintain.	
6	Andrew Small	Maryvonne Hassall	Failure to deliver the Connected Knowledge Strategy and achieve the Council's Digital objectives within AVDC lifetime. Lack of alignment to wider strategic / unitary authority objectives. New and existing systems/processes are not fully integrated.	Unitary - AVDC achievements and plans for digitisation of services is not pursued. Operational - New systems lack robust business processes and controls; poor integration between systems; failure to comply with GDPR and other legislative requirements exposing the Council to potential breaches; Data sharing of personal & sensitive information, cyber risk. Financial - VFM & unbudgeted costs Reputational - damage to reputation and standing as a "Digital Council", relationship with suppliers, disengage community through lack of access to digital services. Staff - capacity issues to implement changes whilst still delivering "day job" - flight risk of key people.	4	4	16	Moderate	CK Programme Board combined with wider Project Board (May19) to ensure prioritisation of all projects considering capacity and unitary. Funding agreed for 2019/20 Programme governance arrangements, steering group, regular reporting to CAVDC Board	4	4	16	↑	Currently half way through Phase 2 of programme. Project prioritisation, across all projects, inc CK, review commenced June2019, and there are a number of projects which were not yet started which will not be delivered. The scope and scale of others is being reviewed inline with resources capacity and alignment to Unitary. A process is in place to agree with Members any changes to the previously agreed CK programme. Overriding goal is to deliver robust systems that can fully showcase the benefits of AVDC digital strategy and the efficiencies this can bring to the new Council. AVDC Digital programme lead is engaged with Unitary Workstream.	
7	Tracey Aldworth	Will Rysdale	Inhousing of Street and Horticulture service (Streetscene) is not completed by the end of the current contracts (January 2020), and in line with AVDC Council decision.	Failure to deliver services, financial costs, damage to AVDC reputation.	3	3	9	Substantial	Full Council approval, Project Manager, Operations Board for oversight & governance, budget approved, Project plan developed and work has commenced.	3	3	9	→	Need to ensure continued focus and relevant priority given to project given tight timescale and potential for delays. Need to consider implication of Unitary Waste Service review.	Jan-20
8	Tracey Aldworth	Will Rysdale	Waste & Operations Transformation Programme fails to deliver commercial, customer, H&S, Environmental objectives.	Inability to deliver services to public; death or injury to public or staff; regulatory fines; criminal prosecution or civil litigation; reputational damage; financial cost.	3	5	15	Moderate	Programme of works to March 2019 mapped out. Dedicated programme manager. Monthly Programme Board oversight; quarterly updates to Strategic Board	3	3	9	→	Governance processes being strengthened between Operations and Capital Projects to ensure alignment. Process in place to move to Competent Authority status to remove need for reliance on key individuals to ensure compliance with operating licence requirements. Also staff capacity review and wider training programme in progress. Original business plan for ATF lane to be reviewed as no more licences are being granted. Staff capacity may impact scope of programme.	Jul-19

Ref	Risk Owner	Delegated Manager	Risk	Potential Consequences	Inherent Risk Rating			Capacity to Manage Risk	Existing Controls & Mitigation	Residual Risk Rating			DoT (up = increasing risk)	Proposed Actions/Comment	Completion Date
					Likelihood	Impact	Overall Risk Rating			Likelihood	Impact	Overall Risk Rating			
9	Andrew Small	Teresa Lane /Will Rysdale	Pembroke Road Redevelopment programme is not delivered to time or budget - EA Fire Prevention Plan required resulting in possible extra capital cost up to £1m - risk assessing options to understand impact and time delay	Delay to the scheme, and potential to fail to deliver part/all of scheme. This would allow us to maintain our current service provision but could cause a reduction of service linked to the level of growth in the district. Costs exceed budget; inability to expand services and generate commercial income (e.g. HGV MOTs); damage relationships with future/existing tenants; Reputation damage	3	5	15	Substantial	External specialist consultant and programme manager recruited to help assess appropriate mitigation measures. Working with the Env Agency to understand their requirements and re-designing scheme where appropriate. Major Capital Projects Member group – Highlight reports, challenge from legal, finance and risk; Project teams with external contractors in place with established governance processes.	3	3	9	→	Governance processes being strengthened between Operations and Capital Projects to ensure alignment. Paper presented to cabinet 1 July 19 to update and confirm priority in light of Unitary decision. Risk assessment of options complete and now consulting with EA on proposals - waiting on consultant feedback. Options presented on ways to manage costs within original budget envelope - waiting on further detail to confirm asap. Delays to workshop (2020) due to discharge of 2 reserve planning matters (archaeological & contamination) with requirements for additional surveys.	Jul-19
10	Andrew Small	Teresa Lane	Fail to manage and deliver major capital projects on budget and to time - The Exchange	Costs exceed budget; damage relationships with future/existing tenants; Reputation damage; impact on wider Town Centre Regeneration programme and ability to enhance existing assets.	3	3	9	Substantial	Major Capital Projects Member group – Highlight reports, challenge from legal, finance and risk; Project teams with external contractors in place with established governance processes.	1	3	3	↓	Exchange opened 8 March. 3/4 of the F&B units have been let with interest in fourth. More positive outcomes of recent negotiations with potential tenants. Commercial units let on Long Lional. Financial impact (2019/20) being monitored through budget pressures	
11	Andrew Small	Teresa Lane	Decline in retail sector reduces ongoing viability of AVDCs Town Centre assets and limits success of regeneration programme	Decline in town centre investment, vacant property, reduced return on investment, increasing unemployment, reduction in business rates income.	4	4	16	Moderate	Aylesbury Town Centre plan and regeneration programme; joint Officer Steering Group (AVDC, BCC, ATC) monitors progress against action plan and receives ned ideas/challenges. AGT Board and Project Team is overseeing & reviewing the masterplan for the Garden Town which includes the town centre.	3	3	9	→	Need to consider future Regeneration plans in line with staff capacity and prioritise activities during AVDC transition year. AVDC investment in The Exchange will deliver new public space, restaurants, businesses, helping to change the town centre offering. AGT status is enabling bids for funding to support the town centre. Bids for the new £675m High Street fund are currently being considered. AVDC&BCC mtg to discuss future strategy for Ayl Town Centre.	
12	Andrew Small	Teresa Lane	Aylesbury Vale Estates (AVE) does not deliver capital receipts and objectives of business plan.	Inability to achieve expected distribution from the partnerships and grow AVDC's investments; security of loans. Satisfaction/relationship with existing customers/community deteriorates; Reputational damage to Council and Members if high profile ventures fail; negative impact of "commercial" decisions on Council's wider strategic & community objectives.	4	4	16	Moderate	Internal audit review of AVE governance arrangements (Jan19). Partnership Agreement in place, business plan process in place and plan subject to scrutiny and cabinet approval. AVDC representatives on AVE abreast of issues. On-going monitoring and monthly meetings taking place. Asset Managers have been directly advised of performance concerns.	2	2	4	→	Private sector uncertainty. Unclear about working with new authority.	
13	Tracey Aldworth	Will Rysdale	Fail to deliver a sound Vale of Aylesbury Local Plan before the transition to new unitary council.	Opportunistic planning applications; Loss of local control; Government send in own planning team; Loss of New Homes Bonus.	3	3	9	Moderate	VALP approved by Council 18 October. Project manager in place. Weekly action plans and progress monitoring. Regular engagement and communication with CLG to discuss timeframes. Early engagement of QC. Support from the Planning Officers Society; Advice from Planning Inspectorate; Working with the Bucks Planning Officers Group.	2	3	6	→	Examination held. Draft modifications and updated sustainability appraisal to the Inspector by the end of June. Modifications will be published for comment for at least six weeks towards the end of summer. Inspector is likely to consider the representations in the autumn, following which he will issue his final, binding, report (refer also risk #5).	Oct-19
14	Andrew Grant	Will Rysdale	Inadequate working with stakeholders to ensure safety of residential buildings following Grenfell.	Death or injury to public; loss of public trust; damage to reputation	2	5	10	Substantial	Liaising with MHCLG, working with leaseholder and housing association	2	4	8	→	Friars House in Aylesbury is over 18 meters tall and is fitted with ACM cladding. We are working closely with Moreland Estate Management, the Vale of Aylesbury Housing Trust (VAHT), Bucks Fire and Rescue and MHCLG to ensure the safety of residents. New government guidance and powers issued January 2019 and in May Government announced £200m fund to remove cladding from private blocks . AVDC to take next steps accordingly.	TBA
15	Andrew Small	Andy Barton	Impact of BREXIT - financial (eg fuel costs), procurement, employment, regulatory, environmental, major projects/partnering arrangements	Impacts all areas of Council activities	4	4	16	Substantial	Detail risk register and action plan, working group monitoring	3	3	9	→	Brexit risk register updated to reflect possibility of "no-deal". Continue to monitor.	Ongoing
16	Tracey Aldworth	Jeff Membery	Deterioration of quality of planning service delivery, decisions and timeliness of response to applications in the face of increasing growth demand; compounded by vacancies in the planning team, reliance on consultants and the national reduction in applicants; challenge locally due to job market and growth, unitary uncertainty	Damage to reputation, customer complaints/appeals, delayed applications, status as Planning Authority.	4	4	16	Moderate	Planning Advisory Authority workshop, Planning performance report to Audit Committee October 18; customer journey analysis, member case load, planning updates & communications etc, range of recruitment strategies	3	4	12	→	Planning improvement is a priority as part of Transition year. Performance Improvement Plan presented to Cabinet June 19, including Proactive Customer Contact, Planning Advisory Authority invited to undertake review. Still vacant post and challenges to recruit. Resignation of Group Manager (June 19), responsibilities redistributed among management team. Jul19 - Reviewing risk/benefits of new system implementation vs retaining inferior legacy systems in light of resource capacity, system implementation challenges and unitary context.	

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Corporate compliance/safety risks:															
17	Andrew Small	Andy Barton	Health & Safety - Non compliance with Fire and Health and Safety legislation. Failure to provide a safe place for staff and visitors on AVDC property and/or events.	Death or injury to public or staff; criminal prosecution or civil litigation; Service stopped; Loss of public trust; Action by Health and Safety Executive or Bucks Fire and rescue, e.g. fine up to £4m, corporate manslaughter charges; Insurance claims/ financial loss	2	4	8	Moderate	Revised H&S policy & strategy approved Sept 17. Fire Risk Assessments performed for all property (Apr17) and reviewed (Dec17). Strategic Health and Safety Board monitor risk and performance. H&S Committee meets every 3 months. Management of contractors procedure in place and training provided. Ongoing training planned throughout 2018. New M&E service provider selected (Apr18) which will see a more uniformed and monitored approach to pre-planned maintenance and reactive work New lone working devices and 3 year contract purchased.	2	3	6	→	Resource/capacity challenges - recruitment of full time H&S manager In May 19 and Operations H&S Manager appointed Jul19. Interviewing for H&S Advisor. When team is in place progress can be made on delivering the workplan. 1. Management of asbestos & legionella currently being reviewed in line with new M&S service contract. Statutory programme to be followed - ongoing. 2. Sector risk assessments and risk profiling in progress 3. Action plan developed following assessment visit in April from Counter Terrorism Prevention Advisor (CTPA) about the new CSC, safety of staff and general security of the building.	Aug-19
18	Andrew Small	Will Rysdale	Fail to plan for a major or large scale incident (accident, natural hazard, riot or act of terrorism). Risk to safety of public & staff	Public safety. Service delivery disruption and impact on the Council's ability to deliver critical services. Reputational damage to the council.	2	4	8	Moderate	Community Safety Manager appointed (Apr17) with responsibility for Emergency Plan and Community Resilience. Table top exercise run Dec2018. Public Events Management steering group set up & Duty holders established. Security contract in place and Silver command. Crowd Safety Management consultancy review. Resilience workshop with Local Resilience Forum to focus on long term response planning. Thames Valley Local Resilience Plan in place,	2	3	6	↓	Events Safety Management Frame work agreed to ensure consistent approach and accountability. Crowd Safety consultancy has advised on Safety Plans prior to WhizzFizz. Future events will build on this.	
19	Andrew Small	Andy Barton	Business interruption affecting the Council's resources and its ability to deliver critical services. Loss of IT due to failure or cyber attack.	Service delivery disruption and impact on the Council's ability to deliver critical services. Reputational damage to the council.	2	4	8	Moderate	EP & BC Steering Group established to ensure coordination. Increased use of cloud technology, less paper documents.	2	3	6	↓	All the BCPs being reviewed and updated to ensure fit for purpose. Work is aligning with Unitary workstreams.	Sep-19
20	Andrew Small	Andy Barton	Information Governance - Non compliance with legislation, a significant data breach, Inappropriate access, corruption or loss of data.	Exposure of confidential information or corruption of data; Prosecution or fine for statutory breach; Loss of public trust	3	4	12	Substantial	Data Governance Officer with responsibility for DP and info governance. IGG monitors specific risks and has its own action plan. Information Management Strategy has been revised in readiness for GDPR. Mandatory training; Investigations into data breaches. Periodic data sweep. HB Law supporting. Information Asset Registers, identified Information Asset Owners, retention schedules in place. Privacy Impact Assessments for all projects. Dual factor sign in.	2	3	6	→	GDPR programme targets achieved for compliance by May2018. Post GDPR programme to complete remaining tasks. No further work will be done on Policy Review as this all now falls under Unitary workstreams.	
21	Andrew Grant	Will Rysdale	Safeguarding arrangements are not adequate to effectively address concerns about vulnerable adults & children who may be at risk of significant harm. Requirements of "Prevent" are not implemented and applied. Internal processes and controls are inadequate to effectively prevent dangerous individuals from gaining access to opportunities where that may place vulnerable adults and children at harm (e.g. Taxi licensing).	Failure to refer concerns to the appropriate agency for investigation; Damage to reputation; Harm to vulnerable adult or child as a result of failure to refer. Reputational damage to the council should perpetrator of terrorism be living or radicalised within the borough. A known sex offender is not prevented from having access to vulnerable adults and children.	2	4	8	Moderate	Internal AVDC safeguarding board with membership across all sectors. Mandatory training rolled out to all staff. Use self reporting template/ RAG framework (S11); Meeting with Chair of Bucks safeguarding board – questions asked about current safeguarding arrangement and recommendations made; AVDC Chairs Community Safety Partnership (Prevent). Check applications for taxi licenses with disclosure Scotland. Whistleblowing policy in place and Managing volunteers policy in place. Members training on Prevent (WRAP) (Oct17). Internal audit (May17). Member training on Safeguarding 2018.	2	3	6	→	Training needs assessment for different is complete. Training for level 2,3,4, being developed New starter mandatory induction eLearning rolled out and ongoing monitoring of completion.	Jul-19
22	Andrew Small	Andy Barton	Fraud, financial impropriety or improper business practices. Potential for fraud, corruption, malpractice or error, by internal or external threats.	Immediate financial loss; reputational harm; inquiry costs and penalties.	2	3	6	Substantial	Compliance team focus on CT liability, Housing Benefit, Tax Reduction entitlement, exemptions and discounts. New Fin Regs & Procedures update financial controls. Internal audit reviews and oversight of fraud action plan. Fraud Awareness session provided at Manager Training.	1	3	3	→	Fraud risk assessment to be undertaken as part of 2019/20 internal audit plan	Dec-19
23	Andrew Small	Andy Barton	Equalities - Decisions taken by the Council do not consider equalities resulting in Judicial Review and other litigation	Reputational risk to the authority and inability to progress with strategic objectives of the organisation; potential cost to the Council if decisions made against the authority.	2	3	6	Moderate	Equalities steering group. Equality Impact Assessments performed. Annual Equalities report to Cabinet Jan18Post restructure, AVDC profile has been reviewed and is broadly consistent.	1	2	2	→		

Audit Committee
15 July 2019

AUDIT COMMITTEE WORK PROGRAMME

1 Purpose

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

2 Recommendations/for decision

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

3 Supporting information

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

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

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

4 Reasons for Recommendation

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

5 Resource implications

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

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

Appendix 1

AUDIT COMMITTEE WORK PROGRAMME 2018-19 & 2019-20

Item	Contact Officer	15 July 2019	25 Nov 2019	27 Jan 2020	24 Mar 2020
Audit Committee Work Programme	Kate Mulhearn	X	X	X	X
Member Training / Briefing Sessions (TBC)	Kate Mulhearn	X	X	X	X
Audit Committee Annual Report	Kate Mulhearn		X		
Audit Committee Review of Effectiveness	Kate Mulhearn				
External Audit Plan & fee letter	Nuala Donnelly			X	
External Audit - Audit Results Report (ISA 260)	Nuala Donnelly		X		
External Audit Annual Letter	Nuala Donnelly		X		
External Audit AGR for Grant Claims	Nuala Donnelly			X	
External Audit Update / Progress Report	Nuala Donnelly	X	X	X	X
Annual Internal Audit Strategy and Plan	Kate Mulhearn	X			
Internal Audit Annual Report	Kate Mulhearn	X			X
Annual Governance Statement	Kate Mulhearn		X		
Internal Audit Progress & Internal Audit Review Reports	Kate Mulhearn	X	X	X	X
Risk Management Report	Kate Mulhearn	X	X	X	X
Fraud Update Report (as required)	Kate Mulhearn				
Statement of Accounts (pre audit)	Andrew Small	X			
Post Audit Statement of Accounts	Andrew Small		X		
Working Balances	Andrew Small				X

* Reports will be prepared and presented by External Audit Manager, Sue Gill (EY)

AUDIT COMMMITTEE: ACTIONS TRACKER 2017-2019

Decision			Tracking			
Meeting Date **Action ID**	**Item and Recommendations**	**Contact Officer**	**Further Action (Yes/No)**	**Committee**	**Meeting Date**	**Status (√/O/X)**
ACTIONS ONGOING						
08/10/2018 **AT 7/18**	**Internal Audit Progress Report** 1. To ensure that a review of the Taxi Safeguarding policy was considered for inclusion in the Internal Audit Plan for 2019/20	Kate Mulhearn	Yes	Audit	25/3/2019	O
28/01/2019 **AT 1/19**	**External Audit Plan and Fee Letter** 1. Results of the audit work on the impact of the unitary decision on the Council's capacity to manage its operation during the transition stage	Nuala Donnelly	Yes	Audit	7/10/2019	O
28/01/2019 **AT 2/19**	**Internal Audit Progress Report** 1. That, should the outstanding actions and implementation of the findings of the Safeguarding 2016/17 Review not be completed by the end of March 2019, senior Officers and the Cabinet Member be requested to attend the Audit Committee in June 2019 to provide an update on the lack of progress.	Kate Mulhearn	Yes	Audit	25/3/2019	O

STATUS KEY: √ = complete, O = follow-up arranged, X = follow-up yet to be arranged
UPDATED 05.07.2019

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