Regulatory and Audit Committee
23 September 2014

Additional Documents

ATTACHED:

- **COVER REPORT**
- **STATEMENT OF ACCOUNTS**
- **AUDIT FINDINGS REPORT FOR BUCKINGHAMSHIRE COUNTY COUNCIL PENSION FUND**
- **BUCKINGHAMSHIRE COUNTY COUNCIL PENSION FUND LETTER OF REPRESENTATION**

Annual Findings Report and Letter of Representation for Buckinghamshire County Council to follow.

Buckinghamshire County Council
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Regulatory and Audit Committee

Title:	**Statement of Accounts for the year ending 31 March 2014**
Date:	23 September 2014
Author:	Richard Ambrose – Service Director (Finance & Commercial Services)
Contact officer:	Elspeth O'Neill - Financial Accountancy Manager Telephone (01296) 382130
Electoral divisions affected:	All

Summary

To present Grant Thornton's draft report on any significant findings from its audit of the Council's Statement of Accounts and Pension Fund.

On 25 June 2014 this Committee received the Unaudited Statement of Accounts for the Council and Pension Fund. At that stage the audit of the accounts had not commenced. Grant Thornton has now substantially completed this work, with work on investment confirmations and employee remuneration still outstanding. The Letter of Representation for the Council's Statement of Accounts is currently being finalised and will follow this report. Representatives from Grant Thornton will provide an update on their findings at the meeting.

Subject to the satisfactory resolution and completion of the above matters, we anticipate that Grant Thornton will provide **an unqualified opinion** on the financial statements for the Council and Pension Fund.

Value for money conclusion
The Council is responsible for putting in place proper arrangements to:
- secure economy, efficiency and effectiveness in your use of resources;
- ensure proper stewardship and governance; and
- review regularly the adequacy and effectiveness of these arrangements.

Grant Thornton provide a VFM conclusion based on whether the Council has proper arrangements in place for securing financial resilience and whether the Council has proper arrangements for challenging how it secures economy, efficiency and effectiveness in the prioritisation of resources.

Grant Thornton have indicated that they will issue a **qualified 'except for'** value for money conclusion as a result of the report by Ofsted issued in August 2014 which concluded that the overall effectiveness of Children's Services at the Council was judged to be inadequate.

Recommendation

That the Committee considers its response to the matters raised by Grant Thornton and agrees that the Statement of Accounts for Buckinghamshire County Council and Pension Fund for the financial year ended 31 March 2014 can be signed by the Chairman of this Committee.

That the Committee approves the Letters of Representation on behalf of the Council (to follow) and Pension Fund and agrees that it can be signed by the Chairman of this Committee.

That the Committee agrees the response to the proposed action plan within the Audit Findings Reports for the Council and Pension Fund.

County Council
Five changes to the accounts relating to classification have arisen to date as a consequence of the audit and been agreed with Grant Thornton. These relate to:

- Note 14 Asset disposals
- Note 20 Financial Instrument Investments
- Note 23 Creditors (three items)

There was no overall impact on the General Fund balance. A number of other small disclosure items have also been amended. A copy of the Statement of Accounts as amended and to be approved is included as part of the background papers. It should be noted that the audit has not yet concluded and further adjustments may be identified.

The audit has identified one unadjusted misstatement of -£2.1m in relation to depreciation charged on revalued assets. The Council has a policy of calculating depreciation on the opening value of assets before adjustments for additions, disposals or revaluations. This has been consistently applied and is permitted under the Code, provided that depreciation reflects the pattern of consumption of the asset and there has been no significant movement in asset balances. This will be reviewed in 2014/15 to confirm that the policy remains appropriate.

Members were advised at the meeting on 25 June 2014 that the Council's approach to the revaluation of property on a 5 year rolling programme by valuing 20% of items across all classes of property is non-compliant with the Code. The Code requires that all items in a single class should be revalued simultaneously. The Council's approach has not resulted in a material misstatement of asset values during 2013/14. We are currently reviewing our approach to valuations; however it is likely that we will also be non-compliant with the Code's requirements in 2014/15.

Pension Fund
Grant Thornton has now substantially completed work on the audit of the Pension Fund accounts, with work on Bank confirmations and the Annual Report still outstanding. Three changes to the accounts relating to points of disclosure have arisen to date as a consequence of the audit and been agreed with Grant Thornton. These relate to:

- Note 9 Investments
- Note 12 Financial Instruments
- Note 2 Post balance sheet event

During the audit Grant Thornton also identified some narrative presentation and disclosure issues that have also been amended. It should be noted that the audit has not yet concluded and further adjustments may be identified. The Statement of Accounts, letter of representation and Grant Thornton's Audit Findings Report for the Pension Fund were reported to the Pension Fund Committee on 11 September 2014.

Supporting information to include the following if a decision is being requested:

Resource implications

The overall position on the General Fund reserve is a decrease of £8.565m to £31.116m. Earmarked reserves have increased to £121.365m. The overall outturn and level of General Fund reserves has not changed following the audit.

Legal implications

None

Other implications/issues

None

Feedback from consultation, Local Area Forums and Local Member views (if relevant)

None

Background Papers

Statement of Accounts for the year ending 31 March 2013 – BCC and Pension Fund
Letter of Representation – BCC (to follow)
Letter of Representation – Pension Fund
Draft Audit Findings Report 2012/13 - BCC (provided by Grant Thornton)
Draft Audit Findings Report 2012/13 - Pension Fund

Buckinghamshire County Council

Statement of Accounts

For the year ending 31 March 2014

Contents

The Council's Responsibilities

The Council is required to:

- make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. In this Council, that officer is the Service Director (Finance and Commercial Services).
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- approve the Statement of Accounts, delegated to the Regulatory and Audit Committee.

The Service Director (Finance and Commercial Services) Responsibilities

The Service Director (Finance and Commercial Services) is responsible for the preparation of the Council's Statement of Accounts in accordance with proper practices as set out in the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Local Authority Accounting in the United Kingdom 2014 (the Code).

In preparing this Statement of Accounts, the Service Director (Finance and Commercial Services) has:

- selected suitable accounting policies and then applied them consistently
- made judgements and estimates that were reasonable and prudent
- complied with the Code
- kept proper accounting records which were up to date
- taken reasonable steps for the prevention and detection of fraud and other irregularities

Certificate of the Service Director (Finance and Commercial Services)

I certify that this Statement of Accounts for the year ended 31 March 2014 gives a true and fair view of the financial position of the Council as at 31 March 2014 and its income and expenditure for the year ended 31 March 2014.

Richard Ambrose
Date: September 2014
Service Director (Finance and Commercial Services)

Approval of the Statement of Accounts

In accordance with Section 8 of the Accounts and Audit Regulations 2011 I confirm that the Statement of Accounts was approved by the Regulatory and Audit Committee at its meeting held on 23rd September 2014.

Zahir Mohammed
Date: September 2014
Chairman of the Regulatory and Audit Committee

Opinion on the financial statements

We have audited the financial statements of Buckinghamshire County Council for the year ended 31 March 2014 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Group Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Group Comprehensive Income and Expenditure Statement, the Balance Sheet, the Group Balance Sheet, the Cash Flow Statement, the Group Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement and Collection Fund and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14.

This report is made solely to the members of Buckinghamshire County Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's Members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Director of Finance and Assets and Section 151 Officer and auditor

As explained more fully in the Statement of the Director of Finance and Assets and Section 151 Officer's Responsibilities, the Director of Finance and Assets and Section 151 Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board’s Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority and Group’s circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Director of Finance and Assets and Section 151 Officer and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the explanatory foreword to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of Buckinghamshire County Council as at 31 March 2014 and of its expenditure and income for the year then ended;
- give a true and fair view of the financial position of the Group as at 31 March 2014 and of its expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 and applicable law.

Opinion on other matters

In our opinion, the information given in the financial review for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007;
- we issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- we designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response; or
- we exercise any other special powers of the auditor under the Audit Commission Act 1998.

We have nothing to report in these respects.

Conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in the use of resources

Respective responsibilities of the Authority and the auditor

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements. We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission. We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

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

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2013, as to whether the Authority has proper arrangements for:

- securing financial resilience;
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2014. We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Conclusion

Basis of qualified conclusion

In seeking to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources, we have considered reports issued by other regulators. In August 2014, a report by Ofsted concluded that the overall effectiveness of Children's Services at the Council and the Local Safeguarding Children Board in the Buckinghamshire area were judged to be inadequate.

Qualified Conclusion
On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in November 2012, with the exception of the matter reported in the basis for qualified conclusion paragraph above, we are satisfied that in all significant respects, Buckinghamshire County Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2014.

Delay in certification of completion of the audit
We cannot formally conclude the audit and issue an audit certificate until we have completed our consideration of matters brought to our attention by local authority electors. We are satisfied that these matters do not have a material effect on the financial statements or a significant impact on our value for money conclusion.

Paul Grady
Director
for and on behalf of Grant Thornton UK LLP, Appointed Auditor
Grant Thornton House
Melton Street
Euston square
London
NW1 2EP
xx September 2014

Introduction

The Statement of Accounts contains four core statements. Each of the four core statements is accompanied by supplementary notes providing additional detail to the figures presented. The four core statements are:

- Movement in Reserves Statement - this statement shows the changes in the financial resources over the year. The total usable reserves held as at 31 March 2014 was £185.464m. Of this amount, £13.539m was earmarked for schools, £9.080m related to usable capital reserves, £10.364m related to capital grants, £31.116m was un-earmarked General Fund and £121.365m was General Fund earmarked for other purposes.
- Comprehensive Income and Expenditure Statement (CIES) - this statement shows the gains and losses that contributed towards the changes in resources shown in the Movement in Reserves Statement. The loss on the provision of services for 2013/14 was £19.381m.
- Balance Sheet - this statement shows how the resources available are held in the form of assets and liabilities. The net assets figure is balanced by the Total Reserves figure (see also Movement in Reserves Statement).
- Cash Flow Statement - this statement shows how the movement in resources has been reflected in cash flows. The starting point for this statement is the net surplus/deficit on the provision of services (see also Comprehensive Income and Expenditure Statement). The net increase in cash and cash equivalents during the year was £15.087m.

These four statements are supported by notes to the accounts, which provide supplementary information to aid the understanding of these statements and are rounded to the nearest thousand (£000) pounds.

The Statement of Accounts also contains information regarding the Pension Fund (see page 73), as Buckinghamshire County Council is the administering authority.

Financial Review

Although the wider economic picture is at last starting to show some signs of recovery the outlook for local authority budgets remains bleak. The Chancellor's Autumn Statement sets out a continued emphasis on national deficit reduction, which he is seeking to do predominantly through reducing public expenditure. The level of reductions to local government funding has recently been revised and includes further reductions within the current Spending Review period.

The chart below shows the percentage annual decrease in the funding settlement for the last few years and the provisional funding reduction going forward.

Percentage Change in Government Grants (Actual and Predicted)

Key Financial Risks

Given the reductions in government grant levels, the growing unavoidable expenditure pressures and the scale of reductions required the budget will inevitably contain a degree of risk. The key risks include: -

- **Impact of the Economic Downturn –** this is expected to continue into 2014/15 and the age of austerity seems likely to continue for at least the next 5 years. Key risks associated with the downturn include loss of income from fees and charges, reduced capital receipts realised on planned asset disposals and, potentially, an increased demand on services provided;
- **Achievability of Reductions –** the Council has a good track record of successfully delivering significant efficiency savings and service reductions. Further budget reductions have been included within the Medium Term Plan (£49m over the next 4 years).
- **Demand Led Budgets –** client numbers and levels of need for statutory services are notoriously difficult to control. Buckinghamshire has an ageing population and an increasing birth rate. Furthermore, the Council has struggled to contain the number of 'looked after children'. Although best efforts have been made to accurately forecast budget requirements, there will always be a degree of uncertainty.
- **Future Uncertainties –** there are number of uncertainties that may impact upon the Council's financial position post 2015. These include the potential inability to raise council tax levels (1.99% increase assumed in final two years of the Medium Term Plan), the loss of New Homes Bonus and the impact of the Care Bill from April 2016.
- The Council's overall track record for budget management has been very good. There has been no history of significant Council overspends at the year end and in most years overall budgets have come in below cash limits.

Revenue Budget

The table below shows the revenue outturn position against the budgeted income and expenditure for 2013/14.

Portfolio Area	Budget for year £000	Actual £000	Variance £000	Variance %
Portfolio				
Leader	4,861	4,834	(27)	(0.6%)
Community Engagement	14,011	14,008	(3)	(0.0%)
Health and Wellbeing	114,830	114,830	0	0.0%
Children's Services	39,782	42,241	2,459	6.2%
Education and Skills	25,071	24,564	(507)	(2.0%)
Finance and Resources	28,845	28,811	(34)	(0.1%)
Environment	22,022	21,924	(98)	(0.4%)
Planning and Transportation	29,844	29,845	1	0.0%
Client Transport	17,952	18,423	471	2.6%
Transformation Savings	0	0	0	0.0%
Subtotal - Portfolios	**297,219**	**299,480**	**2,262**	**0.8%**
Corporate Costs (Non Portfolio)				
Treasury Management & Capital Financing	37,572	38,051	479	1.3%
Contingencies	3,355	1,958	(1,397)	(41.6%)
Other Corporate Costs	1,128	472	(656)	(58.2%)
Subtotal - Corporate Costs	**42,055**	**40,481**	**(1,574)**	**(3.7%)**
Total	**339,274**	**339,961**	**688**	**0.2%**
Financing				
Council Tax*	(216,369)	(216,358)	11	(0.0%)
Council Tax Grant	(2,339)	(2,322)	17	(0.7%)
Revenue Support Grant	(58,444)	(58,443)	1	(0.0%)
Business Rates Retention	(14,720)	(14,801)	(81)	0.6%
Top Up Grant	(24,237)	(24,237)	0	0.0%
Education Service Grant	(6,809)	(7,194)	(385)	5.7%
Other Un-Ringfenced Grants	(3,965)	(4,701)	(736)	18.6%
Contrib to/(Use of) Earmarked Reserves	(3,300)	(3,340)	(40)	1.2%
Contrib to/(Use of) General Reserves	(9,091)	(9,091)	0	0.0%
Subtotal Financing	**(339,274)**	**(340,487)**	**(1,213)**	**0.4%**
Net	**0**	**(526)**	**(526)**	**0%**

*The Council Tax differs from the Council Tax shown on Note 6 (page 32) which includes an adjustment for the estimated surplus/deficit on the Collection Fund.

Overall the Council spent £0.526m less than the net revenue budget of £339.274m. Against the revenue budget for Portfolios of £297.219m there is an overspend of £2.262m (0.8%) at the end of the year.

The biggest contributing factor to the Portfolio outturn overspend is the Children's Services overspend of £2.459m. The main reasons for this are:

- A £1.658m overspend in external placements due to the increase in the number of looked after children;
- A £1.342m overspend in Children and Families, mainly due to an increase in commitments to meet the continuing statutory obligations to children and young people who have left care and support in the community, especially for families with disabled children with both growing demands and complex needs;
- The above overspends are offset by a £567k underspend in Prevention and Commissioning Services.

The other significant variances are:-

- £471k overspend in Client Transport which has been unable to meet some of the MTP savings targets set
- £507k underspend in Learning and Skills mainly due to Prevention and Commissioning Services staffing vacancies.

Capital budget

The four year capital programme has been developed following an assessment and prioritisation of aspirations against key Council priorities. This has allowed the Council to put significant investment into existing infrastructure in order to reduce the growing backlog of maintenance (Property and Highways). Furthermore, investment has also been allocated to enable the redesign of Day Care Services, for providing additional school places, for broadband expansion, for infrastructure development and for the proposed energy from waste (EfW) plant.

The Capital Programme shows slippage/net underspends of £31.131m (33%) against reprofiled planned budgets for the 2013/14 year. Significant variances are reported in the following areas:

- Education and Skills (£9.271m): The main variances are due to planning delays and adverse weather conditions on the Furzedown School project (£3.5m); temporary classrooms (£2.7m); planning delays and unforeseen site conditions at Mandeville School (£747k) and delays in the Area Plan and meetings with headteachers has led to an underspend on secondary school places (£610k).
- Finance and Resources (£8.889m): Largely due to slippage on the property maintenance programme (£4.9m) and a number of the major property schemes.
- Health and Wellbeing (£5.481m): Relating mainly to land purchase and programme delays in the delivery of the Day Care Strategy.
- Environment (£3.543m): Mainly due to planning delays for the Waste Transfer Stations.
- Planning and Transportation (£3.199m): Slippage on a number of schemes have contributed to this, with the main areas of slippage being East West Rail (£1m), which will be carried forward into 2014/15, bridges (£800k) which includes Abbey Way, Cycling Projects (£540k) and Casualty Reduction (£320k).

Portfolio		Budget 2013-14	Outturn	Variance	Variance
		£000	£000	£000	%
Leader	Spend	4,500	1,729	(2,771)	(62%)
	Funding	(2,500)	(378)	2,122	(85%)
Leader	**Net**	**2,000**	**1,351**	**(649)**	**(1)**
Community Engagement	Spend	249	129	(120)	(48%)
	Funding	(36)	(15)	21	(58%)
Community Engagement	**Net**	**213**	**114**	**(99)**	**(1)**
Health & Wellbeing	Spend	8,991	3,507	(5,485)	(61%)
	Funding	(4)	0	4	(100%)
Health & Wellbeing	**Net**	**8,987**	**3,507**	**(5,481)**	**(2)**
Education & Skills	Spend	69,488	58,331	(11,157)	(16%)
	Funding	(34,437)	(32,551)	1,886	(5%)
Education & Skills	**Net**	**35,051**	**25,780**	**(9,271)**	**0**
Finance and Resources	Spend	19,034	9,885	(9,149)	(48%)
	Funding	(2,419)	(2,159)	261	(11%)
Finance and Resources	**Net**	**16,615**	**7,726**	**(8,889)**	**(1)**
Environment	Spend	5,316	1,622	(3,693)	(69%)
	Funding	(209)	(59)	151	(72%)
Environment	**Net**	**5,106**	**1,564**	**(3,543)**	**-1**
Planning & Transportation	Spend	28,265	24,674	(3,591)	(13%)
	Funding	(2,647)	(2,255)	392	(15%)
Planning & Transportation	**Net**	**25,618**	**22,419**	**(3,199)**	**0**
Total Spend		135,843	99,877	(35,967)	**(26%)**
Total Funding		(42,253)	(37,417)	**4,836**	**(11%)**
Total Net		**93,590**	**62,460**	**(31,131)**	**(0)**

The capital outturn report is presented prior to the technical adjustment to recognise the EfW plant as an asset under construction.

Adequacy of Reserves

As well as a contingency budget, to enable those more uncertain budgets to be managed, general reserves (non-schools) are also held to meet unforeseen spending requirements and to provide stability in Medium Term Financial Planning. The level of reserves should take into account the strategic, operational and financial risks facing the authority and, as such, a review of the level of reserves has been undertaken as part of the budget formulation.

A further consideration in setting a prudent level of balances and setting a safe budget is the underlying trend of under/over spending against the budget set at the beginning of the year. The proposed budget assumes the use of some general reserves over the next four years which will bring the level down to an estimated £26m (8% of the Council's net budget requirement).

The Council holds other earmarked balance. The earmarked reserves total £121.365m as at 31 March 2014 and are forecast to reduce to £105.7m as at 31 March 2015. Some of these reserves can only be used for specific purposes, but others could be called upon if necessary and so provide additional flexibility. One of the reasons for the high level of earmarked reserves is due to the Council's policy to set aside funds to bring down the future cost of borrowing requirements for the Energy from Waste project.

General Accounting Principles

The Statement of Accounts summarises the Council's transactions for the 2013/14 financial year and its position at the year end of 31 March 2014. The Accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 (the Code) and the Service Reporting Code of Practice 2013/14 (SeRCOP), supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments. Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- revenue from the sale of goods or from the provision of services is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council
- expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made
- where income and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet.
- VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the principles of the CIPFA SeRCOP 2014. The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the Council's status as a multifunctional, democratic organisation.
- Non Distributed Costs – includes the cost of discretionary benefits awarded to employees retiring early.

These two cost categories are defined in SeRCOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Expenditure on Continuing Services.

The specific Accounting Policies that explain how transactions and other disclosures are recognised and measured in the accounts are shown alongside the relevant note. Only accounting policies that have a material impact on the Accounts are disclosed. Those specific to the Pension Fund are set out in the Pension Fund accounts on page 74.

Material and Unusual Charges or Credits in the Accounts

Significance of the Pensions Liability

The pensions liability shows the underlying commitments that the Council has in the long run to pay post-employment (retirement) benefits. The total liability of £471.109m (£429.417m in 2012/13) 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 2015 are £23.159m.

Prior Period Adjustment – Defined Benefit Pension Schemes

For 2013/14 the Council was required to change its accounting policy in relation to Defined Benefit Pension Schemes as a result of the Code's adoption of the amendments to IAS 19. This includes a change to the components of the defined benefit cost to recognise the net interest on the net defined benefit liability in the Financing and Investment Income and Expenditure line of the CIES and recognise the remeasurement of the net benefit liability in the Other Comprehensive Income and Expenditure line. The impact of the adjustment is to decrease the Surplus or Deficit on Provision of Services by £7.2m and increase Actuarial gains / losses within Other Comprehensive Income and Expenditure by £7.2m. Full details of the adjustment are shown in Note 13.

Energy from Waste

On 17 April 2013 the Council signed a 30-year contract for circa £315m with FCC Environment to build and operate an Energy from Waste (EfW) facility. Financial close was completed on 22nd August 2013 and construction commenced on site on 11 September 2013. An asset under construction has been recognised in the Authority's balance sheet of £36.057m based on the value of works as at 31 March 2014 certified by an independent certifier. A corresponding long-term liability has been recognised.

The arrangement requires the Council to pay the Facilities Payment Sum (a single bullet payment of £180m) which equates to 85% of the construction costs of the project once the plant is operational and has passed its acceptance tests. The payment is due three months after the planned service commencement date on 1 May 2016.

National Non-Domestic Rates

The Local Government Finance Act 2012 introduced from 1 April 2013 a business rates retention scheme that enables local authorities to retain a proportion of business rates generated in their area. This has resulted in a change in funding from a grant payment to locally retained business rates of £14.026m and a top up grant of £24.237m.

Local authorities have also assumed responsibility for refunding ratepayers who have successfully appealed against the rateable value of their properties. A provision of £1.111m has been recognised in the Accounts in this respect.

Public Health

On 1 April 2013 statutory responsibility for Public Health activities (ranging from cancer prevention and tackling obesity to sexual health services) transferred to the Council from the NHS primary care trusts funded from the ring-fenced public health grant of £15.681m. A new Service Expenditure Analysis (SEA) line has been included within the CIES for public health.

Future Developments in Service Delivery

Developments in service delivery that may impact significantly on amounts reported in the Statement of Accounts in future years include:

Future Shape of the Council

The Future Shape business case proposes a fundamental change in the way the Council operates. On 24 March 2014, Cabinet agreed to the implementation of the Future Shape model by April 2015.Key features of the Future Shape model:

- **Services will be delivered through a wide mix of models**
  Our ambition is to organise ourselves in the most commercially-minded way. We have considered a range of models for organising our Council, in particular moving to a model of a small Headquarters and devolved Business Units and a range of internal and external delivery vehicles.
- **A council that is financially sustainable and self-reliant**
  Investment in new technology to enable ‘smarter’ transactions with customers. Harnessing our property to generate income and creating hubs of public services.
- **A council that makes best use of resources and assets**
  With our new commercial focus, we will aim to achieve the best return on our assets.
- **A workforce that is lean, flexible and commercially skilled**
  Our people are our biggest asset and we need to invest in them to give them the right skills and capabilities to operate a commercial model.
- **Members priorities are delivered through outcome based commissioning**
  We will commission an organisation to deliver an outcome. The relevant business unit will use their expertise to propose the solution which would be agreed and monitored by our Members.
- **Residents will find it easy to do business with us**
  We want to allow our customers to be able to request it, renew it, tell us about it, pay for it, and apply for it through digital channels.

Buckinghamshire Council Museum Trust

On 16 April 2012, Cabinet agreed that a new charitable trust would be formed with the aim of transferring the operational running of the County Museum in Church Street, Aylesbury and the Museum Resource Centre in Halton to the new trust. The transfer is due to be completed by 1 July 2014. The museum has an operating budget of around £0.65m and around 25 employees are expected to transfer.
The Grade 2* Church Street Museum Site and the pre 1957 collections are owned by the Bucks Archaeological Society and leased to the Council at a peppercorn rent for 125 years. The value of Heritage Assets linked to the Museum is recognised in the balance sheet, as at 31 March 2014, at £5.2m.

Interests in Companies and Other Entities

Buckinghamshire Learning Trust

On 1 August 2013, Buckinghamshire Learning Trust commenced trading. Services to the value of around £8.9m transferred to the Trust including the School Improvement Service, Early Years Improvement Service, Schools, Workforce Development and Business Development. The Council is represented on the Trust Board, primarily through Cllr Mike Appleyard, Deputy Leader and Cabinet Member for Education & Skills. Although Council members comprise approx. 20% of the Board, in line with the Charity Commission’s rules around the independence of trustees, members of the Board must act solely in the interests of the Charity. The Trust is an independent charity and does not sit within the Council Group for accounting purposes.

Buckinghamshire Care

On 1 October 2013 Buckinghamshire Care (comprising Buckinghamshire Support Ltd and Buckinghamshire Care Ltd), a wholly owned subsidiary of Buckinghamshire County Council commenced trading. The Company was established to provide Day Care, Employment, Respite and Reablement Services and the results for the Group for 6 months of trading (before Tax and IAS19 Pensions adjustments) are shown below. The Council has not prepared Group Accounts on the grounds that there would be no material difference to the Single Entity Accounts. In the Council's own single-entity accounts, the interests in companies are recorded as equity share capital unpaid of £2.

	2013	6 months to 31 March 2014
Group Statement of Profit or Loss	**£**	**£**
Revenue	-	**4,200,037**
Cost of Sales	-	(3,081,002)
Gross Profit	-	**1,119,035**
Other Operating Expenses	-	(1,115,046)
Profit from Operations		**3,989**
Interest and Financing	-	**4,000**
Profit before Tax and Pensions	-	**7,989**

Group Consolidated Balance Sheet	**1 October 2013**	**31 March 2014**
	£	**£**
Intangible Assets	-	47,414
Tangible Assets	18,975	15,306
Total Non Current Assets	**18,975**	**62,720**
Stocks	36,087	36,595
Debtors	2	262,847
Cash at Bank and In Hand	-	921,431
Total Current Assets	**36,089**	**1,220,873**
Creditors: amounts falling due within one year	-	(1,031,395)
Current Provisions	(22,200)	(69,345)
Total Current Liabilities	**(22,200)**	**(1,100,740)**
Net Assets before Tax and Pension Scheme Liabilities	**32,864**	**182,853**
Defined beneffit pensions liability	-	(107,000)
Net Assets	32,864	75,853
Share Capital	2	2
Parent equity	32,862	26,443
Retained Earnings	-	49,408
Total Equity	**32,864**	**75,853**

Current Borrowing Facilities and Capital Borrowing

Gross External Borrowing and the Capital Financing Requirement

This indicator records the extent that gross external borrowing is less than the capital financing requirement (CFR). This is a key indicator of the Council's prudence in managing its capital expenditure and is designed to ensure that, over the medium term, external borrowing is only for a capital purpose. The values are measured at the end of the financial year. The figures for 2014/15 onwards are based on estimates:

	Actual 2013/14	2014/15	2015/16	2016/17	2017/18
	£000	£000	£000	£000	£000
Gross Borrowing	187,649	205,000	205,000	205,000	195,000
Capital Financing Requirement	247,801	343,161	343,104	335,328	325,366

The above figures show a significant increase in the CFR due to the construction of the EfW plant. The gross borrowing indicator assumes borrowing of £10m per annum in advance during 2014/15 and 2015/16 and a further £10m during 2016/17. The need for borrowing in advance will be reviewed on an ongoing basis. Additional borrowing may be required during 2016/17, although in practice much of this may be financed through a combination of earmarked reserves and current cash investments.

The indicator also includes £16m in 2014/15 borrowed on behalf of the Buckinghamshire Thames Valley Local Enterprise Partnership (BTVLEP) for Aylesbury Eastern Link Road and High Wycombe Town Centre Transport Projects. HM Treasury has agreed that the LEP can access the PWLB Project Rate at a discount of 40 basis points below the standard PWLB rate, the Council will arrange the loan and pay the interest to the PWLB in an agency arrangement on behalf of the LEP, the LEP will reimburse the costs incurred to the Council so that the loan is cost neutral to the Council.

During 2013/14, £5.732m of external borrowing was re-paid.

Internal and External Sources of Funds for Capital Expenditure

Authorities can finance schemes in a variety of ways including:

- The application of usable capital receipts. The capital receipts currently available to finance future years' capital expenditure can be seen in the Movement in Reserves Statement
- A direct charge to revenue or by use of earmarked revenue reserves. The balance of the Revenue Contributions to Capital Reserve and the Waste Reserve can be seen in the Earmarked Reserves Statement (Note 3)
- Application of a capital grant. The capital grants currently available to finance future years' capital expenditure can be seen in the Movement in Reserves Statement
- Contributions received from another party, including Developer Contributions
- Borrowing

Estimated capital expenditure for the next four years is shown below:

	2014/15	2015/16	2016/17	2017/18
	£000	£000	£000	£000
Estimates of expenditure	73,073	63,721	233,389	36,646

The profile reflects the projected actual payment of the Facilities Payment Sum (a single bullet payment of £180m) due in respect of the EfW plant in 2016/17.

The authorised borrowing limit provides a maximum figure that the Council could borrow at any given point during each financial year. This limit can only be increased with the approval of the full Council:

	Actual 2013/14	2014/15	2015/16	2016/17	2017/18
	£000	£000	£000	£000	£000
Authorised limit for borrowing	250,000	250,000	250,000	300,000	300,000
Authorised limit for other long term liabilities	10,000	10,000	10,000	10,000	10,000
Authorised limit for total external debt	260,000	260,000	260,000	310,000	310,000

A proposal to increase authorised borrowing limits will be taken to Council to reflect the growth in other long term liabilities due to the recognition of the PFI-type liability for EfW.

Accounting Standards that have been issued but have not yet been adopted

The 2014/15 Code of Practice includes the adoption of amendments to the following Accounting Standards –

- IFRS 10 *Consolidated Financial Statements*
- IFRS 11 *Joint Arrangements*
- IFRS 12 *Disclosures of Interests in Other Entities*
- IAS 27 *Separate Financial Statements*
- IAS 28 *Investments in Associates and Joint Ventures*
- IAS 32 *Financial Instruments (presentation change)*

These standards may impact on the Council's approach to Group accounts, however it is not anticipated that there would be a material impact on the financial statements. The 2013/14 Code has deferred the adoption of IFRS 13 *Fair Value Measurement* to the 2014/15 Code; as a result the financial statements do not include the measurement and disclosure requirements of the standard.

Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out throughout these accounts, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

- **Schools** non-current assets are recognised in the Accounts based on the extent to which the Council controls the future service potential of the school, rather than the ownership of the underlying assets. As a result the non-current assets of Community schools and Voluntary Controlled schools are included in the balance sheet but the non-current assets of Foundation schools and Voluntary Aided schools are excluded. The income and expenditure for all of these schools is included within the CIES as their funding allocation (DSG) is controlled by the Council. Academy schools non-current assets and income and expenditure are not recognised within the Statement of Accounts.

  There is currently a consultation regarding accounting for schools which proposes all schools apart from Academies should be brought onto the balance sheet. Currently the value of schools on the balance sheet is £525.627m. If the proposal is adopted it is estimated that this would increase in valuation by approx. £100m to around £626m.

- **Infrastructure Assets (including Highways)** are currently recognised in the Balance Sheet on a depreciated historical cost basis at £294.6m. This is in accordance with the 2013/14 Code. Consultation is being undertaken to move to a depreciated replacement cost basis. It is estimated that a change in basis would result in a valuation of £3.5bn.

- **Teachers' Pension Scheme** is accounted for as a Defined Contribution Scheme as the liabilities attributable to the Council cannot be specifically identified. The Scheme is an unfunded defined benefit scheme. It is estimated that the liabilities attributable to the Scheme would be significant.

- **Service Concession Arrangements** have been recognised in the balance sheet during the construction phase as the Council is held to control the beneficial entitlement to the asset. The value of the asset and corresponding liability that has been recognised is £36.057m.

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 2014 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Depreciation (and amortisation of intangible assets)	Useful lives of assets are estimated and components are only recognised and depreciated separately where the asset value is greater than £1m. The Council relies on the expertise of a qualified valuer to provide these estimates based on his professional opinion and experience	Any increase or decrease in component values and useful lives will affect the level of depreciation and the carrying value of the assets. Since each asset has a different remaining useful life, it is not practicable to quantify the potential impact of any changes on the figures that appear in the Statement of Accounts. The carrying amount of assets subject to depreciation is £1.045bn.
Valuations / Impairments	Valuations and impairments are arrived at by a qualified valuer based on the latest guidance from the Royal Institute of Chartered Surveyors. Actual values may be higher or lower depending on variations in market conditions	Impracticable to quantify - assumptions are standard recommended practice for valuation of properties. The carrying amount of assets subject to revaluation and impairment is £1.085bn inclusive of assets under construction and service concession arrangements.
Pensions Liability	The valuation of the liability is based on a number of assumptions	The value of the liability may increase/decrease. Sensitivity to some of the key assumptions is provided in Note 13. The carrying amount of the liability is £471.109m.

Material Items of Income and Expense Not Disclosed in Other Notes to the Core Financial Statements

Minimum Revenue Provision (MRP)

The Council is required to set aside a minimum amount from revenue for the repayment of debt. The amount set aside is calculated on the following basis:

- Debt relating to capital expenditure incurred prior to 1 April 2008 is calculated broadly on the basis of 4% of the Council's Capital Financing Requirement (reducing balance).

- Debt relating to capital expenditure incurred from 1 April 2008 is calculated broadly on the annuity asset life method. The MRP charge in relation to this expenditure will apply from the year following the year in which the asset becomes operational.

The MRP charge for 2013/14 is £8.408m (£8.832m for 2012/13). The amount charged to services as depreciation is reversed in Note 2 and replaced by the MRP.

Events after the Balance Sheet Date

The Statement of Accounts was authorised for issue by the Service Director Finance and Commercial Services on 23rd September 2014. 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 2014, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

Academy Schools

As at 23rd September 2014, three further schools have converted to academy status. The value of the buildings that have transferred to two schools under a finance lease are recorded in the balance sheet as at 31 March 2014 at £6.943m. The remaining school was a Foundation school therefore not affecting the Balance sheet. The value of this school as at 31 March 2014 was £14.805m. It is possible that further schools will convert to academy status during 2014/15.

Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure (revenue or capital), or reduce local taxation) and unusable reserves. The Surplus or Deficit on the Provision of Services line shows the true economic cost of providing the Council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. This is different from the statutory amounts required to be charged to the General Fund Balance for Council Tax setting purposes. Authorities raise taxation to cover expenditure in accordance with regulations. The Net Increase/Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council. The unusable reserves hold unrealised gains and losses (for example the Revaluation Reserve) and account for differences under regulations between accounting basis and funding basis which are detailed in Note 2.

	General Fund Balance £000	Earmarked Schools Revenue Balances £000	Earmarked Schools Devolved Formula Capital £000	Earmarked General Fund Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied Account £000	Total Usable Reserves £000	Unusable Reserves £000	Total Reserves £000
Balance at 1 April 2013	**(39,681)**	**(10,540)**	**(3,114)**	**(105,014)**	**(8,172)**	**(46,954)**	**(213,475)**	**(392,696)**	**(606,171)**
Movement in reserves during 2013/14									
(Surplus) or deficit on the Provision of Services	19,381	-	-	-	-	-	19,381	-	19,381
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	**17,412**	**17,412**
Total Comprehensive Income and Expenditure	**19,381**	**-**	**-**	**-**	**-**	**-**	**19,381**	**17,412**	**36,794**
Adjustments between accounting basis & funding basis under regulations (Note 2)	(27,052)	-	-	-	(908)	36,590	8,630	(8,630)	-
Net (Increase) / Decrease before Transfers to Earmarked Reserves	**(7,671)**	**-**	**-**	**-**	**(908)**	**36,590**	**28,011**	**8,783**	**36,794**
Transfers to/(from) Earmarked Reserves (Note 3)	16,236	(209)	324	(16,351)	-	-	-	-	-
(Increase) / Decrease in 2013/14	**8,565**	**(209)**	**324**	**(16,351)**	**(908)**	**36,590**	**28,011**	**8,783**	**36,794**
Balance at 31 March 2014	**(31,116)**	**(10,749)**	**(2,790)**	**(121,365)**	**(9,080)**	**(10,364)**	**(185,464)**	**(383,913)**	**(569,377)**

Restated figures for 2012/13

Restated	General Fund Balance £000	Earmarked Schools Revenue Balances £000	Earmarked Schools Devolved Formula Capital £000	Earmarked General Fund Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied Account £000	Total Usable Reserves £000	Unusable Reserves £000	Total Reserves £000
Balance at 1 April 2012	**(35,861)**	**(10,436)**	**(4,407)**	**(88,500)**	**(15,103)**	**(25,178)**	**(179,485)**	**(403,564)**	**(583,049)**
Movement in reserves during 2012/13									
(Surplus) or deficit on the Provision of Services	(72)	-	-	-	-	-	(72)	-	**(72)**
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	**(23,050)**	**(23,050)**
Total Comprehensive Income and Expenditure	**(72)**	**-**	**-**	**-**	**-**	**-**	**(72)**	**(23,050)**	**(23,122)**
Adjustments between accounting basis & funding basis under regulations (Note 2)	(19,073)	-	-	-	6,931	(21,776)	(33,918)	33,918	-
Net (Increase) / Decrease before Transfers to Earmarked Reserves	**(19,145)**	**-**	**-**	**-**	**6,931**	**(21,776)**	**(33,990)**	**10,868**	**(23,122)**
Transfers to/(from) Earmarked Reserves (Note 3)	15,325	(104)	1,293	(16,514)	-	-	-	-	-
(Increase) / Decrease in 2012/13	**(3,820)**	**(104)**	**1,293**	**(16,514)**	**6,931**	**(21,776)**	**(33,990)**	**10,868**	**(23,122)**
Balance at 31 March 2013 carried forward	**(39,681)**	**(10,540)**	**(3,114)**	**(105,014)**	**(8,172)**	**(46,954)**	**(213,475)**	**(392,696)**	**(606,171)**

Further details regarding the transactions and balances of earmarked reserves can be seen in Note 3.

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. The statutory General Fund position is shown in the Movement in Reserves Statement. The 2012/13 figures have been restated following the Code's adoption of the amendments to IAS19 for Defined Benefit Pension Schemes. Full details of the adjustment are shown in Note 13.

Restated 2012/13				2013/14		
Gross Expenditure £000	Gross Income £000	Net Expenditure £000		Gross Expenditure £000	Gross Income £000	Net Expenditure £000
2,090	(1,383)	707	Central Services to the Public	2,372	(1,410)	962
795	(57)	738	Court Services	772	(29)	743
14,911	(2,669)	12,242	Culture and Related Services	11,896	(2,305)	9,591
33,674	(1,860)	31,814	Environment and Regulatory Services	26,016	(1,856)	24,160
3,836	(1,262)	2,574	Planning Services	3,919	(1,469)	2,450
455,318	(316,450)	138,868	Education and Children's Services	467,962	(312,280)	155,682
48,836	(5,061)	43,775	Highways and Transport Services	53,372	(5,724)	47,648
4,561	(53)	4,508	Other Housing Services	4,494	-	4,494
149,711	(55,686)	94,025	Adult Social Care	157,444	(35,083)	122,361
-	-	-	Public Health	12,879	(15,853)	(2,974)
2,517	(996)	1,521	Corporate and Democratic Core	2,980	(486)	2,494
691	-	691	Non Distributed Costs	-	(1,526)	(1,526)
716,939	**(385,477)**	**331,462**	**Cost of Services**	**744,106**	**(378,021)**	**366,085**
29,855	-	29,855	Other Operating Expenditure (Note 4)	865	-	865
31,098	(2,701)	28,397	Financing and Investment Income and Expenditure (Note 5)	29,590	(2,199)	27,391
-	(389,786)	(389,786)	Taxation and Non-Specific Grant Income (Note 6)	-	(374,960)	(374,960)
777,892	**(777,964)**	**(72)**	**(Surplus) or Deficit on Provision of Services**	**774,561**	**(755,180)**	**19,381**
		(11,450)	(Surplus) or Deficit on Revaluation of Non-Current Assets (Note 14)			(7,112)
		(11,600)	Actuarial (gains)/losses on Pension Assets/Liabilities (Note 13)			24,525
		(23,050)	**Other Comprehensive Income and Expenditure**			**17,413**
		(23,122)	**Total Comprehensive Income and Expenditure**			**36,794**

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 (assets less liabilities) are matched by the reserves held by the Council.

31 March 2013 £000		Notes	31 March 2014 £000
1,026,325	Property, Plant & Equipment	14	1,084,590
7,550	Heritage Assets	17	7,550
3,007	Intangible Assets	18	2,524
1,764	Long Term Investments	20	15,440
22,616	Long Term Debtors	23	21,422
1,061,262	**Long Term Assets**		**1,131,526**
207,547	Short Term Investments	20	89,651
-	Temporary Loans	20	1,463
7,897	Assets Held for Sale	19	6,319
132	Inventories		264
41,558	Short Term Debtors	23	43,656
36,426	Available for Sale Financial Assets	20	82,080
641	Cash and Cash Equivalents	22	15,728
294,201	**Current Assets**		**239,161**
(8,000)	Short Term Borrowing	20	(13,453)
(15,779)	Temporary Loans	20	-
(97,005)	Short Term Creditors	23	(99,521)
(7,601)	Current Provisions	24	(637)
(128,385)	**Current Liabilities**		**(113,611)**
(5,562)	Provisions and Long Term Liabilities	24	(6,337)
(185,928)	Long Term Borrowing	20	(174,196)
-	PFI / Service Concession Arrangements	16	(36,057)
(429,417)	Pension Liability	13	(471,109)
(620,907)	**Long Term Liabilities**		**(687,699)**
606,171	**Net Assets**		**569,377**
(213,475)	Usable Reserves	MiRS*	(185,464)
(392,696)	Unusable Reserves	25	(383,913)
(606,171)	**Total Reserves**		**(569,377)**

*MiRS - Movement in Reserves Statement (see page 18)

The Cash Flow Statement shows the changes in cash and cash equivalents 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 from 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. lenders) to the Council.

Restated 2012/13 £000		**2013/14 £000**
(71)	Net (surplus) or deficit on the provision of services	19,381
(89,206)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	(66,669)
70,472	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	52,987
(18,805)	**Net cash flows from Operating Activities**	**5,700**
52,164	Purchase of property, plant and equipment, investment property and intangible assets	67,246
2,379,833	Purchase of short-term and long-term investments	993,145
(4,399)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(10,551)
(2,280,012)	Proceeds from short-term and long-term investments	(1,034,470)
(66,073)	Other receipts from investing activities	(42,436)
81,511	**Net cash flows from investing activities**	**(27,066)**
11,504	Repayments of short and long-term borrowing	6,279
11,504	**Net cash flows from financing activities**	**6,279**
74,210	**Net (increase) or decrease in cash and cash equivalents**	**(15,087)**
74,851	Cash and cash equivalents at the beginning of the reporting period	641
641	**Cash and cash equivalents at the end of the reporting period**	**15,728**

1 - Amounts Reported for Resource Allocation Decisions

The analysis of income and expenditure by service on the face of the CIES is that specified by the CIPFA SeRCOP. However, decisions about resource allocation are taken by the Council's Cabinet on the basis of budget reports analysed across Cabinet member portfolios. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- no charges are made in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged to services in the Comprehensive Income and Expenditure Statement)
- the cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year
- expenditure on some support services is budgeted for centrally and not charged to front-line services

The income and expenditure of the Council's portfolios recorded in the budget reports for the year is as follows:

Portfolio Area	Net Expenditure per Outturn Report £000	Fees & Charges £000	Government Grants £000	Total Income £000	Employee Expenses £000	Other Operating Expenses £000	Recharges £000	Total Expenditure £000
Leader	4,834	(31)	(62)	(94)	3,914	997	17	4,928
Community Engagement	14,008	(3,315)	-	(3,315)	10,523	6,715	85	17,323
Health & Wellbeing	114,830	(34,752)	(15,765)	(50,517)	16,945	147,945	457	165,347
Children's Services	42,241	(3,549)	(1,821)	(5,370)	16,309	29,877	1,426	47,611
Education and Skills	42,987	(28,043)	(283,340)	(311,383)	210,544	137,418	6,408	354,369
Finance and Resources	28,811	(3,817)	-	(3,817)	25,919	4,427	2,282	32,628
Environment	21,924	(2,548)	(84)	(2,632)	2,820	21,442	294	24,556
Planning & Transport	29,845	(5,265)	(378)	(5,644)	3,488	31,682	318	35,489
Sub-Total Portfolios	**299,480**	**(81,319)**	**(301,451)**	**(382,770)**	**290,460**	**380,503**	**11,287**	**682,250**
Corporate Costs	40,481	(3,070)	(31)	(3,101)	1,150	42,432	-	43,582
Total	**339,962**	**(84,389)**	**(301,481)**	**(385,870)**	**291,610**	**422,936**	**11,287**	**725,832**

Financing	(329,531)	(231,159)	(98,371)	(329,531)	-	-	-	-
Earmarked Reserves	(1,866)	-	-	-	-	(1,866)	-	(1,866)
Net (surplus) / deficit	**8,565**	**(315,548)**	**(399,853)**	**(715,401)**	**291,610**	**421,070**	**11,287**	**723,966**
Planned Use of General Fund	(9,091)							
Net Budget (surplus) / deficit	**(526)**							

Comparative Figures 2012/13

Portfolio Area	Net Expenditure per Outturn Report £000	Fees & Charges £000	Government Grants £000	Total Income £000	Employee Expenses £000	Other Operating Expenses £000	Recharges £000	Total Expenditure £000
Leader	4,753	(52)	(670)	(722)	3,818	1,723	(66)	5,475
Community Engagement	14,461	(3,519)	(232)	(3,751)	10,653	7,524	35	18,212
Health & Wellbeing	94,810	(35,511)	(16,458)	(51,969)	16,468	129,973	338	146,779
Children's Services	38,304	(1,383)	(1,100)	(2,483)	15,311	23,878	1,598	40,787
Education and Skills	25,979	(32,468)	(277,479)	(309,947)	216,686	113,238	6,002	335,926
Finance and Resources	29,859	(5,306)	-	(5,306)	26,226	6,351	2,588	35,165
Environment	21,597	(2,525)	(87)	(2,612)	2,697	20,998	514	24,209
Planning & Transport	46,549	(7,544)	(129)	(7,673)	5,096	48,866	260	54,222
Sub-Total Portfolios	**276,312**	**(88,308)**	**(296,155)**	**(384,463)**	**296,955**	**352,551**	**11,269**	**660,775**
Corporate Costs	42,382	(3,493)	-	(3,493)	441	45,347	87	45,875
Total	**318,694**	**(91,801)**	**(296,155)**	**(387,956)**	**297,396**	**397,898**	**11,356**	**706,650**

Financing	(323,712)	(233,651)	(90,061)	(323,712)	-	-	-	-
Earmarked Reserves	1,200	-	-	-	-	1,200	-	1,200
Use of General Fund	**(3,818)**	**(325,452)**	**(386,216)**	**(711,668)**	**297,396**	**399,098**	**11,356**	**707,850**
Planned Use of General Fund	(5,648)							
Net Budget (surplus) / deficit	**(9,466)**							

Reconciliation of Income and Expenditure Reported to Cabinet to Cost of Services in the Comprehensive Income and Expenditure Statement

This reconciliation shows how the figures in the analysis of income and expenditure reported to Cabinet relate to the amounts included in the CIES.

	2012/13	2013/14
	£000	£000
Net expenditure per the Outturn report	(3,818)	8,565
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	70,413	75,546
Amounts in the Analysis not reported in the Net Cost of Service in the Comprehensive Statement of Income and Expenditure	264,487	281,976
Cost of Services in Comprehensive Income and Expenditure Statement	**331,082**	**366,086**

Reconciliation to Subjective Analysis

This reconciliation shows how the figures in the analysis of income and expenditure reported to Cabinet relate to a subjective analysis of the Surplus or Deficit on the Provision of Services included in the CIES.

	Outturn £000	Partnerships & Trading Accounts £000	Amounts not reported to management for decision making £000	Amounts not included in Net Cost of Services £000	Allocation of Recharges £000	Cost of Services £000	Corporate Amounts £000	Total £000
Fees, charges & other service income	(81,794)	(4,145)	-	-	35,780	(50,158)	-	(50,158)
Interest and investment income	(2,183)	-	(22)	2,197	-	(8)	(2,197)	(2,205)
Income Council Tax & NNDR	(231,159)	-	(2,994)	234,153	-	-	(234,429)	(234,429)
Government grants and contributions	(399,822)	(2,497)	(42,436)	140,807	-	(303,948)	(140,531)	(444,479)
Total Income	**(714,958)**	**(6,642)**	**(45,452)**	**377,157**	**35,780**	**(354,114)**	**(377,157)**	**(731,271)**
Employee expenses	291,047	6,246	115	(1,201)	-	296,208	18,150	314,358
Other service expenses	414,916	9,145	2,994	(39,679)	(38,813)	348,563	27	348,590
Support Service recharges	5,694	(8,727)	-	-	3,033	-	-	-
Application of capital grants	-	-	42,436	(42,436)	-	-	-	-
Depreciation, amortisation and impairment	-	-	75,430	-	-	75,430	-	75,430
Interest Payments	11,410	-	-	(11,410)	-		11,410	11,410
Precepts & Levies	456	-	-	(456)	-	-	456	456
Gain or Loss on Disposal of non current Assets	-	-	-	-	-	-	409	409
Total Expenditure	**723,523**	**6,665**	**120,974**	**(95,182)**	**(35,780)**	**720,200**	**30,452**	**750,652**
Surplus or deficit on the provision of services	**8,565**	**23**	**75,523**	**281,976**	**-**	**366,086**	**(346,705)**	**19,381**

Comparative figures for 2012/13

	Analysis £000	Amounts not reported to management for decision making £000	Amounts not included in Net Cost of Services £000	Allocation of Recharges £000	Cost of Services £000	Corporate Amounts £000	Total £000
Fees, charges and other service income	(89,132)	(21,842)	-	35,706	(75,268)	-	(75,268)
Interest and investment income	(2,669)	(49)	2,718		-	(2,717)	(2,717)
Income from Council Tax	(233,651)	-	233,651		-	(233,651)	(233,651)
Government grants and contributions	(386,218)	(1,692)	90,061		(297,849)	(156,135)	(453,984)
Total Income	**(711,670)**	**(23,583)**	**326,430**	**35,706**	**(373,117)**	**(392,503)**	**(765,620)**
Employee expenses	297,397	36,386	-		333,783		333,783
Other service expenses	386,290	(19,330)	(49,133)	(22,474)	295,353	11,876	307,229
Support Service recharges	11,355	1,877		(13,232)	-		-
Depreciation, amortisation and impairment	-	75,063	-		75,063		75,063
Interest Payments	12,398	-	(12,398)		-	12,398	12,398
Precepts and Levies	412	-	(412)		-	412	412
Gain or (Loss) on Disposal of non current Assets					-	29,443	29,443
Total Expenditure	**707,852**	**93,996**	**(61,943)**	**(35,706)**	**704,199**	**54,129**	**758,328**
Surplus or deficit on the provision of services	**(3,818)**	**70,413**	**264,487**	**-**	**331,082**	**(338,374)**	**(7,293)**

2 - Adjustments between Accounting Basis and Funding Basis under Regulations

This note analyses the differences between the CIES compiled in accordance with proper accounting practice and the resource specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure.

General Fund Balance

The General Fund is the statutory fund into which all the receipts of an authority are required to be paid and out of which all liabilities of the authority are to be met, except to the extent that statutory rules might provide otherwise. The General Fund Balance summarises the resources that the Council is statutorily empowered to spend on its services or on capital investment at the end of the financial year.

Capital Receipts Reserve

The Capital Receipts Reserve holds the proceeds from the disposal of land or other assets. The reserve is restricted by statute from being used other than to fund new capital expenditure or to repay debt. The balance on the reserve shows the resources that have yet to be applied for these purposes at the year end.

Capital Grants Unapplied Reserve

The Capital Grants Unapplied Reserve 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.

2013/14

	Usable Reserves			
	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied Reserve £000	Movement in Unusable Reserves £000
Adjustments primarily involving the Capital Adjustment Account:				
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:				
Charges for depreciation and impairment of non-current assets	(32,236)	-	-	32,236
Revaluation losses on Property, Plant and Equipment	(5,242)	-	-	5,242
Amortisation of intangible assets	(1,162)	-	-	1,162
Capital grants and contributions applied	32,665	-	-	(32,665)
Writedow n of final deferred charges	-			
Revenue Expenditure Funded from Capital Under Statute	(32,630)	-	-	32,630
Expenditure recategorised as REFCUS financed in prior year	(4,159)	-		4,159
Amounts of non-current assets w ritten off on disposal as part of the (gain)/loss on disposal to the Comprehensive Income and Expenditure Statement	(11,411)	-	-	11,411
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Statutory provision for the financing of capital investment (minimum revenue provision)	8,408	-	-	(8,408)
Capital expenditure financed from the General Fund	9,778	-	-	(9,778)
Voluntary minimum revenue provision	1,961	-	-	(1,961)
Adjustments primarily involving the Capital Grants Unapplied Reserve:				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	9,771	-	(9,771)	
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	46,361	(46,361)
Adjustments primarily involving the Capital Receipts Reserve:				
Transfer of cash sale proceeds credited as part of the (gain)/loss on disposal to the Comprehensive Income and Expenditure Statement	10,551	(10,551)	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	11,072	-	(11,072)
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	-	(1,429)	-	1,429
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	451	-	-	(451)
Adjustments primarily involving the Financial Instruments Adjustment Account:				
Amount by w hich finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance w ith statutory requirements	160	-	-	(160)
Adjustments primarily involving the Pension Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(42,481)	-	-	42,481
Employer's pensions contributions and direct payments to pensioners payable in the year	25,314	-	-	(25,314)
Adjustments primarily involving the Collection Fund Adjustment Account:				
Amount by w hich Council Tax & NNDR income credited to the CIES is different from Council Tax& NNDR income calculated for the year in accordance w ith statutory requirements	2,994	-	-	(2,994)
Adjustments primarily involving the Accumulated Absences Account:				
Amount by w hich officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accrual basis is different from remuneration chargeable in the year in accordance w ith statutory requirements	217	-	-	(217)
Total Adjustments	**(27,052)**	**(908)**	**36,590**	**(8,630)**

2012/13 Comparative Figures

Restated	Usable Reserves			
	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied Reserve £000	Movement in Unusable Reserves £000
Adjustments primarily involving the Capital Adjustment Account:				
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:				
Charges for depreciation and impairment of non-current assets	(34,144)	-	-	34,144
Revaluation losses on Property, Plant and Equipment	(13,082)	-	-	13,082
Amortisation of intangible assets	(1,430)	-	-	1,430
Capital grants and contributions applied	36,249	-	-	(36,249)
Revenue Expenditure Funded from Capital Under Statute	(26,407)	-	-	26,407
Amounts of non-current assets w ritten off on disposal as part of the (gain)/loss on disposal to the Comprehensive Income and Expenditure Statement	(30,577)	-	-	30,577
Statutory provision for the financing of capital investment (minimum revenue provision)	8,832	-	-	(8,832)
Capital expenditure financed from the General Fund	21,571	-	-	(21,571)
Voluntary minimum revenue provision	1,961	-		(1,961)
Adjustments primarily involving the Capital Grants Unapplied Reserve:				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	29,824	-	(29,824)	-
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	8,048	(8,048)
Adjustments primarily involving the Capital Receipts Reserve:				
Transfer of cash sale proceeds credited as part of the (gain)/loss on disposal to the Comprehensive Income and Expenditure Statement	5,222	(5,222)	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	12,702	-	(12,702)
Contribution from the Capital Receipts Reserve tow ards the costs of non-current asset disposals	(823)	823	-	
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	-	(1,372)	-	1,372
Write Dow n of deferred capital receipts	(3,264)	-	-	3,264
Adjustments primarily involving the Financial Instruments Adjustment Account:				
Amount by w hich finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance w ith statutory requirements	160	-	-	(160)
Adjustments primarily involving the Pension Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(41,834)	-	-	41,834
Employer's pensions contributions and direct payments to pensioners payable in the year	26,502	-	-	(26,502)
Adjustments primarily involving the Collection Fund Adjustment Account:				
Amount by w hich Council Tax income credited to the Comprehensive Income and Expenditure Statement is different from Council Tax income calculated for the year in accordance w ith statutory requirements	171	-	-	(171)
Adjustments primarily involving the Accumulated Absences Account:				
Amount by w hich officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accrual basis is different from remuneration chargeable in the year in accordance w ith statutory requirements	1,996	-	-	(1,996)
Total Adjustments	**(19,073)**	**6,931**	**(21,776)**	**33,918**

3 - Transfers To/From Earmarked 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 in that year against the Surplus or Deficit on the Provision of Services in the CIES. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against Council Tax for the expenditure.

	Balance at 1 April 2012	Transfers Out 2012/13	Transfers In 2012/13	Balance at 31 March 2013	Transfers Out 2013/14	Transfers In 2013/14	Balance at 31 March 2014
	£000	£000	£000	£000	£000	£000	£000
Earmarked General Fund Reserves							
A - Revenue Contribution to Capital	(26,530)	20,848	(18,125)	(23,807)	7,274	(14,727)	(31,260)
B - Doubtful Debt Reserve	(1,458)	1	-	(1,457)	409	-	(1,048)
C - Priority Spend	(2,271)	1,029	(322)	(1,564)	316	(5)	(1,253)
D - Learning Skills Council Reserve	(369)	-	(46)	(415)	-	(114)	(529)
E - Efficiency Fund and SALIX	(1,569)	1,057	(1,590)	(2,102)	849	(493)	(1,746)
F - Commuted Sums	(464)	-	(47)	(511)	-	(25)	(536)
G - Renew als	(2,010)	1,222	(1,637)	(2,425)	1,753	(1,387)	(2,059)
H - Insurance	(3,827)	6	(1,082)	(4,903)	1,066	(1,217)	(5,054)
I - Election Expenses	(249)	-	(212)	(461)	288	-	(173)
J - Transformation	(732)	-	(1,011)	(1,743)	1,743	(2,559)	(2,559)
K - Social Care	(6,224)	1,376	(6,795)	(11,643)	13,383	(9,697)	(7,957)
L - Waste	(17,696)	1,129	(11,407)	(27,974)	-	(8,935)	(36,909)
M - Revenue Grants Unapplied	(6,960)	760	(132)	(6,332)	24	(5,033)	(11,341)
N - DSG carry forw ard	(11,166)	3,566	(4,349)	(11,949)	4,184	(45)	(7,810)
O - Strategic Asset Development	-	-	-	-	258	(1,750)	(1,492)
AA - Other	(6,976)	1,731	(2,484)	(7,729)	1,817	(3,728)	(9,640)
Subtotal	**(88,501)**	**32,725**	**(49,239)**	**(105,015)**	**33,364**	**(49,715)**	**(121,366)**
Earmarked for Schools							
AB - Earmarked Schools Revenue Balances	(10,436)	12,967	(13,071)	(10,540)	11,886	(12,095)	(10,749)
AB - Earmarked Schools Devolved Formula Capital	(4,407)	4,407	(3,114)	(3,114)	3,115	(2,791)	(2,790)
Subtotal	**(14,843)**	**17,374**	**(16,185)**	**(13,654)**	**15,001**	**(14,886)**	**(13,539)**
Total	**(103,344)**	**50,099**	**(65,424)**	**(118,669)**	**48,365**	**(64,601)**	**(134,905)**

A) The Revenue Contribution to Capital Reserve is used for the financing of capital expenditure. The balance represents amounts set aside to fund future capital schemes.

B) The Doubtful Debt Reserve relates to the amounts that the Council is setting aside to mitigate the risk of bad debts.

C) The Priority Spend Reserve is to help address Council budget priorities.

D) The Learning Skills Council (LSC) reserve is used as a mechanism for equalising under and overspends on the adult learning budgets. These budgets are monitored on an academic year basis rather than a financial year.

E) The Efficiency Fund and Salix Reserve is called on by Portfolios to finance initial expenditure on projects that will lead to longer-term savings. The repayment of Salix loans is recycled to fund further projects.

F) The Commuted Sums Reserve is made up of payments from private developers to compensate the Council for additional costs incurred in maintaining infrastructure associated with new developments.

G) The Renewals Reserve is used for the financing of capital expenditure. The balance represents amounts set aside to fund future purchases, particularly vehicles and computers.

H) The Insurance Reserve relates to the estimated liabilities in respect of insurance claims not yet notified.

I) The Election Expenses Reserves has been set up to fund the expenses for the full Council elections which occur every four years.

J) The Transformation Reserve is used to fund upfront work required to achieve future savings resulting from the Council's service transformation activities.

K) The Social Care Reserve supports a range of projects that have social care and health benefits. The funding for these projects is fully allocated to the ongoing projects.

L) The Waste Reserve has been established to smooth the financial impact of the Energy from Waste project to reduce future borrowing requirements in 2016/17.

M) The Revenue Grants Unapplied Reserves has been established to set aside unringfenced, unused revenue grants to be used in future years (included in this is Public Health Grant of £3.400m)

N) The DSG Carryforward Reserve relates to unused Dedicated Schools Grant (DSG)

O) The Strategic Asset Development Reserve enables the Council to invest in existing or new asset in order to generate an income stream.

AA) The Other Earmarked Reserves include:

- Support Services Options Appraisal
- Adverse Weather
- Local Priorities
- Adoption Reform
- Country Parks

AB) The General Fund Reserve for Schools contains the balances held by schools under delegated schemes that are ring-fenced.

Further details of the balances earmarked for schools are shown in the table below:

	Balance at 31 March 2013	Balance at 31 March 2014
Devolved Formula Capital carried forward	(3,114)	(2,790)
Supluses carried forward*	(12,834)	(12,719)
Deficits carried forward*	2,294	1,970
Total	**(13,654)**	**(13,539)**

* Excluding schools that became academies in year.

4 - Other Operating Expenditure

2012/13 £000		2013/14 £000
3,301	(Gain)/losses on the disposal of non-current assets	(1,154)
26,142	Loss on de-recognition of Academies non-current assets	1,563
412	Levies - Environment Agency	456
29,855	**Total**	**865**

5 - Financing and Investment Income and Expenditure

Restated 2012/13 £000		2013/14 £000
12,398	Interest payable and similar charges	11,410
18,793	Net interest on the defined pension liability	18,151
(2,718)	Interest receivable and similar income	(2,197)
(76)	Impairment of financial assets	27
28,397	**Total**	**27,391**

6 – Taxation and Grant Income

Council tax and business rates are collected by the four District Councils ('billing authorities') on behalf of the County Council ('a major preceptor') and themselves under an agency arrangement. Transactions and balances are allocated between the billing authorities and the major preceptors. The income included in the CIES is the accrued income for the year (i.e. it reflects the Council's proportion of the net billing authorities' surplus or deficit). The difference between the income included in the CIES and the amount required under Regulations to be credited to the General Fund is taken to the Collection Fund Adjustment Account. The Balance Sheet reflects the attributable share of Council Tax and business rates debtors; overpaid Council Tax; business rates creditors; and the net debtor / creditor between the Council and the billing authorities.

Government grants and third party contributions and donations are credited to the CIES where:

- The grant has been received (or there is reasonable assurance that the grant will be received) and no specific conditions or stipulations are attached ('Non-ringfenced grants'), or
- the Council has complied with the conditions attached to the payments

Conditions are stipulations that specify that the grant or contribution must be applied as specified, or 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.

Where capital grants are credited to the CIES, 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. Where it has been applied, it is posted to the Capital Adjustment Account.

The Council credited the following from taxation, grants, contributions and donations to the CIES in 2013/14:

Taxation and Non Specific Grant Income

2012/13 £000	Grants Held Centrally	2013/14 £000
(233,651)	Council Tax	(220,403)
(64,251)	Revenue Support Grant (including National redistribution of Non Domestic Rates)	(58,443)
-	Locally retained Non Domestic Rates	(14,026)
-	NNDR Top up Grant	(24,237)
(25,811)	Non-ringfenced Government Grants *	(15,415)
(66,073)	Capital Grants and Contributions	(42,436)
(389,786)	**Total**	**(374,960)**

*Non-ringfenced government grants detailed below

2012/13 £000	Non-ringfenced Government Grants	2013/14 £000
(17,709)	Early Intervention Grant	-
(1,319)	Local Service Support Grant	(687)
(5,832)	Council Tax Grant (including Freeze Grant)	(2,322)
-	Education Service Grant	(7,194)
-	Severe Weather	(1,379)
(937)	New Homes Bonus	(1,647)
(14)	Total of other grants below £1m each	(2,186)
(25,811)	**Total**	**(15,415)**

2012/13 £000	Grants Credited to Services	2013/14 £000
(255,996)	Dedicated Schools Grant	(261,989)
-	Public Health Grant	(15,681)
(10,269)	Education Funding Agency 16-19 (formerly Young People's Learning Agency)	(7,386)
(4,114)	Learning and Skills Council and Further Eduaction Grant Income	(3,978)
-	PE and Sports Grant	(1,045)
(16,032)	Learning Disability and Health Reform	-
(4,027)	Pupil Premium	(6,258)
(1,206)	Devolved Formula Capital Grant	(1,174)
(5,432)	Total of other grants below £1m each	(5,013)
(297,076)	**Total**	**(302,523)**

7 - Dedicated Schools Grant

The Council's expenditure on schools is funded primarily by grant monies provided by the Department for Education (DfE), the Dedicated Schools Grant (DSG). An element of DSG is recouped by the DfE to fund academy schools in the Council's area.

DSG is ringfenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance (England) Regulations 2012.The Schools Budget includes elements for a range of educational services provided on an authority-wide basis and for the Individual Schools Budget, which is divided into a budget share for each maintained school. Details of the deployment of DSG receivable for 2013/14 are as follows:

	Central Expenditure	Individual Schools Budgets	Total
	£000	£000	£000
Final DSG for 2013/14 before Academy recoupment	-	-	359,109
Academy figure recouped for 2013/14	-	-	(97,120)
Total DSG after Academy recoupment for 2013/14	**-**	**-**	**261,989**
Brought forward from 2012/13	-	-	11,947
Carry-forward to 2014/15 agreed in advance	-	-	(8,288)
Agreed initial budgeted distribution in 2013/14	**64,743**	**200,905**	**265,648**
Final budgeted distribution for 2013/14	64,743	200,905	265,648
Less Actual central expenditure	(65,040)		(65,040)
Less Actual ISB deployed to schools		(201,088)	(201,088)
Plus agreed carry-forward for 2014/15	-	-	8,288
Carry Forward to 2014/15	**(297)**	**(183)**	**7,808**

8 - Members' Allowances

The Council paid the following amounts to Members of the Council during the year.

	2012/13	2013/14
	£000	£000
Salaries	702	625
Allowances	325	332
Total	**1,027**	**957**

9 - Related Parties

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 and prescribes the terms of many of the transactions that the Council has with other parties (e.g. Council Tax bills). Grants received from government departments are set out in Note 6 Grant Income.

Pension Fund

During the year, the Pension Fund did not borrow from the Council (in 2012/13 the average borrowing was £525k). The Fund therefore did not pay the Council any interest in 2013/14 (2012/13 £6.5k). The Council charged the Fund £1.655m (2012/13 £1.370m) for expenses incurred in administering the Fund.

Members

Members of the Council have direct control over the Council's financial and operating policies. The total of Members' allowances paid in 2013/14 is shown in Note 8. Details of all these transactions are recorded in the Register of Members' Interest, open to public inspection at County Hall during office hours.

TWK Transit

One of the Council's members is a senior manager in TWK Transit, a specialist transport management company that has both private and public sector contracts providing transport services. The firm is owned by a close family member. TWK Transit is part of the Khattak Group of companies including Redline Buses, Red Eagle Buses Ltd and Red Rose Buses. During 2013/14 TWK Transit provided Buckinghamshire County Council with transport services for the Children's Services directorate to the value of £2.906m (2012/13 £1.33m).

Interests in Companies and Other Entities

The Council has 100% ownership of Buckinghamshire Care Ltd and Buckinghamshire Support Ltd (jointly known as 'Buckinghamshire Care') that commenced trading on 1 October 2013 and have the nature of subsidiaries. In the Authority's own single-entity accounts, the interest in the companies is recorded as equity share capital unpaid of £2.

The Council has a signed a 3 year contract for the provision of services. Payments under the contract totalled £3.908m for the 6 months to 31 March 2014. In addition Buckinghamshire Care has entered into a support services agreement to buy-back a range of back-office functions. Income received by the Council from Buckinghamshire Care for the 6 months to 31 March 2014 was £0.5m.

Buckinghamshire Learning Trust (BLT)

The BLT is an educational charity delivering a comprehensive range of services to schools and early year's settings, including school and early year's improvement, specialist teaching, CPD and other key support services. The Trust works with the Council to fulfil its statutory duties for raising attainment and securing the best possible future for children and young people. The Trust was established on 1 August 2013 and received £5.8m from the Council in 2013/14 plus a further £0.778m from schools. In addition the BLT entered into a support services agreement to buy-back a range of back-office functions. Income received by the Council from the BLT during 2013/14 was £0.45m

Adventure Learning Foundation (ALF)

The ALF is a registered charity and a company limited by guarantee. Its aim is to provide high quality, affordable support services to outdoor education, activity and sport centres and other not for profit organisations that are working with young people. In 2013/14, the Council agreed to lease the Green Park Centre, Aston Clinton and the Shortenills Centre, Chalfont St Giles to the ALF for a period of 25 years. Overall responsibility for the strategic direction of the organisation sits with the board of trustees who delegate operational responsibility to the CEO. The Trustees include representatives from the founding centres, the Council and key stakeholders. The Council has made a £250k loan to ALF to cover initial investment, to be repaid over 5 years.

Local Authority Companies

Each of the following companies is regulated under the Local Authorities (Companies) Order 1995, by virtue of the Council's interest and any other interest held by other local authorities.

Beaconsfield High School (Superturf) Ltd

This Company Limited by Guarantee, with no share capital, is wholly owned by Beaconsfield High School, a charity. In the event of a winding up of the company the liability of each member is limited to £1. The latest accounts show that as at 31 March 2013 the company's net assets were £8k (2011/12 £30k). The principal activity of the company is the provision of sports facilities for hockey, tennis and netball.

Aylesbury Vale Advantage Ltd (AVA)

Aylesbury Vale Advantage Ltd is a Company Limited by Guarantee and is owned by five shareholders, Aylesbury Vale District Council, Buckinghamshire County Council, Buckinghamshire Primary Care Trust, Homes and Communities Agency and South East England Development Agency. AVA is the lead development delivery body charged with ensuring sustainable housing, economic, social and environmental regeneration and growth in Aylesbury Vale. A copy of the company's accounts is available from Companies House.
In December 2009 the Council entered into a loan facility agreement and received £4 million from AVA as part of the Berryfields development. This loan was repaid in 2013/14.
On 15 April 2014, AVA became Buckinghamshire Advantage, an independent company limited by guarantee, and owned by the Council, the four District Councils and Bucks Business First.

Partnerships

Buckinghamshire Thames Valley Local Enterprise Partnership ('BTVLEP')

The BTVLEP purpose is to provide direction and co-ordination for economic development interventions across the region. The Board consists of five nominated local authority Leaders / Deputy Leaders and five business leaders. The BTVLEP is not a legally constituted entity and can decide who it believes should be the appropriate accountable body in relation to funds at its disposal. The County Council is the accountable body for the BTVLEP in respect of the Growing Places Fund. During the year £2m was paid to and repaid by AVA in relation to the Growing Places fund and as at 31 March 2014 £6.176m (2012/13 £6.176m) was held on behalf of the BTVLEP.

Buckinghamshire Drug and Alcohol Action Team (DAAT)

The Council is the host authority for the DAAT a partnership of organisations (Health, Police, Probation and the Prison Service) that have a role in tackling substance misuse. The DAAT Partnership Board is the strategic group that is responsible for overseeing the implementation of the National Drug Strategy and the National Alcohol Harm Reduction Strategy. Funding is received from the Government and various other agencies and utilised in line with the agreed aims and objectives of the DAAT. The officers of the DAAT adhere to the Council's Standing Orders, Financial Regulations and the Commercial Services Strategy. Buckinghamshire County Council's contribution in 2013/14 was £343k (2012/13 £315k)

Joint Waste Committee for Bucks

The Committee's objective is to promote joint working on the implementation of the Waste Strategy for Buckinghamshire for the sustainable management of municipal waste. The purpose of the Committee is to facilitate the effective planning and delivery of local authority waste services by establishing a framework and partnership for consultation and co-operation, so as to make best use of the Councils' combined resources to mutual advantage. The Committee's finances are managed by South Bucks District Council. Buckinghamshire County Council's contribution in 2013/14 was £65k (2012/13 £65k).

Youth Offending Service (YOS)

The YOS is a support service for 8-18 year olds. It supports offenders and provides positive action to prevent offending. It is funded externally by the Police, Probation Service and Health and internally by Children and Young Peoples Services. Buckinghamshire County Council's element of the funding in 2013/14 was £781k (2012/13 £773k)

10 - Officers' Remuneration

Benefits Payable during Employment

Short-term employee benefits are those due to be settled 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 (eg cars) for current employees and are recognised as an expense in the year in which employees render service to the Council.

The remuneration paid to the Council's senior employees during 2013/14 was as follows:

	Salary, Fees and Allowances	Benefits in Kind	Pension Contributions	Total
	£	£	£	£
Chief Executive - Chris Williams	209,070	2,563	47,668	259,301
Strategic Director - Resources and Business Transformation	143,521	5,871	32,723	182,115
Strategic Director - Children and Young People	143,521	1,599	32,723	177,843
Strategic Director - Communities and Built Environment	143,821	-	32,723	176,544
Strategic Director - Adults and Family Wellbeing	137,062	1,515	31,250	169,827
Director - Public Health	116,965	-	16,375	133,340
Service Director - Finance and Commercial Services	111,720	3,988	25,472	141,180
Service Director - Legal and Demorcratic Services	81,781	-	18,646	100,427
Total	**1,087,461**	**15,536**	**237,579**	**1,340,576**

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

	2012/13 Non Schools	2012/13 Schools	2012/13 Total	2013/14 Non Schools	2013/14 Schools	2013/14 Total
£50,000 - £54,999	57	56	113	35	58	93
£55,000 - £59,999	42	47	89	22	60	82
£60,000 - £64,999	23	30	53	22	41	63
£65,000 - £69,999	16	15	31	14	20	34
£70,000 - £74,999	7	8	15	15	13	28
£75,000 - £79,999	3	7	10	3	4	7
£80,000 - £84,999	5	5	10	9	5	14
£85,000 - £89,999	4	0	4	6	3	9
£90,000 - £94,999	0	1	1	2	2	4
£95,000 - £99,999	1	1	2	4	2	6
£100,000 - £104,999	2	0	2	3	1	4
£105,000 - £109,999	0	0	0	0	0	0
£110,000 - £114,999	0	0	0	0	0	0
£115,000 - £119,999	1	0	1	2	0	2
£120,000 - £124,999	0	1	1	1	0	1
£125,000 - £129,999	0	0	0	0	0	0
£130,000 - £134,999	1	0	1	0	0	0
£135,000 - £139,999	0	0	0	1	0	1
£140,000 - £144,999	2	0	2	2	0	2
£145,000 - £149,999	1	1	2	2	0	2
£150,000 - £154,999	0	0	0	0	0	0
£210,000 - £214,999	1	0	1	1	0	1
	166	**172**	**338**	**144**	**209**	**353**

11 - 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 to the appropriate service line in the CIES 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.

The Council terminated the contracts of a number of employees in 2013/14, incurring liabilities of £2.062m (£1.378m in 2012/13). The table below details the total number of exit packages and total cost per band.

	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost		Total cost of exit packages in each	
	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14	2012/13 £000	2013/14 £000
£0 - £19,999	54	70	78	94	132	164	681	1,021
£20,000 - £39,999	4	9	14	20	18	29	494	741
£40,000 - £59,999		2	1	1	1	3	57	134
£60,000 - £79,999								
£80,000 - £99,999		1		1		2		166
£100,000-£199,999			1		1		146	
	58	**82**	**94**	**116**	**152**	**198**	**1,378**	**2,062**

12 - Pensions Schemes Accounted for as Defined Contributions Schemes

The Teachers' Pension Scheme is an unfunded multi-employer defined benefit scheme administered by Capita Teachers' Pensions on behalf of the Department for Education (DfE). The DfE uses a notional fund as the basis for calculating the employers' contribution rate paid by local authorities. In 2013/14, the Council paid an estimated £13.482m to Teachers' Pensions in respect of teachers' retirement benefits, representing 14.1% of pensionable pay. This is charged to the Education and Children's Service line in the CIES. The figures for 2012/13 were £13.962m and 14.1%. There were no contributions remaining payable at the year-end. The Council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. These costs are accounted for on a defined benefit basis.

The NHS Pension Scheme is an unfunded multi-employer defined benefit scheme administered by NHS Pensions that covers NHS employers. In 2013/14 the Council paid an estimated £0.209m to NHS Pensions in respect of public health staff retirement benefits. This is charged to the Public Health line in the CIES.

The arrangements for the teachers' scheme and NHS scheme mean that liabilities for these benefits cannot ordinarily be identified specifically to the Council. The schemes are therefore accounted for as if they were a defined contribution scheme and no liability for future payments of benefits is recognised in the Balance Sheet.

13 - Defined Benefit Pension Schemes

Post-Employment Benefits

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. Employees of the Council are members of three separate pension schemes:

- **Local Government Pension Scheme**
  The Local Government Pension Scheme is administered by Buckinghamshire County Council 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.
- **Teachers' Pension Scheme** (see above)
- **NHS Pension Scheme** (see above)

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, 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 appropriations 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.

Discretionary Benefits

The Council 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 (including teachers) 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.
The amounts recognised in the CIES relating to LGPS are as follows:

Restated 2012/13 £000		2013/14 £000
	Comprehensive Income and Expenditure Statement	
	Cost of Services	
22,660	Service Cost (comprising)	20,850
26,802	- current service cost	27,640
(1,085)	- past service costs	1,267
(3,057)	- settlements and curtailments	(6,050)
380	- administration expenses	1,473
	Financing and Investment Income and Expenditure	
18,793	- net interest on the defined liability	18,151
41,833	**Total Post Employment Benefit Charged to the Surplus Deficit on the Provision of Services**	**42,481**
	Other Comprehensive Income and Expenditure Statement	
	Remeasurement of the defined benefit liability, comprising:	
73,626	- return on plan assets in excess of interest	12,606
	- actuarial gains and losses	12,643
(60,937)	- change in Financial assumptions	(21,620)
	- change in demographic assumptions	(36,616)
(1,089)	- experience gain / (loss) on defined benefit obligation	8,462
11,600	**Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement**	**(24,525)**
	Movement in Reserves Statement	
(41,834)	- reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	(42,481)
	Actual amount charged against the General Fund Balance for pensions in the year	
26,502	- employers' contributions payable to the scheme	25,314

For 2013/14 the Council was required to change its accounting policy as a result of the Code's adoption of the amendments to IAS 19. This includes a change to the components of the defined benefit cost to recognise the net interest on the net defined benefit liability in the Financing and Investment income and Expenditure line of the CIES and recognise the remeasurement of the net benefit liability in the Other Comprehensive Income and Expenditure line in the CIES as shown above.

The effects of the restatement on the CIES are as follows:

Prior Period Adjustment **Comprehensive Income and Expenditure Statement**	**2012/13 Original** £000	**2012/13 Restated** £000	**Adjustment Made** £000
Corporate & Democratic Core			
■ administration expenses	-	380	380
Net cost of Services	**331,082**	**331,462**	**380**
Financing and Investment Income and Expenditure			
■ net interest cost on the defined liability	-	18,793	18,793
■ interest cost	40,579	-	(40,579)
■ expected return on scheme assets	(28,627)	-	28,627
	11,952	**19,173**	**7,221**

Other Comprehensive Income & Expenditure	2012/13 Original £000	2012/13 Restated £000	Adjustment Made £000
■ Return on plan assets in excess of interest		(73,626)	(73,626)
■ Change in Financial assumptions		60,937	60,937
■ Experience gain / (loss) on defined benefit obligation		1,089	1,089
■ Actuarial gains and losses	(4,379)		4,379
Total remeasurement of the defined benefit liability	**(4,379)**	**(11,600)**	**(7,221)**

The impact on the MIRS and the Adjustment between Accounting Basis and Funding basis Under Regulations (Note 2) is as outlined above. There is no impact on the Balance Sheet.

Pension Assets and Liabilities recognised in the Balance Sheet

The amount included in the Balance Sheet arising from the Councils obligation in respect of its defined benefit plans and discretionary benefits is as follows:

	2009/10 £000	2010/11 £000	2011/12 £000	2012/13 £000	2013/14 £000
Present value of the defined benefit obligation	(1,029,042)	(782,998)	(880,931)	(972,781)	(1,043,725)
Fair value of plan assets	466,940	504,742	479,150	568,197	597,615
Net liability on Fund	**(562,102)**	**(278,256)**	**(401,781)**	**(404,584)**	**(446,110)**
Present value of unfunded obligation			(23,905)	(24,833)	(24,999)
Net liability in Balance Sheet	**(562,102)**	**(278,256)**	**(425,686)**	**(429,417)**	**(471,109)**

Reconciliation of present value of the defined benefit obligation

The liabilities of the Buckinghamshire County Council Pension 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 future earnings for current employees.

Liabilities are discounted to their value at current prices, using a discount rate of 4.4% based on the annualised yield at the 18 year point on the Merill Lynch AA rated corporate bond curve. This is consistent with the approach used at the last accounting date.

The change in the net pensions liability is analysed into six components:

- current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the CIES to the services for which the employees worked
- past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to Non Distributed Costs in the CIES.
- net interest on the net defined benefit liability – the net interest expense that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the CIES. This is calculated by applying the discount rate used to measure the defined benefit obligation to the net defined benefit liability at the beginning of the period; adjusted for any changes in the net defined benefit liability during the period resulting from contribution and benefit payments.
- contributions paid to the Pension Fund – cash paid as employer's contributions to the Pension Fund in settlement of liabilities; not accounted for as an expense.
- Re-measurements - 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

Restated 2012/13 £000		2013/14 £000
(904,836)	**Opening balance at 1 April**	(997,614)
(26,802)	Current service cost	(27,640)
1,085	Past service costs, including curtailments	(1,267)
(40,579)	Interest cost	(42,531)
(7,235)	Contributions by scheme participants	(6,534)
	Remeasurement gains and losses:	
(60,937)	- change in financial assumptions	(21,620)
-	- change in demographic assumptions	(36,616)
(1,089)	- experience loss/(gain) on defined benefit obligation	8,462
3,929	Liabilities extinguished on settlements	18,942
37,051	Estimated benefits paid net of transfers in	35,897
1,799	Unfunded pension payments	1,797
(997,614)	**Closing balance at 31 March**	**(1,068,724)**

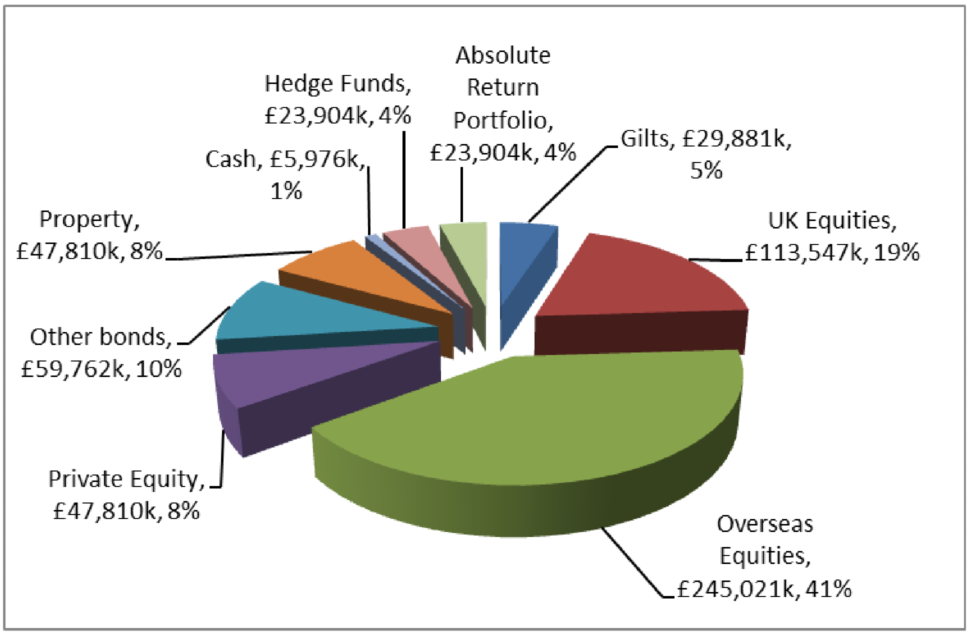
Reconciliation of the movement in the fair value of the scheme (plan) assets:

The Pension Fund attributable to the Council are included in the Balance Sheet at their fair value:

- quoted securities – current bid price
- unitised securities – current bid price
- property – market value.

Restated 2012/13 £000		2013/14 £000
479,150	Opening balance at 1 April	568,197
	Expected return on scheme assets	-
21,787	Interest on assets	24,380
	Remeasurement gains and losses:	
73,626	- return on plan assets less the amount included in net interest exper	12,606
-	- other actuarial gains/(losses)	12,643
(381)	Administration expenses	(1,473)
26,502	Employer contributions	25,314
7,235	Contributions by scheme participants	6,534
(38,850)	Estimated benefits paid plus unfunded net of transfers in	(37,694)
(872)	Settlement prices received/(paid)	(12,892)
568,197	**Closing balance at 31 March**	**597,615**

The Scheme Assets comprise:



Actuarial methods and assumptions

Both the Local Government Pension Scheme liabilities and unfunded obligation have been estimated by Barnett Waddingham Public Sector Consulting, an independent firm of actuaries, based on the latest full valuation of the scheme as at 31 March 2013.

The significant assumptions used by the actuary have been:

2012/13	Mortality assumptions:	2013/14
	Longevity at 65 for current pensioners:	
20.1 years	■ Men	23.6 years
24.1 years	■ Women	26.0 years
	Longevity at 65 for future pensioners:	
22.1 years	■ Men	25.8 years
26.0 years	■ Women	29.4 years
	Other assumptions:	
3.4%	RPI Increases	3.6%
2.6%	CPI Increases	2.8%
4.8%	Rate of increase in salaries	4.6%
2.6%	Rate of increase in pensions	2.8%
4.4%	Rate for discounting scheme liabilities	4.4%

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have 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.

Sensitivity analysis		Present value of total obligation £000	Projected service cost £000
Current assumption	0.0%	1,062,372	24,835
Adjustment to discount rate	+0.1%	1,043,829	24,265
	-0.1%	1,081,262	25,419
Adjustment to long term salary increase	+0.1%	1,064,685	24,835
	-0.1%	1,060,073	24,835
Adjustment to pension increases and deferred revaluation	+0.1%	1,079,227	25,427
	-0.1%	1,045,824	24,256
Adjustment to mortality age rating assumption	+ 1 year	1,025,951	24,009
	- 1 year	1,099,101	25,668

In general, participating in a defined benefit pension scheme means that the Employer is exposed to a number of risks:-

- Investment risk:- The Fund holds investment in asset classes, such as equities, which have volatile market values and while these assets are expected to provide real return over the long-term, the short term volatility can cause additional funding to be required if a deficit emerges.
- Interest Rate Risk:- The Fund's liabilities are assessed using market yields on high quality corporate bonds to discount the liabilities. As the Fund holds assets such as equities the value to the assets and liabilities may not move in the same way.
- Inflation Risk:- All of the benefits under the Fund are linked to inflation and so deficits may emerge to the extent that the assets are not linked to inflation.
- Longevity Risk:- In the event that the members live longer than assumed a deficit will emerge in the Fund. There are also other demographic risks.

In addition, as many unrelated employers participate in the Councils Pension Fund, there is an orphan liability risk where employers leave the Fund but with insufficient assets to cover their pension obligations so that the difference may fall on the remaining employers.

Other defined benefit plan information

Employees of the Council make contribution on a variable scale depending on their pensionable salary. The remaining contribution is funded by the Council. Based on historical data, the Council expects to make contributions of £23.159m in 2014/14. The estimated duration of the Employer's liability is 18 years.

Pension guarantee – Buckinghamshire Learning Trust

In accordance with the terms of the Admission Agreement with Buckinghamshire Learning Trust, the Council has provided the Administering Authority a guarantee of the payment of all sums due by the Trust under the terms of the Admission Agreement and under the LGPS Regulations. No liability is currently recognised in respect of this guarantee.

14 – 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.

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Where additions on any single suite of works falls below the de-minimis level of £10,000 this expenditure will be charged to revenue. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (ie repairs and maintenance) is charged as an expense when it is incurred. The Council does not capitalise borrowing costs. All borrowing costs are charged to interest payable shown under Financing and Investment Income and Expenditure in the CIES.

Separate components are recognised where the individual gross replacement cost of the component exceeds 10% of the gross replacement cost of the whole asset (with a minimum of £200,000) and where the cost or NBV of the whole asset is equal to or greater than £1,000,000.

The recognition of the non-current assets is based on the extent to which the Council controls the future service potential of the asset, rather than the ownership of the underlying assets. In respect of schools:

- All assets of Voluntary Controlled Schools and Community Schools are recognised in the balance sheet, even those it does not own, as the Council controls the service and economic potential of these assets.
- The Council recognises only the value of land it owns in relation to Voluntary Aided Schools in the Balance Sheet.
- The transfer of assets to Academies is subject to a formal lease agreement and recognised in the Balance Sheet in accordance with the requirements of IAS 17.
- The fixed assets of Foundation Schools are vested in the Governing Bodies and are not included in the Balance Sheet.

Measurement

Assets are initially measured at cost, comprising the purchase price, any costs attributable to bringing the asset to the location and condition necessary for operation. Components are measured at gross replacement cost. Assets are then carried in the Balance Sheet using the following measurement bases:

- infrastructure, community assets and assets under construction – depreciated historical cost
- all other assets – fair value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

Where there is no market-based evidence of fair value because of the specialist nature of an asset, or the assets have short useful lives or low values, depreciated replacement cost (DRC) is used as an estimate of fair value.

Assets included in the Balance Sheet with a fair value (individually or collectively) of £50,000 or more, are revalued every five years by an external valuer in accordance with the Statement of Asset Valuation Practice and Guidance Notes of the Royal Institute of Chartered Surveyors (RICS). Components of assets enhanced or revalued are valued at gross replacement cost. BCIS indices are applied to the gross replacement cost to calculate the net book value of the component.

Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the CIES where they arise from the reversal of a loss previously charged to a service. Where decreases in value are identified, they are accounted for as follows:

- 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 that balance (up to the amount of the accumulated gains)

- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the CIES.

Impairment

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life and assets that are not yet available for use (ie assets under construction). No depreciation is charged in the year of acquisition however a full years charge is made in the year of disposal.

Depreciation is calculated on the following bases:
- buildings – straight-line allocation over the useful life of the property as estimated by the Valuer
- vehicles, plant, furniture and equipment – a percentage of the value of each class of assets in the Balance Sheet, as advised by a suitably qualified officer
- infrastructure – straight-line allocation over 40 years.

Where an item of Property, Plant and Equipment has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately. Revaluation gains are depreciated in the year following revaluation, except where there has been a material movement in the asset balance, with an amount equal to the difference between current value depreciation charged 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

Disposals and De-recognition

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the CIES as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the CIES. When a component is replaced, the carrying amount of the old component is derecognised and the new component reflected at cost in the carrying amount of the overall asset. Such recognition and derecognition takes place regardless of whether the replaced part has been depreciated separately. Any revaluation gains accumulated for the asset or component in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal 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 Capital Receipts Reserve from the General Fund balance in the Movement in Reserves Statement.

Where the amount due in relation to the asset (including leased assets) is contingent on payments in future financial years, this is posted to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement and a long term debtor is created in the Balance Sheet. 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 future payments are received, the element of the capital receipt for the disposal of the asset is used to write down the long-term debtor. At this point, the Deferred Capital Receipts are transferred to the Capital Receipts Reserve.

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 appropriated to the Capital Adjustment Account from the General Fund balance in the Movement in Reserves Statement.

Charges to Revenue for Non-Current Assets

Services, support services and trading accounts are charged with the following amounts to record the cost of holding non-current assets during the year:

- depreciation attributable to the assets used by the relevant service
- revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off
- amortisation of intangible fixed assets attributable to the service

The Council is not required to raise Council Tax to fund depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance. Depreciation, revaluation and impairment losses and amortisations are therefore replaced by this contribution by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement.

Movements on Balances

	Other Land and Buildings £000	Vehicles, Plant and Equipment £000	Infrastructure Assets £000	Surplus Assets £000	Assets Under Construction £000	Total £000
Cost or Valuation						
At 1 April 2013	**809,710**	**22,756**	**323,029**	**3,693**	**5,480**	**1,164,669**
additions	36,376	1,792	26,445	-	38,003	102,616
revaluation increases/(decreases) recognised in the Revaluation Reserve	(1,452)	-	-	-	-	(1,452)
revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(5,242)	-	-	-	-	(5,242)
derecognition - disposals	(10,206)	(65)	-	-	-	(10,271)
derecognition - recategorised as REFCUS	(4,159)					(4,159)
derecognition - other	(2,905)					(2,905)
assets reclassified	4,391	-	-	-	(4,159)	232
At 31 March 2014	**826,512**	**24,483**	**349,475**	**3,693**	**39,324**	**1,243,488**
Accumulated Depreciation and Impairment						
At 1 April 2013	**(76,194)**	**(16,838)**	**(45,194)**	**(118)**	**-**	**(138,344)**
depreciation charge	(19,148)	(3,397)	(9,668)	(11)		(32,224)
depreciation written out to the Revaluation Reserve	8,564	-	-	-		8,564
derecognition - disposals	3,025	48				3,073
derecognition - other	267					267
other movements in depreciation and impairment	(233)	-	-	-	-	(233)
At 31 March 2014	**(83,718)**	**(20,187)**	**(54,862)**	**(129)**	**-**	**(158,896)**
Net Book Value						
as at 31 March 2014	742,794	4,297	294,612	3,564	39,324	1,084,591
as at 31 March 2013	733,516	5,918	277,835	3,575	5,480	1,026,325

Comparative Movements 2012/13	Other Land and Buildings £000	Vehicles, Plant and Equipment £000	Infrastructure Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property, Plant and Equipment £000
Cost or Valuation						
At 1 April 2012	**826,797**	**22,513**	**303,601**	**1,965**	**3,548**	**1,158,424**
additions	26,214	522	19,428	-	5,306	51,470
revaluation increases/(decreases) recognised in the Revaluation Reserve	7,434	-	-	-	-	7,434
revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(13,082)					(13,082)
derecognition - disposals	(30,085)	(279)	-	-	-	(30,364)
derecognition - other	(2,488)					(2,488)
assets reclassified	(5,080)		-	1,728	(3,374)	(6,726)
At 31 March 2013	**809,710**	**22,756**	**323,029**	**3,693**	**5,480**	**1,164,668**
Accumulated Depreciation and Impairment						
At 1 April 2012	(60,449)	(14,101)	(36,670)	(107)	-	(111,327)
depreciation charge	(22,665)	(2,932)	(8,524)	(11)	-	(34,132)
depreciation written out to the Revaluation Reserve	4,015	-	-	-	-	4,015
derecognition - disposals	2,432	195	-	-	-	2,627
other movements in depreciation and impairment	472	-	-	-	-	472
At 31 March 2013	**(76,195)**	**(16,838)**	**(45,194)**	**(118)**	**-**	**(138,345)**

Capital Commitments

Project	**Type of Contract**	**Name of Contractor**	**Contract Value**	**Amount Outstanding at 31st Match 2014**
Connected Counties - Buck-Herts Broadband Project.	Broadband Infrastructure	British Telecom	3,700	3,700
Buckingham Well Street	Building Works	CJ Bricknall	1,011	531
High Heavens - Infrastructure	Building Works	Jones Bros Ruthin	589	589
High Heavens - Electrical	Building Works	Feedom Group	387	239
Mandeville School	Building Works	Kingerlee	3,187	1,840
Newtown Nursery	Building Works	Nevilles	517	384
Wendover House	Building Works	Boras	4,223	773
Aylesbury Vale Academy	Building Works	BAM	23,232	569
			36,846	**8,625**

At 31 March 2014, the Council has £8.625m capital commitments for the construction or enhancement of Property, Plant, Equipment and Intangible assets. Commitments as at 31 March 2013 were £35.960m.

Revaluations

The following table shows the progress of the Council's five year rolling programme for the revaluation of fixed assets. The valuations for 2013/14 have been carried out by RICS qualified external company, District Valuer Services. The effective date of valuation for the current year was 1 April 2013.

	Other Land and Buildings £000	Vehicles, Plant and Equipment £000	Infrastructure Assets £000	Surplus Assets £000
Carried at historical cost:		4,297	294,612	
Valued at fair value as at:				
31 March 2010	65,486	-	-	1,228
31 March 2011	102,308	-	-	-
31 March 2012	526,661	-	-	-
31 March 2013	108,238	-	-	(11)
31 March 2014	147,060			
Total Cost or Valuation	**949,753**	**4,297**	**294,612**	**1,217**

The significant assumptions applied in estimating fair values are:

- Unless otherwise stated, the title of the properties is free from onerous and unusual restrictions
- No structural surveys or internal inspections have been carried out
- The properties are not affected by deleterious or hazardous materials, land contamination or adverse ground conditions; and no investigation has been carried out to determine the presence of any such contamination
- Assets are unaffected by flooding, subsidence and any matters which would be revealed by local search
- Fair Value in Existing Use is based on the 'modern equivalent asset'

Foundation Schools

The total value of Foundation Schools within Buckinghamshire was £48.450m as at 31 March 2014 (£48.450m as at 31 March 2013).

Academy Schools

The total value of Academy Schools that are now held under finance leases (note 28) was £97.049m as at 31 March 2014 (£95.896m as at 31 March 2013). The total value of Academy Schools that were Foundation Schools was £102.730m as at 31 March 2014 (£102.730m as at 31 March 2013).

Revenue expenditure funded from Capital under Statute ('REFCUS')

Expenditure incurred during the year that may be capitalised under statutory provisions but 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. Amounts charged to REFCUS are detailed in note 15 below.

15 - Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases), 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 CFR a measure of the capital expenditure incurred historically by the Council that has yet to be financed. The CFR is analysed in the second part of this note.

	2012/13	2013/14
	£000	£000
Opening Capital Financing Requirement	228,983	220,151
Capital Investment		
Property, plant and equipment	51,474	102,624
Intangible assets	689	679
Revenue Expenditure Funded from Capital Under Statute	26,407	32,631
Source of Finance		
Capital receipts	(12,702)	(11,072)
Government grants and other contributions	(44,297)	(79,026)
Direct revenue contributions	(21,571)	(9,778)
Minimum revenue provision	(8,832)	(8,408)
Closing Capital Financing Requirement	**220,151**	**247,801**
Explanation of movements in year		
Increase/(decrease) in underlying need to borrowing (unsupported by government financial assistance)	(8,832)	(8,408)
Assets acquired under PFI/Service Concession Arrangements	-	36,057
Increase/(decrease) in Capital Financing Requirement	**(8,832)**	**27,649**

16 – Service Concession Arrangements

Service concession arrangements (similar to PFI contracts) are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services passes to the contractor. As the Council is deemed to control the services and property, plant and equipment that are provided under the scheme, the Council carries the assets used under the contracts on its Balance Sheet as part of Property, Plant and Equipment. The recognition of these assets at fair value (based on the cost to purchase the property, plant and equipment) is balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment. Non-current assets recognised on the Balance Sheet are revalued and depreciated in the same way as property, plant and equipment owned by the Council.

On 17 April 2013 the Council signed a 30-year contract for circa £315m with FCC Environment to build and operate an Energy from Waste (EfW) facility. FCC Buckinghamshire Ltd, a special purpose vehicle, has been set up by FCC Environment with the sole purpose of delivering the contract. Financial close was completed on 22nd August 2013 and construction commenced on site on 11 September 2013. The arrangement requires the Council to pay the Facilities Payment Sum (a single bullet payment of £180m) which equates to 85% of the construction costs of the project once the plant is operational and has passed its acceptance tests. The payment is due 3 months after the planned service commencement date on 1 May 2016.

Assets under construction

An asset under construction has been recognised in the Councils Balance Sheet based on the value of works certified by an independent certifier Mott MacDonalds. A corresponding long-term liability has been recognised within Note 20 Financial Instruments.

Payments

Once the plant is operational, the Council will make an agreed payment each year which is increased annually by inflation and can be reduced if the contractor fails to meet availability and performance standards in any year but which is otherwise fixed. Payments remaining to be made under the contract at 31 March 2014 (excluding any estimation of inflation and availability/ performance rewards or deductions) are as follows:

	Reimbursement of capital expenditure £000	Payment for services £000	Total £000
Payable in 2014/15	-	-	-
Payable in 2 – 5 years	180,000	5,496	185,496
Payable in 6 – 10 years	-	9,727	9,727
Payable in 11 – 15 years	-	11,108	11,108
Payable in 16 – 20 years	-	12,643	12,643
Payable in 21 – 25 years	-	14,385	14,385
Payable in 26 – 30 years	-	16,370	16,370
Payable in 31 years to end of contract	-	6,606	6,606

Although the payments made to the contractor are described as unitary charge payments, they have been calculated to compensate the contractor for the fair value of the services they provide only. The liability outstanding to be paid to FCC Buckinghamshire Ltd for capital expenditure incurred is as follows:

	2012/13 £000	**2013/14** £000
Balance outstanding at start of year	-	-
Payments during the year	-	-
Capital expenditure incurred in the year	-	36,057
Balance outstanding at year-end	**-**	**36,057**

A Waste reserve has been set up to manage the financial implications of this contract; the current value of this is £36.909m. Provision has been made in the Council's Medium Term Plan for the ongoing interest / financing and MRP requirement of £5.5m.

17 – Heritage Assets

Heritage Assets are those assets (either tangible or intangible) with historical, artistic, scientific, technological, geophysical or environmental qualities that are held and maintained principally for their contribution to knowledge and culture.

Where information is held on the cost or value of a Heritage Asset, the asset is recognised and measured (including the treatment of revaluation gains and losses and impairments) in accordance with the policy for Property, Plant and Equipment in respect of tangible heritage assets or in accordance with the policy in respect of intangible heritage assets. Where this information is not available, and cannot be obtained at a cost which is commensurate with the benefits to users of the financial statements, the assets are not recognised in the Balance Sheet. No depreciation or amortisation is charged on heritage assets which have indefinite lives.

Reconciliation of the Carrying Value of Heritage Assets Held by the Council

	Historic Sites and Monuments £000	Kederminster Library and Pew £000	Museum Collections and Paintings £000	Total £000
Valuation				
1 April 2012	847	1,019	5,681	7,547
31 March 2013	**847**	**1,022**	**5,681**	**7,550**
1 April 2013	847	1,022	5,681	7,550
31 March 2014	**847**	**1,022**	**5,681**	**7,550**

All heritage assets recognised in the balance sheet are tangible assets. It is not practical to provide a summary of transactions in relation to Heritage Assets prior to 1 April 2010.

Historic Sites and Monuments

The Council has identified six Heritage Assets sited within Country Parks and Green Spaces, managed and maintained by Countryside Services;

- Brill Windmill;
- Cholesbury Camp;
- Whiteleaf Cross and Woods
- Coombe Hill Monument
- The John Hampden Memorial
- Gott's Monument

The first three sites are included at market valuation provided by a RICS qualified District Valuer in May 2012. The remaining three sites are included at insurance value as a lack of comparable market value exists. It should be noted that these valuations are limited in scope and are based on estimations undertaken internally prior to 2006.

Kederminster Library and Pew

Kederminster Library and the adjoining aisle and family vault were acquired by the Council in 1945 as part of the Langley Park estate. The Library contains a collection of 300 theological works and is housed in a highly-ornate room provided by Sir John Kederminster in 1623. The building and collections are shown in the Balance Sheet at insurance value due to a lack of comparable market values.

County Museum Collections and Paintings

Buckinghamshire County Museum cares for more than 130,000 items, which represent the heritage of the county in collections built up over the last 150 years. The museum is accredited through the National Museum Accreditation programme, entrance is free and opening times are published on the website. Approximately half the collection is owned directly by the Council with the remainder belonging to or on loan to the Buckinghamshire Archaeological Society (BAS), which transferred responsibility for managing its buildings and collections to the Council in 1957. BAS loan collections are managed under a finance lease agreement which runs until 2116.

The main collections are included in the balance sheet at insurance value which has only been updated for inflation since 2006 and is limited in scope due to lack of comparable market values and the diverse nature of assets held. A small number of paintings have been valued internally at market value in 2011 by one of the Museum Patrons a gallery owner and leading dealer in British paintings, watercolours and drawings. There is no reliable cost or valuation information for the collections held in store at the Museum Resource Centre and these are not reflected in the Balance Sheet.

The Council also holds a series of paintings and portraits within the Judges Lodgings. These are reported at insurance value and are not normally open to the public.

Centre for Buckingham Studies

The Centre for Buckinghamshire Studies is located in the County Offices, Aylesbury, and provides the archive service covering the historical county of Buckinghamshire. The Centre holds the County Council's own archive, dating from 1889, and archives inherited from other county bodies. The collections held within the Centre's care provide an unparalleled source for research into all aspects of the history of the county and its inhabitants. They are available for use by any member of the public. The collection as a whole has never been professionally valued; the Council does not consider that reliable cost or valuation information can be obtained because of the diverse nature of the assets held and lack of comparable market values and as a result the collections are not included in the Balance Sheet.

18 - Intangible Assets

Expenditure on non-monetary assets that do not have physical substance (e.g. software licences) is capitalised as Intangible Assets when it is expected that future economic benefits or service potential will flow to the Council, and to the extent that the asset is not an integral part of Property, Plant and Equipment.

Intangible assets are measured initially at cost. Amounts are not revalued as their fair value cannot be determined by reference to an active market. All software is given a finite useful life, which has been assessed as between 1 and 6 years, based on the period that it is expected to be used. The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £1.162m charged to revenue in 2013/14 is absorbed as an overhead across all the service headings in the CIES. It is not possible to quantify exactly how much of the amortisation is attributable to each service heading.

The movement of Intangible Asset balances during the year is as follows:

	2012/13	2013/14
	£000	£000
Balance at start year:		
Gross carrying amounts	8,620	9,409
Accumulated amortisation	(4,972)	(6,402)
Net carrying amount at start of year		
Purchases	689	679
Assets reclassified	100	
Amortisation for the period	(1,430)	(1,162)
Net carrying amount at end of year	**3,007**	**2,524**
Comprising:		
Gross carrying amounts	9,409	10,088
Accumulated amortisation	(6,402)	(7,564)
	3,007	**2,524**

19 - Assets Held for Sale

When it becomes probable that the carrying amount of a non-current asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. 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 Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previously losses recognised in the Surplus or Deficit on Provision of Services. Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as Held for Sale, adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.

	2012/13	2013/14
	£000	£000
Balance outstanding at start of the year:	2,108	7,897
Assets newly classified as held for sale:		
Property, Plant and Equipment	6,626	8
Depreciation	(12)	(12)
Assets declassified as held for sale:		
Assets sold	(824)	(1,575)
Balance outstanding at year end	**7,897**	**6,318**

20 - Financial Instruments

Financial Assets

Financial assets are classified into two types:

- Loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market
- Available-for-sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments.

Loans and receivables

Loans and receivables are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are measured at fair value. They are subsequently measured at amortised cost. Annual credits to 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. For most of the loans that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

Available-for-Sale Assets

Available-for-sale assets are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions and are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (eg dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Council. Assets are maintained in the Balance Sheet at fair value. Values are based on the following principles:

- instruments with quoted market prices – the market price
- other instruments with fixed and determinable payments – discounted cash flow analysis

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 initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the CIES for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For most of the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest) and interest charged to the CIES is the amount payable for the year according to the loan agreement.

Premiums and discounts on the early redemption of loans are charged to the CIES when incurred, however regulations allow the impact on the General Fund Balance to be spread over future years. The Council has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the CIES to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the MIRS.

The following categories of financial instrument are carried in the Balance Sheet:

	Long-term		Current	
	31 March 2013	31 March 2014	31 March 2013	31 March 2014
	£000	£000	£000	£000
Investments				
Loans and Recievables:				
Cash and Cash Equivalents	-	-	641	15,728
Temporary Loans	-	-	-	1,463
Investments	1,764	15,440	207,546	89,651
Available-for-sale Financial Assets	-	-	36,426	82,080
Total Investments	**1,764**	**15,440**	**244,613**	**188,922**
Debtors				
Loans and Receivables	22,616	21,423	41,558	43,656
Total Debtors	**22,616**	**21,423**	**41,558**	**43,656**
Less Statutory Items to be Excluded				
Payments in Advance	-	-	(3,662)	(3,740)
Collection Fund Adjustment	-	-	(4,834)	(10,674)
Her Majesty's Revenue and Customs (HMRC)	-	-	(7,843)	(6,760)
Total to be Deducted from Loans and Receivables	**-**	**-**	**(16,339)**	**(21,174)**
Total Value of Assets	**24,380**	**36,863**	**269,832**	**211,404**
Borrowings				
Temporary Loans			(15,779)	-
Financial Liabilities at Amortised Cost	(185,928)	(174,196)	(8,000)	(13,453)
Total Borrowings	**(185,928)**	**(174,196)**	**(23,779)**	**(13,453)**
Other Long Term Liabilities				
PFI / Service Concession Arrangements	-	(36,057)		
Total Other Long Term Liabilities	**-**	**(36,057)**		
Creditors				
Financial Liabilities at Amortised Cost	-	-	(97,006)	(99,521)
Total Creditors	**-**	**-**	**(97,006)**	**(99,521)**
Less Statutory Items to be Excluded				
Receipts in Advance and Deferred Income	-	-	24,221	20,647
Collection Fund Adjustment	-	-	2,444	4,179
HMRC	-	-	2,586	4,712
Total to be Deducted from Liabilities	**-**	**-**	**29,251**	**29,538**
Total Value of Liabilities	**(185,928)**	**(210,253)**	**(91,534)**	**(83,436)**

	Financial Liabilities measured at amortised cost £000	Financial Assets: Loans and receivables £000	Financial Assets: Available for sale £000	Assets and Liabilities at Fair Value through Profit and Loss	Total £000
Interest expense	11,410	-	-	-	11,410
Impairment losses	-	27		-	27
Total expense in Surplus or Deficit on the Provision of Services	**11,410**	**27**		**-**	**11,437**
Interest income	-	(1,884)	(313)	-	(2,197)
Total income in Surplus or Deficit on the Provision of Services	**-**	**(1,884)**	**(313)**	**-**	**(2,197)**
Amounts recycled to the Surplus or Deficit on the Provision of Services after impairment	-	(27)	-	-	(27)
Surplus/deficit arising on revaluation of financial assets in Other Comprehensive Income and Expenditure	**-**	**(27)**	**-**	**-**	**(27)**
Net loss/(gain) for the year	**11,410**	**(1,884)**	**(313)**	**-**	**9,213**

Fair Values of Assets and Liabilities

Financial liabilities and 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:

- The fair value of PWLB loans as at 31 March 2014 is the repayment cost calculated using the repayment interest rates at 31 March 2014. The relevant interest rates are published on the Debt Management Office website
- The fair value of the Lender Option, Borrower Option loans (LOBOs) are based on calculations using the market interest rates available for similar loans from similar lenders at 31 March 2014
- No early repayment or impairment is recognised
- Where an instrument will mature in the next 12 months, carrying amount is assumed to approximate to fair value
- The fair value of trade and other receivables is taken to be the invoiced amount less the provision for bad debt

The fair values calculated are as follows:

	31 March 2013		31 March 2014	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
	£000	**£000**	**£000**	**£000**
Financial liabilities	(277,811)	(352,420)	(257,632)	(300,323)
Other long-term liabilities	-	-	(36,057)	(36,057)

The fair value of financial liabilities is higher than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the prevailing rates at the Balance Sheet date. This commitment to pay interest above current market rates increases the amount that the Council would have to pay if the lender requested or agreed to early repayment of the loans.

	31 March 2013		31 March 2014	
	Carrying amount	Fair value	Carrying amount	Fair value
	£000	£000	£000	£000
Loans and receivables	271,597	282,126	226,844	227,427
Long-term debtors	22,616	22,616	21,423	21,423

The fair value of loans and receivables is higher than the carrying amount because the Council's portfolio of investments includes a number of fixed rate loans where the interest rate receivable is higher than the rates available for similar loans at the Balance Sheet date. This guarantee to receive interest above current market rates increases the amount that the Council would receive if it agreed to early repayment of the loans.

21 - Nature and Extent of Risks Arising from Financial Instruments

The Council's overall treasury risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services.

Treasury risk management is carried out by a central treasury team, under policies approved by the Council in the annual Treasury Management Strategy. 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.

Credit Risk

A country is assigned a sovereign rating which signifies the country's ability to provide a secure investment environment which reflects factors such as economic status, political stability and foreign currency reserves. The strongest sovereign rating that can be achieved is AAA; AA+ is the next strongest.

The Council invests in the UK or specified AAA and AA+ sovereign rated countries, the total maximum that can be invested in an individual AAA sovereign rated country is £30m and the total maximum that can be invested in an individual AA+ sovereign rated country is £15m. Sovereign credit rating criteria and foreign country limits will not apply to investments in multilateral development banks (e.g. the European Investment Bank and the World Bank) or other supranational organisations (e.g. the European Union).

Creditworthiness

The Council follows the rating issued by the three main agencies (Fitch, Moodys and Standard and Poor) and defines the following as being of "high credit quality" for making investments, subject to the monetary and time limits shown.

	Monetary Limit	Time limit for UK or AAA sovereign rated countries	Time limit for AA+ sovereign rated countries
Banks and building societies holding long-term credit ratings no lower than AAA or equivalent	£25m each	5 years	5 years
Banks and building societies holding long-term credit ratings no lower than AA+ or equivalent	£25m each	5 years	4 years
Banks and building societies holding long-term credit ratings no lower than AA or equivalent	£25m each	4 years	3 years
Banks and building societies holding long-term credit ratings no lower than AA- or equivalent	£25m each	3 years	2 years
Banks and building societies holding long-term credit ratings no lower than A+ or equivalent	£25m each	2 years	1 year
Banks and building societies holding long-term credit ratings no lower than A or equivalent	£10m each	18 months	6 months
Banks and building societies holding long-term credit ratings no lower than A- or equivalent, with assets greater than £1bn	£10m each	6 months	6 months
UK Building societies holding long-term credit ratings no lower than BBB or equivalent, with assets greater than £1bn	£3m each	6 months	N/A
UK Building societies without credit ratings, with assets greater than £1bn	£3m each	6 months	N/A
Money market funds and similar pooled vehicles whose lowest published credit rating is AAA	£20m each	1 year	N/A
UK Central Government (irrespective of credit rating)	unlimited	50 years	N/A
UK Local Authorities (irrespective of credit rating)	£25m each	25 years	N/A
Organisations and pooled funds which do not meet the above criteria, subject to an external credit assessment and a specific recommendation from the Council's treasury management adviser	£5m per individual	5 years	N/A
	£25m per pooled fund	No defined maturity date	N/A
Collective investment schemes (pooled funds) which do not meet the definition of collective investment schemes in Statutory Instrument (SI) 2004 No 534 or SI 2007 No 573 and subsequent amendments	£25m	No defined maturity date	N/A

Group Limits

The maximum amount invested with a connected group of counterparties is £25m (although the maximum investment with a single counterparty within any group is dependent on the bank's credit rating.) Investments in part nationalised and nationalised banks are not subject to a government group limit.

Credit Watch / Outlook Overlay

From time to time an institution will be placed on negative watch or negative outlook, indicating that a downgrade is either likely or possible in the future. Watches are considered short term actions, whereas outlooks are considered over a longer time horizon. If an institution is on negative watch so that it is likely to fall below the above criteria, then no further investments will be made until the outcome of the review is announced.

Credit Default Swaps (CDS) Overlay

Credit rating agencies lag market events and therefore do not provide investors with an up to date picture of the credit quality of a particular institution. A CDS is a financial instrument which insures against the risk of a counterparty defaulting on its credit. When the cost of this insurance is highest, then it is more likely that the market considers a credit event will occur. Each week Arlington Close provides CDS spreads information enabling the treasury team to monitor short, medium and long term trends of CDS spreads.

Exposure to Credit Risk

The following analysis summarises the Council's potential maximum exposure to credit risk, based on experience of default and collectability over the last three financial years, adjusted to reflect current market conditions.

	Amount at 31 March 2014	Historical experience of default	Historical experience adjusted for market conditions at 31 March 2014	Estimated maximum exposure to default and uncollectability at 31 March 2014	Estimated maximum exposure at 31 March 2013
	£0	%	%	£0	£0
	A	B	C	(A x C)	
Deposits with banks and financial institutions (excluding Icelandic banks)	206,466	0.052	0.052	106.5	93.6
Customers	27.392	0	1.802	594.8	641.2
				701.3	**734.8**

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.

Of the £27.392m (2012/13 £23.202m) balance £17.3m (2012/13 £16.1m) of debtors were individually assessed for impairments. A risk evaluation based on the value and types of debt was carried out to determine which debts to individually assess. This review resulted in a required provision of £0.595m (2012/23 £0.641m) to be made in respect of these debtors.

The Council does not generally allow credit for customers, such that £8.873m of the £17.3m balance is past its due date for payment. The past due amount can be analysed by age as follows:

31 March 2013		31 March 2014
£000		£000
1,096	Less than three months	4,227
1470	Three to six months	687
823	Six months to one year	632
3,238	More than one year	3,327
6,627		**8,873**

Sale of Claim against Landsbanki

Buckinghamshire County Council has sold its claim against the insolvent estate of Landsbanki Islands through a competitive auction process and received £4.6m or 93% of the £5m originally deposited with Landsbanki Islands in 2008. The price at which the claim was sold was based on a reserve price set by the Council on the basis of legal advice received from Bevan Brittan, financial advice procured by the Local Government Association (LGA) and the Council's own analysis of the financial position.

Liquidity Risk

As the Council has ready access to borrowings from the Public Works Loans Board, there is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead, the risk is that the Council will be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates. The strategy is to ensure that not more than 15% of loans are due to mature within any rolling three-year period through a combination of careful planning of new loans taken out and (where it is economic to do so) making early repayments.

31 March 2013 £000		31 March 2014 £000
1,732	Less than one year	11,732
11,732	Between one and two years	11,732
35,196	Between two and five years	33,464
139,000	More than five years	129,000
187,660		**185,928**

Market Risk

Interest Rate Risk

The Council is exposed to significant risk in terms of its exposure to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council. For instance, a rise in interest rates would have the following effects:

- Borrowings at variable rates – the interest expense charged to the CIES will rise
- Borrowings at fixed rates – the fair value of the liabilities borrowings will fall
- Investments at variable rates – the interest income credited to the CIES will rise
- Investments at fixed rates – the fair value of the assets will fall

Borrowings are not carried at fair value, so notional gains and losses on fixed rate borrowings would not impact on the CIES. However, changes in interest payable and receivable on variable rate borrowings and investments would be posted to the CIES and affect the General Fund Balance pound for pound.

The Council has a number of strategies for managing interest rate risk. The policy is to aim to keep a maximum of 20% of its borrowings in variable rate loans. During periods of falling interest rates, and where economic circumstances make it favourable, fixed rate loans will be repaid early to limit exposure to losses. The risk of loss is ameliorated by the fact that a proportion of government grant payable on financing costs will normally move with prevailing interest rates or the Council's cost of borrowing and provide compensation for a proportion of any higher costs. If interest rates had been 1% higher with all other variables held constant, the financial effect in 2013/14 would have been:

31 March 2013 £000		31 March 2014 £000
212	Increase in interest payable on variable rate borrowings	0
-363	Increase in interest receivable on variable rate investments	-570
-151	**Impact on Surplus/Deficit on the Provision of Services**	**-570**
1,151	Decrease in fair value of fixed rate investment assets	731
1,151	**Impact on other Comprehensive Income and Expenditure**	**731**
24,670	Decrease in fair value of fixed rate borrowings liabilities (no impact on the Surplus/Deficit on the Provision of Services or other Comprehensive Income and Expenditure	16,928

The impact of a 1% fall in interest rates would be as above but with the movements being reversed.

Price Risk

The Council does not invest in equity shares (although the Pension Fund, for which the Council is the administering body, does invest in equity shares)

Foreign Exchange Risk

The Council has no financial assets or liabilities denominated in foreign currencies. At financial close on the EfW contract, FCC Bucks Ltd entered into the foreign exchange hedges to fix the rate for construction payments. As a result the risk of exposure to loss arising from movements in exchange rates in respect of the EfW contract has been mitigated.

22 - Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

31 March 2013		31 March 2014
£000		**£000**
(2,361)	Bank current accounts	(4,280)
3,002	Short-term deposits *	20,008
641	**Total Cash and Cash Equivalents**	**15,728**

* In 2012/13 all our instant access cash was held in Money Market Funds due to the poor rate of return on short dated investments so was classified as Assets Available for Sale. During 2013/14 we have moved funds into instant access call accounts, so they are classed as Cash and Cash Equivalents.

23 – Debtors and Creditors

Short-term Debtors

	31 March 2013	31 March 2014
	£000	**£000**
Central government bodies	8,413	828
Other local authorities	2,089	1,051
Collection Fund adjustment	4,834	10,674
Sundry debtors	23,202	27,958
Payments in advance	3,662	3,740
Total	**42,199**	**44,251**
Provision for doubtful debts	(641)	(595)
Total Short Term Debtors	**41,558**	**43,656**

Long Term Debtors

	31 March 2013	31 March 2014
	£000	**£000**
Reprovisioning of social care	17,284	16,459
Finance lease debtors	3,885	3,634
Other Long Term Debtors	1,447	1,330
Total Long Term Debtors	**22,616**	**21,423**

Short-term Creditors

	31 March 2013	31 March 2014
	£000	£000
HM Revenue and Customs	(2,586)	(4,712)
Central government bodies	(810)	(2,319)
Other local authorities	(5,728)	(2,199)
Collection Fund adjustment	(2,444)	(4,179)
Deposits from contractors and others	(17,373)	(17,361)
Other sundry creditors	(38,390)	(38,692)
Receipts in advance and deferred income	(24,221)	(20,647)
Capital expenditure creditors	(5,454)	(9,412)
Total	**(97,006)**	**(99,521)**

24 - 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. Provisions are charged as an expense to the appropriate service line in the CIES 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. Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Council settles the obligation.
The following provisions have been made as at 31 March 2014:

	Current Provisions			Long Term Provisions		
	Redundancy and Pension Strain	Accumulated Absences	Carbon Reduction Commitment	Insurance	National Non-Domestic Rates	Total
	£000	£000	£000	£000	£000	£000
1 April 2013	**(188)**	**(7,016)**	**(397)**	**(5,562)**	**-**	**(13,163)**
Additional provisions made	(154)	-	(484)	(1,278)	(1,111)	(3,027)
Amounts used	188	7,016	397	1,613	-	9,214
Balance at 31 March 2014	**(154)**	**-**	**(484)**	**(5,227)**	**(1,111)**	**(6,976)**

Current Provisions

- Redundancy and Pension Strain - the Council has an obligation to make these payments to employees who are made redundant. A provision is recognised when a redundancy plan is reasonably certain and the amount can be reasonably estimated. The amount recognised in 2013/14 would be expected to be used in 2014/15.
- Carbon Reduction Commitment (CRC) – A provision has been made to cover the cost of purchasing allowances for estimated carbon dioxide emissions for 2013/14 in accordance with the CRC Energy Efficiency Scheme.
- Accumulated absences – an accrual is made for the cost of holiday entitlement earned by employees but not taken before the year end which employees can carry forward into the next financial year. The accrual is charged to the relevant service lines in the CIES, but then reversed out through the Movement in Reserves Statement by way of an adjusting transaction with the Accumulated Absences Account, so that there is no impact on Council tax in accordance with statutory guidance. The provision has been re-categorised as a creditor accrual in 2013/14, with the balance at the year-end now reported under sundry creditors in Note 23.

Long Term Provisions

- Insurance - these exist for meeting claims under a self-insurance scheme. There are cumulative limits to these, above which claims will be met by the Council's insurers. These cover areas of insurance such as motor, fire, maternity cover and employees. In addition a provision is maintained for probable liabilities following the Municipal Mutual Insurance ceasing to undertake new business.
- The Local Government Finance Act 2012 introduced a business rates retention scheme which came into effect in 2013/14. District Councils are responsible for collecting business rates and are required to make provision for amounts that are likely to be repaid to ratepayers following successful appeals. The Council is required to separately disclose its share of these provisions.

25 - Unusable Reserves

Unusable reserves are kept to manage the accounting processes for non-current assets, financial instruments, and retirement and employee benefits and do not represent usable resources for the Council.

2012/13		2013/14
£000		£000
(182,336)	Revaluation Reserve	(181,718)
(624,380)	Capital Adjustment Account	(655,514)
2,563	Financial Instruments Adjustment Account	2,403
(22,584)	Deferred Capital Receipts Reserve	(21,606)
429,417	Pensions Reserve	471,109
(2,391)	Collection Fund Adjustment Account	(5,385)
7,015	Accumulated Absences Account	6,798
(392,695)	**Total Unusable Reserves**	**(383,913)**

Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council 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.

2012/13			2013/14
£000			£000
(189,153)	**Balance at 1 April**		(182,336)
(17,781)	Upward revalution of assets	(9,896)	
6,331	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	2,784	
(11,450)	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services		**(7,112)**
2,513	Difference between fair value depreciation and historical cost depreciation	2,205	
15,754	Accumulated gains on assets sold or scrapped	5,524	
18,267	Amount written off to the Capital Adjustment Account		**7,729**
(182,336)	**Balance at 31 March**		**(181,718)**

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 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.

2012/13			2013/14
£000			£000
(622,391)	**Balance at 1 April**		(624,380)
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
34,144	- Charges for depreciation and impairment of non-current assets	32,236	
13,082	- Revaluation losses on Property, Plant and Equipment	5,242	
1,430	- Amortisation of intangible assets	1,162	
26,407	- Revenue Expenditure Funded from Capital Under Statute	32,631	
-	- Expenditure recategorised as REFCUS financed in prior year	4,159	
30,578	- Amounts on non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	11,411	
105,640			**86,841**
	Adjusting amounts written out of the Revaluation Reserve		
(18,266)	- Net written out amount of the cost of non-current assets consumed in the year	(7,729)	
	Capital financing applied in the year:		
(12,702)	- Use of the Capital Receipts Reserve to finance new capital expenditure	(11,072)	
(36,249)	- Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(32,665)	
(8,048)	- Application of grants to capital financing from the Capital Grants Unapplied Account	(46,361)	
(8,832)	- Statutory provision for the financing of capital investment charged against the General Fund balance	(8,408)	
(1,961)	- Statutory provision for the financing of capital investment charged against the General Fund balance	(1,961)	
(21,571)	- Capital expenditure financed from the General Fund	(9,778)	
(107,629)			**(117,974)**
(624,380)	**Balance at 31 March**		**(655,514)**

Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for premiums and discounts on the early repayment of loans per statutory provisions. The premium or discount is spread over the unexpired term of the loan when it was redeemed.

2012/13		2013/14
£000		£000
2,723	**Balance at 1 April**	2,563
(160)	Proportion of premiums incurred in previous financial years to be charged against the General Fund balance in accordance with statutory requirements	(160)
(160)		**(160)**
2,563	**Balance at 31 March**	**2,403**

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. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

2012/13		2013/14
£000		£000
(27,220)	**Balance at 1 April**	(22,584)
3,264	Write-down / impairment of benefit	-
-	Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehenisve Income and Expenditure Statement	(451)
1,372	Transfer to the Capital Receipts Reserve upon receipt of cash	1,429
(22,584)	**Balance at 31 March**	**(21,606)**

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 debit balance on the Pensions Reserve indicates a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them.

Restated 2012/13		2013/14
£000		£000
425,686	**Balance at 1 April**	429,417
(11,600)	Actuarial gains or losses on pensions assets and liabilities	24,525
41,833	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	42,481
(26,502)	Employer's pension contributions and direct payments to pensioners payable in the year	(25,314)
429,417	**Balance at 31 March**	**471,109**

Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of Council Tax National Non Domestic Rates income in the CIES 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.

2012/13 £000		2013/14 £000
(2,219)	**Balance at 1 April**	(2,391)
(171)	Amount by which Council Tax income credited to the Comprehensive Income and Expenditure Statement is different from Council Tax income calculated for the year in accordance with statutory requirements	(4,045)
-	Amount by which National Non-Domestic Rates income credited to the Comprehensive Income and Expenditure Statement is different from NNDR income calculated for the year in accordance with statutory requirements	1,051
(2,391)	**Balance at 31 March**	**(5,385)**

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, eg annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund balance is neutralised by transfers to or from the Account.

2012/13 £000		2013/14 £000
9,012	**Balance at 1 April**	7,015
(9,012)	Settlement or cancellation of accrual made at the end of the preceding year	(7,015)
7,015	Amounts accrued at the end of the current year	6,798
(1,996)	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	**(217)**
7,015	**Balance at 31 March**	**6,798**

26 - 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 (Grant Thornton) appointed by the Audit Commission:

	2012/13	2013/14
	£000	£000
Fees payable with regard to external audit services carried out by the appointed auditor for the year	117	115
Fees payable for the certification of grant claims and returns for the year	9	2
Fees payable in respect of other services provided during the year	4	-
Total	**130**	**117**

27 - Pooled Budgets

Integrated Mental Health Provision for Adults of Working Age Agreement

This is a partnership with Oxfordshire and Buckinghamshire Mental Health Partnership NHS Trust (OBMH). OBMH acted as host for the pooled budget.

2012/13		2013/14
£000		£000
	Expenditure	
8,638	Integrated mental health provided services	8,543
8,638	**Total Expenditure**	**8,543**
	Income	
(2,527)	Contribution from Buckinghamshire County Council	(2,377)
(6,111)	Contribution from Oxfordshire and Buckinghamshire Mental Health Trust	(6,166)
(8,638)	**Total Income**	**(8,543)**
-	**Balance**	-

Children and Adolescence Mental Health Services (CAMHS)

This is a partnership with Buckinghamshire Primary Care Trust. The Council is the host authority for the pooled fund arrangement.

2012/13 £000		2013/14 £000
	Expenditure	
5,504	Children and adolescence mental health services	5,490
5,504	**Total Expenditure**	**5,490**
	Income	
(1,296)	Contribution from Buckinghamshire County Council	(1,293)
(4,208)	Contribution from Buckinghamshire Primary Care Trust	-
	Contribution from Aylesbury Vale Clincial Commissioning Group	(1,619)
	Contribution from Chiltern Clinical Commissioning Group	(2,578)
(5,504)	**Total Income**	**(5,490)**
-	**Balance**	-

The Council has a number of other Pooled Budget arrangements, those over £1m are listed below:-

2012/13 £000	Other Pooled Budget Arrangements	2013/14 £000
3,229	Joint Pooled Community Equipment Loan Service	3,469
2,982	Integrated Mental Health Provision for Older People Agreement	2,974
2,539	Residential Respite Short Breaks Pooled Fund	2,371
2,549	Speech and Language Therapy	2,168

28 - Leases

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

The Council as Lessee

Finance Leases

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at fair value measured at the lease's inception and is subject to depreciation being charged over the shorter of the lease term and the asset's estimated useful life.

The Council has ten properties (libraries and offices) included in its asset register that are finance leases with a net book value of £9.368m (2012/13 £9.448m). All properties have rentals payable of less than £1k per annum, with the exception of Chiltern Area Office for which the rental is £12k per annum. As a result no corresponding liability has been recognised in relation to these assets.

	31 March 2013 £000	31 March 2014 £000
Other Land and Buildings	9,448	9,368
Finance Lease Net Book Value	**9,448**	**9,368**

Operating Leases

Rentals paid under operating leases are charged to the CIES as an expense of the services benefitting from use of the asset. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. if there is a rent-free period at the commencement of the lease). The future minimum lease payments due under operating leases are:

	31 March 2013	31 March 2014
	£000	£000
Amounts paid during the year	**1,588**	**1,405**
Not later than one year	1,066	827
Later than one year and not later than five years	950	1,301
Later than five years	976	881
Total Estimated Future Payments	**2,992**	**3,009**

The amounts paid in year comprise the following elements:

	31 March 2013	31 March 2014
	£000	£000
Minimum lease payments	1,880	1,517
Contingent rents	3	50
Sublease payments receivable	(295)	(162)
	1,588	**1,405**

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; a gain or loss on disposal is credited to the Comprehensive Income and Expenditure Statement and matched by a lease (long-term debtor) asset in the Balance Sheet. Any consideration is treated as a capital receipt.
In 2007/08 the Council granted a finance lease to a company for rights to gravel extraction from Council land near Denham. The Council has a gross investment in the lease, made up of the minimum lease payments expected to be received over the remaining term and the residual value anticipated for the land when the lease comes to an end. The minimum lease payments are apportioned between:

- settlement of the long-term debtor for the interest in the property acquired by the lessee; and
- finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

The gross investment is made up of the following amounts:

	31 March 2013	31 March 2014
Finance lease debtor (net present value of minimum lease payments):	£000	£000
■ current	577	678
■ non-current	3,885	3,634
Unearned finance income	1,023	848
Unguaranteed residual value of property	200	200
Gross investment in the lease	**5,685**	**5,360**

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

	31 March 2013	31 March 2014	31 March 2013	31 March 2014
	£000	£000	£000	£000
Not later than one year	835	927	835	927
Later than one year and not later than five years	3,339	3,708	3,339	3,708
Later than five years	1,511	725	1,311	525
	5,685	**5,360**	**5,485**	**5,160**

The Council has granted a number finance leases to schools on obtaining Academy status for nil rentals. The value of buildings derecognised totals £97.049m 2013/14 (£95.896m 2012/13); the land has not been derecognised. No residual values are held in respect of buildings.

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. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease).

The Council leases some of its property and vehicles for a variety of purposes including agricultural tenancies, service tenancies, provision of community services, roundabout sponsorship and commercial lets. The future minimum lease payments receivable under these leases in future years are:

	31 March 2013	31 March 2014
	£000	£000
Not later than one year	1,172	1,444
Later than one year and not later than five years	2,814	3,119
Later than five years	3,635	3,188
	7,621	**7,751**

Opinion on the pension fund financial statements

We have audited the pension fund financial statements of Buckinghamshire County Council for the year ended 31 March 2014 under the Audit Commission Act 1998. The pension fund financial statements comprise the Fund Account, the Net Assets Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14.

This report is made solely to the members of Buckinghamshire County Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's Members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Service Director (Finance & Commercial Services) and auditor

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

Scope of the audit of the pension fund financial statements

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

Opinion on the pension fund financial statements

In our opinion the pension fund's financial statements:

- give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2014 and the amount and disposition of the fund's assets and liabilities as at 31 March 2014; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 and applicable law.

Opinion on other matters

In our opinion, the information given in the explanatory foreword for the financial year for which the financial statements are prepared is consistent with the financial statements.

Darren Wells
Director
for and on behalf of Grant Thornton UK LLP, Appointed Auditor
Grant Thornton UK LLP
Fleming Way
Manor Royal
Crawley RH10 9GT

Description of the Fund

Buckinghamshire County Council Pension Fund (the Fund) is part of the Local Government Pension Scheme and is administered by Buckinghamshire County Council. Organisations participating in the Fund include the County Council, Milton Keynes Council, the district and parish Councils of Buckinghamshire, Thames Valley Police, Buckinghamshire Fire and Rescue Service, and other scheduled and admitted bodies. These are listed in Note 21 to these Financial Statements. There have been no major changes to the Fund during 2013/14. Teachers, fire fighters and police officers, for whom separate pension schemes apply, are excluded from the Pension Fund.

The purpose of the Pension Fund is to provide defined benefits for employees and their widows, widowers and children, based on pay and past service. A new Scheme was introduced in April 2014.

Membership of the Fund

The following summarises the membership of the Fund:

31 March 2013	Membership of the Fund	31 March 2014
20,965	Contributors	21,693
14,522	Pensioners	15,266
19,708	Deferred pensioners	20,832
55,195	**Total Membership of the Fund**	**57,791**

Statement of Investment Principles (SIP)

In order to ensure the proper management of the Fund, the Council has adopted a Statement of Investment Principles (SIP) in relation to the investment of the Pension Fund's assets. The SIP can be viewed on the Council's pension website
Statement of investment principles - Buckinghamshire County Council

Further Information

The County Council publishes a separate Annual Report on the Pension Fund, which gives more detailed information, a copy can be viewed on the Council's pension website
http://www.buckscc.gov.uk/bcc/pensions/investments/accounts.page

Pension Fund Account for the Year Ended 31 March 2014

31 March 2013 £000	Pension Fund Account	Note	31 March 2014 £000
	Income		
107,160	Contributions	3	112,454
5,594	Transfers in from other pension funds	4	6,426
105	Other income		78
112,859			**118,958**
	Benefits	5	
(66,732)	Pensions		(70,743)
(22,848)	Commutation of pensions and lump sums		(19,880)
	Payments to and on Account of Leavers	6	
(13)	Refunds of contributions		(9)
(6,797)	Transfers out to other pension funds		(6,286)
(1,757)	**Administrative Expenses**	7	(2,096)
(98,147)			**(99,014)**
14,712	**Net Additions from Dealings with Members**		**19,944**
	Returns on Investments		
30,646	Investment income	8	36,375
187,598	Profits and losses on disposal of investments and changes in value of investments	9	107,998
(1,296)	Taxes on income	16	(1,540)
(2,964)	Investment management expenses	10	(5,179)
213,984	**Net Return on Investments**		**137,654**
228,696	**Net Increase/(Decrease) in the Net Assets Available for Benefits During the Year**		**157,598**
1,555,512	**Net Assets of the Fund Available to Fund Benefits at 1 April**		**1,784,208**
1,784,208	**Net Assets of the Fund Available to Fund Benefits at 31 March**		**1,941,806**

Net Assets Statement

31 March 2013 £000	Net Assets Statement	Note	31 March 2014 £000
	Investments	11	
	Fixed interest securities		
22,259	• Public sector		10,020
113,974	• Other		114,527
647,380	Equities - quoted		715,872
31,943	Index-linked securities		48,560
792,727	Pooled investment vehicles		846,696
130,920	Unit trusts - property		146,290
28,992	Cash deposits		31,956
(125)	Derivative contracts		145
5,208	Dividend income receivable		5,003
1,773,278	**Net Investments**		**1,919,069**
-	Borrowings - sterling		**-**
21,205	Current assets	15	**27,260**
(10,275)	Current liabilities	15	**(4,523)**
1,784,208	**Net Assets of the Fund Available to Fund Benefits at 31 March**		**1,941,806**

1. Basis of Preparation

The accounts summarise the fund’s transactions for the 2013/14 financial year and its position at year end as at 31 March 2014. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting (the Code), which is based on International Financial Reporting Standards (IFRS), as amended for the UK public sector.

The accounts summarise the transactions of the Fund and report on the net assets available to pay pension benefits. The accounts do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year. The actuarial present value of promised retirement benefits is disclosed at Note 18 of these accounts.

The Pension Fund is administered by Buckinghamshire County Council, but the Fund balances are not included in Buckinghamshire County Council's Consolidated Balance Sheet.

2. Accounting Policies and Critical Judgements in Applying Accounting Policies

Accounting Policies

Accruals of Income and Expenditure
The financial statements are prepared on an accruals basis, unless otherwise stated. That is, income and expenditure are recognised as they are earned or incurred, not as they are received or paid.

Contributions, benefits and investment income are included on an accruals basis. All settlements for buying and selling investments are accrued on the day of trading. Interest on deposits is accrued if not received by the end of the financial year. Investment management expenses are accounted for on an accruals basis. Administrative expenses are accounted for on an accruals basis, staff costs are paid by Buckinghamshire County Council then recharged to the Pension Fund at the year end. 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 Net Asset Statement. Some additional payments are made to beneficiaries on behalf of certain employers. These payments are subsequently reimbursed by those employers. The figures contained in the accounts are shown exclusive of both payments and reimbursements.

Employers' augmentation contributions and pension strain contributions are accounted for in the period in which the liability arises. Individual transfers in / out are accounted for when received / paid, which is normally when the member liability is accepted or discharged.

Investment Income
Interest income is recognised in the fund account as it accrues, using the effective interest rate of the financial instrument as at the date of acquisition or origination. Dividend income is recognised on the date the shares are quoted ex-dividend. Any amount not received by the end of the reporting period is disclosed in the net assets statement as dividend income receivable. Changes in the net market value of investments are recognised as income and comprise all realised and unrealised profits / losses during the year.

Benefits Payable
Pensions and lump sum benefits payable include all amounts known to be due as at the end of the financial year. Any amounts due but unpaid are disclosed in the net assets statement as current liabilities.

Investment Management Expenses
All investment management expenses are accounted for on an accruals basis. Fees of the external investment managers and custodian are agreed in the respective mandates governing their appointments. These are based on the market value of the investments under their management and therefore increase or reduce as the value of these investments change.

In addition, the Fund has negotiated with the following managers that an element of their fee be performance related:
Global Thematic Partners – global equities
Investec Asset Management – global equities
Mirabaud – UK equities
Royal London Asset Management – bonds
Schroders – global equities
Standard Life – UK equities

Financial Instruments
Financial Instruments that are "held for trading" are classified as financial assets and liabilities at fair value through profit or loss when the financial instrument is:

- Acquired or incurred principally for the purpose of selling or repurchasing it in the near term, or
- Part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking, or
- A derivative.

Financial assets and liabilities at fair value through profit or loss are initially recognised at fair value excluding transaction costs and carried at fair value without any deduction for transaction costs that would be incurred on sale or disposal.

Financial instruments have been classified as Loans and Receivables when they have fixed or determinable payments and are not quoted in an active market. Loans and receivables are initially recognised at Fair Value and carried at historic cost as they are all short term.

The value of market quoted investments is determined by the bid market price ruling on the final day of the accounting period. Fixed interest securities are recorded at net market value based on their current yields. Pooled investments in property funds, equity funds, fixed interest funds, private equity funds and hedge fund of funds are valued by the fund manager in accordance with industry guidelines.

Foreign Currency Transactions
Foreign currency transactions are translated into sterling at the exchange rate ruling at the date of transaction. End of year spot market exchange rates are used to value cash balances held in foreign currency bank accounts, market values of overseas investments and purchases and sales outstanding at the end of the reporting period.

Derivatives
The Fund uses derivative financial instruments to manage its exposure to certain risks arising from its investment activities. The Fund does not hold derivatives for speculative purposes. Currently the Fund only holds forward currency contracts. The future value of the forward currency contracts is based on market forward exchange rates at the year end date and determined as the gain or loss that would arise if the outstanding contract were matched at the year end with an equal and opposite contract.

Cash and Cash Equivalents
Cash comprises cash in hand and demand deposits. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to minimal risk of changes in value.

Contingent Assets and Liabilities
Contingent liabilities are disclosed by way of note when there is a possible obligation which may require a payment or a transfer of economic benefits. The timing of the economic transfer and the level of certainty attaching to the event are such that it would be inappropriate to make a provision.

Contingent assets are disclosed by way of note where inflow or a receipt or an economic benefit is possible and whose existence will be confirmed only by the occurrence or non-occurrence of one or more future events not wholly within the control of the Pension Fund.

Critical Judgements in Applying Accounting Policies

Unquoted private equity investments
It is important to recognise the highly subjective nature of determining the fair value of private equity investments. They are inherently based on forward looking estimates and judgements involving many factors. Private equities are valued by the investment managers using guidelines set out by the British Venture Capital Association.

Pension Fund Liability
The Fund liability is calculated every three years by the appointed actuary, with annual updates in the intervening years. The methodology used is in line with accepted guidelines and in accordance with IAS19.

Events After The Balance Sheet Date
Since 31 March 2014, there has been some volatility in the financial markets due to the Scottish independence vote, there would be an impact on the market value of the fund’s investments were they to be valued as at the date these accounts were authorised. Following a review of investment strategy the Fund implemented a strategic change during May 2014 to switch 10% of assets from equities to bonds. These changes are deemed to be non-adjusting post balance sheet events.
There have been no events since 31 March 2014, and up to the date when these accounts were authorised, which require any adjustments to these accounts.

3. Contributions

Contributions relating to wages and salaries paid up to 31 March 2014 have been included in these accounts.

2012/13 £000	Contributions	2013/14 £000
	Employers	
24,822	Administering authority	25,195
49,195	Scheduled bodies	56,836
7,634	Admitted bodies	5,032
	Employers Augmentation Costs	
-	Administering authority	-
6	Scheduled bodies	63
-	Admitted bodies	-
	Members	
6,872	Administering authority	6,949
16,330	Scheduled bodies	16,504
2,301	Admitted bodies	1,875
107,160	**Total Contributions**	**112,454**

4. Transfer Values

2012/13 £000	Transfers in from other pension funds	2013/14 £000
-	Group transfers	-
5,594	Individual transfers	6,426
5,594	**Total Transfers in from other pension funds**	**6,426**

The individual transfer values relate to transfers, which have been received and paid during the financial year i.e. included on a cash basis.

On 31 March 2014 there were no outstanding transfer values payable greater than £50k (3 on 31 March 2013 for which £202k had not been paid); there were no outstanding transfer values receivable greater than £50k on 31 March 2014 (no outstanding transfers in on 31 March 2013).

On 31 March 2014 there were 3 group transfers to the Fund being negotiated with other Funds (4 on the 31 March 2013), the value of the transfers in is being negotiated between the Funds' actuaries. The income due to the Fund has not been accrued since negotiations are at too early a stage for an estimate of the value to be available.

5. Benefits

Benefits include all valid benefit claims notified during the financial year.

2012/13 £000	Benefits	2013/14 £000
	Pensions	
26,903	Administering authority	28,324
35,330	Scheduled bodies	37,421
4,499	Admitted bodies	4,998
21,177	Commutations of pensions and lump sum retirement benefits	17,765
1,671	Lump sum death benefits	2,115
89,580	**Total Benefits**	**90,623**

6. Payments to and on Account of Leavers

2012/13 £000	Payments to and on Account of Leavers	2013/14 £000
15	Refunds to members leaving service	9
(2)	Payments for members joining the state scheme	-
769	Group transfers to other pension funds	-
6,028	Individual transfers to other pension funds	6,286
6,810	**Total Payments to and on Account of Leavers**	**6,295**

7. Administrative Expenses

2012/13 £000	Administrative Expenses	2013/14 £000
1,547	Administration of benefits	1,811
110	Actuarial fees	152
16	External audit fees	26
84	Legal and performance measurement fees	107
1,757	**Total Administrative Expenses**	**2,096**

8. Investment Income

2012/13 £000	Investment Income	2013/14 £000
6,752	Interest from fixed interest securities	6,774
17,768	Dividends from equities	22,268
737	Income from index-linked securities	479
(671)	Interest on cash deposits	157
6,150	Income from property unit trusts	6,379
(90)	Other	318
30,646	**Total Investment Income**	**36,375**

9. Investments

All investments are valued on a fair value basis and where there is an active market the bid price is the appropriate quoted market price. The investment accounting information is provided by BNY Mellon, the Fund's custodian bank. A £588k investment in Scottish Investment Trust plc has been reclassified at fair value following a change in BNY Mellon's reporting classifications from a pooled bond fund to a fixed interest security.

Investments (All values are shown £000)	Value at 31 March 2013	Reclass-ification of Assets	Purchases at Cost	Sales Proceeds	Realised Profit / (Loss)	Unrealised Profit / (Loss)	Value at 31 March 2014
	£000	£000	£000	£000	£000	£000	£000
Fixed interest securities	136,233	588	71,331	(79,841)	154	(3,918)	124,547
Equities - quoted	647,380	-	451,547	(438,489)	63,692	(8,258)	715,872
Index-linked securities	31,943	-	304,925	(286,591)	(324)	(1,393)	48,560
Pooled investment vehicles	792,727	-588	75,396	(72,459)	9,679	41,941	846,696
Unit Trusts - property funds	130,920	-	31,700	(22,475)	(1,937)	8,082	146,290
Derivative contracts	(125)	-	1,194	(1,446)	252	270	145
Cash deposits	28,992	-	-	3,206	-	(242)	31,956
	1,768,070	**-**	**936,093**	**(898,095)**	**71,516**	**36,482**	**1,914,066**
Investment income due	5,208						5,003
	1,773,278						**1,919,069**

Investments (All values are shown £000)	Value at 31 March 2012	Reclassification of Assets	Purchases at Cost	Sales Proceeds	Change in Market Value	Value at 31 March 2013
	£000	£000	£000	£000	£000	£000
Fixed interest securities	115,939	-	123,142	(112,312)	9,464	136,233
Equities - quoted	545,035	-	358,123	(339,549)	83,771	647,380
Index-linked securities	39,373	-	293,540	(303,955)	2,985	31,943
Pooled investment vehicles	687,427	-	59,829	(51,201)	96,672	792,727
Unit Trusts - property funds	128,366	-	10,812	(3,053)	(5,205)	130,920
Derivative contracts	199	-	1,245	(1,606)	37	(125)
Cash deposits	23,464	-	-	5,654	(126)	28,992
	1,539,803	**-**	**846,691**	**(806,022)**	**187,598**	**1,768,070**
Investment income due	5,429					5,208
	1,545,232					**1,773,278**

Pooled investment vehicles are funds where the Pension Fund is not the named owner of specific investments such as shares or bonds, but owns a proportion of a pooled fund. The Code requires that pooled investments are analysed between unit trusts, unitised insurance policies and other managed funds. The pooled investment vehicles in the tables above are other managed funds. These funds include the following types of investments:

- Equities
- Fixed interest securities
- Index linked securities
- Hedge fund of funds
- Diversified Growth Funds
- Private equity fund of funds

The change in the fair value of investments during the year comprises all increases and decreases in the fair value of investments held at any time during the year, including profits and losses realised on sales of investments during the year. The Fund's investments in derivatives are not material and therefore further disclosures are not included in the accounts.

Transaction costs are included in the cost of purchases and in sale proceeds. These include transaction costs, brokerage commission and other fees incurred in the acquisition of investments. Indirect costs are also incurred through the bid-offer spread on investments within pooled investments.

The Fund does not participate in a stock lending programme.

On 31 March 2014 the only asset which exceeds 5% of the total value of the net assets of the Fund is a £197.7m investment in Legal & General's Europe (ex UK) Equity Index (£167.5m as at 31 March 2013).

IFRS accounting requires that the Fund discloses information on fair value hedges, cash flow hedges and hedges of net investments in foreign operations. The Fund has exposure to hedges through its investments in a hedge fund of funds pooled investment vehicle, the hedge disclosure is not applicable to this type of investment.

10. Investment Management Expenses

The value of the Fund with the fund managers as at 31 March 2014 was £1,910m (£1,769m at 31 March 2013). The Fund incurred £5.179m investment management expenses in the year to 31 March 2014 (£2.964m in the year to 31 March 2013). The fees for 2013/14 include £860k fees paid from the BNY Mellon account in respect of the Aviva property fund of funds mandate. In previous financial years these fees have been offset against investment income as interest on cash deposits. Fund manager fees have been calculated according to the specific mandate and the associated contract agreement as follows:

Fund Manager	Mandate	Negotiated Fee Basis	Proportion of Fund 31 March 2013	Proportion of Fund 31 March 2014
Aviva Investors	Property	Percentage of fund	8%	8%
BlackRock	Cash / inflation plus	Percentage of fund	4%	4%
Blackstone Alternative Asset Management	Hedge fund of funds	Percentage of fund	4%	4%
Global Thematic Partners	Less constrained global equities	Performance related fee	7%	6%
Investec Asset Management	Less constrained global equities	Performance related fee	7%	8%
Legal & General Investment Management	Passive index-tracker	Percentage of fund	27%	27%
Mirabaud Investment Management Limited	UK equities	Performance related fee	9%	9%
Pantheon Private Equity	Private equity	Percentage of Funds Committed & Incentive Fee	6%	6%
Partners Group	Private equity	Percentage of fund	3%	3%
Royal London Asset Management	Core plus bonds	Performance related fee	10%	10%
Schroders	Less constrained UK equities	Performance related fee	7%	7%
Standard Life Investments	Less constrained UK equities	Performance related fee	8%	8%

11. Analysis of the Value of Investments

2012/13 £000	Analysis of the Value of Investments	2013/14 £000
	Fixed Interest Securities	
21,452	UK public sector	9,240
807	Overseas public sector	780
113,508	UK other	114,527
466	Overseas other	-
136,233	**Total Fixed Interest Securities**	**124,547**
	Equities	
269,286	UK quoted	325,485
378,094	Overseas quoted	390,387
647,380	**Total Equities**	**715,872**
	Other	
31,943	Index-linked securities public sector	48,560
-	Index-linked securities other	-
792,727	Pooled Investment vehicles	846,696
130,920	Unit Trusts - property funds	146,290
5,208	Investment income due	5,003
(125)	Derivatives	145
28,992	Cash deposits - sterling and foreign cash	31,956
989,665	**Total Other**	**1,078,650**
1,773,278	**Total Value of Investments**	**1,919,069**

12. Financial Instruments

The Net Assets of the Fund disclosed in the Net Asset Statement are made up of the following categories of financial instruments:

31 March 2013 Fair value through profit and loss	31 March 2013 Loans And Receivables	31 March 2013 Financial Liabilites At amortised cost		31 March 2014 Fair value through profit and loss	31 March 2014 Loans And Receivables	31 March 2014 Financial Liabilites At amortised cost
£000	£000	£000		£000	£000	£000
			Financial Assets			
136,233	-	-	Fixed interest securities	124,547	-	-
647,380	-	-	Equities - quoted	715,872	-	-
31,943	-	-	Index-linked securities	48,560	-	-
792,727	-	-	Pooled investment vehicles	846,696	-	-
130,920	-	-	Property – unit trusts	146,290	-	-
-	-	-	Derivatives	145	-	-
5,208	-	-	Dividend income receivable	5,003	-	-
-	28,992	-	Cash deposits	-	31,956	-
-	11,708	-	Current assets	-	18,195	-
1,744,411	**40,700**	**-**		**1,887,113**	**50,151**	**-**
			Financial Liabilities			
(125)	-	-	Derivatives	-	-	-
-	-	-	Borrowings	-	-	-
-	-	(9,413)	Current liabilities	-	-	(3,651)
(125)	-	**(9,413)**		-	-	**(3,651)**
1,744,286	**40,700**	**(9,413)**	**Total**	**1,887,113**	**50,151**	**(3,651)**

The net gains and losses on financial instruments are shown in the table below.

31 March 2013		31 March 2014
£000		£000
	Financial Assets	
217,947	Fair value through profit and loss	142,538
(819)	Loans and receivables	303
-	Financial liabilities measured at amortised cost	-
	Financial Liabilities	
-	Fair value through profit and loss	-
-	Loans and receivables	5,762
-	Financial liabilities measured at amortised cost	-
217,128	**Total**	**148,603**

The code requires that for each class of financial assets and financial liabilities an authority shall disclose the fair value of that class of assets and liabilities in a way that permits it to be compared with its carrying amount. As all investments are disclosed at fair value, carrying value and fair value are therefore the same.

Valuation of Financial Instruments Carried at Fair Value
The valuation of financial instruments has been classified into three levels, according to the quality and reliability of information used to determine fair values.

Level 1: Financial instruments where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities, quoted equities are classified as level 1. Listed investments are shown at bid prices. The bid value of the investment is based on the bid market quotation of the relevant stock exchange.

Level 2: Financial instruments where quoted market prices are not available; for example, where an instrument is traded in a market that is not considered to be active, or where valuation techniques are used to determine fair value and where these techniques use inputs that are based significantly on observable market data, e.g. fixed interest securities.

Level 3: Financial instruments at level 3 are those where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data. Such instruments would include unquoted equity investments and hedge fund of funds, which are valued using various valuation techniques that require significant judgement in determining appropriate assumptions. The values of the investment in private equity are based on valuations provided by the general partners to the private equity fund of funds in which the Fund has invested. These valuations are prepared in accordance with the International Private Equity and Venture Capital Valuation Guidelines, which follow the valuation principles of IFRS. Valuations are audited annually as at 31 December, the valuations as at 31 March reflect cash flow transactions since 31 December.

The values of the hedge fund of funds are based on the net asset value provided by the fund manager. Assurances over the valuation are gained from the independent audit of the value.

The following table analyses financial instruments, measured at fair value at the end of the reporting period, by the level in the fair value hierarchy into which the fair value measurement is categorised:

Value at 31 March 2014	Quoted Market Price	Using Observable Inputs	With Significant Unobservable Outputs	
	Level 1	Level 2	Level 3	Total
	£000	£000	£000	£000
Fixed interest securities	-	124,547	-	124,547
UK equities - quoted	325,484	-	-	325,484
Overseas equities - quoted	390,387	-	-	390,387
Index-linked securities	-	48,560	-	48,560
Pooled investment vehicles	-	-	846,696	846,696
Property – unit trusts	-	-	146,290	146,290
Derivatives	-	145	-	145
Dividend income receivable	5,003	-	-	5,003
Cash deposits	31,956	-	-	31,956
Borrowings	-	-	-	-
Current assets	18,195	-	-	18,195
Current liabilities	(3,651)	-	-	(3,651)
Total	**767,374**	**173,252**	**992,986**	**1,933,612**

Value at 31 March 2013	Quoted Market Price	Using Observable Inputs	With Significant Unobservable Outputs	
	Level 1	Level 2	Level 3	Total
	£000	£000	£000	£000
Fixed interest securities	-	136,233	-	136,233
UK equities - quoted	269,286	-	-	269,286
Overseas equities - quoted	378,094	-	-	378,094
Index-linked securities	-	31,943	-	31,943
Pooled investment vehicles	7,673	-	785,054	792,727
Property – unit trusts	27,645	-	103,275	130,920
Derivatives	-	(125)	-	(125)
Dividend income receivable	5,208	-	-	5,208
Cash deposits	28,992	-	-	28,992
Borrowings	-	-	-	-
Current assets	11,708	-	-	11,708
Current liabilities	(9,413)	-	-	(9,413)
Total	**719,193**	**168,051**	**888,329**	**1,775,573**

The Fund's fund managers provided the following commentary on the valuation methods they use:

Blackstone – Fund of Hedge Funds

Blackstone's direct securities and derivative investments made through Blackstone's fund of hedge fund vehicles are valued using the following methods:
Securities - Securities which are regularly traded on a securities exchange are valued at their last sale price as of the close of trading on such exchange, or, if no sales occurred on such day, at the bid price at the close of trading on such exchange on such day.
Options - Exchange-traded options are valued using the last reported sale price or, in the absence of a sale, the last quoted bid price.
Futures - Exchange-traded foreign currency future contracts are valued at the settlement price on the valuation date determined by the exchange on which they are traded.
Forwards - Forward currency contracts are valued at the current forward market prices obtained from brokers.
Swaps - Total return swaps are valued using the last reported public closing price of the underlying index.

Partners Group – Private Equity

An important component of the investment monitoring process is the ongoing valuation of private equity investments. Partners Group performs independent valuations of its underlying investments through a fair market valuation process, which is in accordance with International Financial Reporting Standards (IFRS) and United States Generally Accepted Accounting Principles (US GAAP). This process was first implemented in 2003 and has since then been developed further based on feedback received from PricewaterhouseCoopers (PwC), the auditor of most of the firm's programs and mandates. On an annual basis, the valuation process based on fair valuation principles (including valuation methodologies) is reviewed by the auditors of programs managed by Partners Group. Partners Group complies with the defined process and applies it as the basis for the year-end valuation and subsequent quarterly NAV determinations of the programs managed by the firm.

The vast majority of the underlying investments of Partners Group advised products and mandates are direct investments in private equity and private debt or limited partnership interests. Direct investments are valued independently by Partners Group. In the case of limited partnership interests, the investment partner will publish net asset values (NAVs) for these interests, typically on a quarterly basis. However, these NAVs do not necessarily represent fair values (fair value is defined as "the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date"), as private equity partnerships follow different accounting standards or valuation guidelines (e.g. IFRS, US GAAP, UK GAAP, International Private Equity and Venture Capital Valuation Guidelines (IPEV), and others). Furthermore, there is often a time lag between the reporting date and the latest available investment partner report. Partners Group's independent valuation review thus aims to verify and, if necessary, adjust the underlying reported NAVs as stated in an investment partner report.

Partners Group gathers the valuation-relevant information by systematically screening a broad set of sources for valuation-relevant information about portfolio companies which are held directly or indirectly by Partners Group's programs and mandates. This includes information supplied by the firm's due diligence and monitoring professionals, underlying fund managers and information published in industry journals and/or other publications.

LGIM – Passive Tracker Fund

The method used to value units is the same at every valuation date throughout the year:

For PF Sections that are priced on a weekly basis: all holdings of the appropriate PF Sections are valued at the close of business valuation point using a recognised pricing service. These values are then adjusted to allow for outstanding dividends, tax payable or recoverable and any relevant expenses (this creates the “Mid Value”). The Mid Price is created by taking the Mid Value and dividing by the number of units in issue. The appropriate dealing expenses are then added or subtracted to arrive at the offer and bid value. Finally, the offer and bid values are divided by the number of units in issue at the valuation point to give the unit prices.

For PF Sections that are priced on a daily basis: following the creating of the weekly mid price, a daily market moved Index file is received and applied to create a Daily close mid value. The Mid Value is then divided by the number of units in issue to create the daily mid price. The mid price then has the standard bid/offer spread applied to create the bid and offer prices. Where applicable, the dealing price is then created by the cash flow within the fund, at a client level. If the net cash flow is negative, the bid price is used and if it is positive, the offer price is used.

o For PF Sections that are priced on a daily midday basis: the previous calculated close mid price is market moved by an Index file that is received detailing a half days market movement. The Mid Value is then divided by the number of units in issue to create the mid price. The mid price then has the standard bid/offer spread applied to create the bid and offer prices. Where applicable, the dealing price is then created by the cash flow within the fund, at a client level. If the net cash flow is negative, the bid price is used and if it is positive, the offer price is used.

Aviva – Property Fund

For valuation purposes we rely on the NAV provided by each fund manager, which we would expect to be computed in accordance with appropriate local standards, incorporating independent valuations conducted from suitably qualified external providers. However, these external NAVs are subject to review by Aviva Investors REMM.

We employ an independent external accountant, Langham Hall, to undertake analysis of each fund's NAV when reported, in addition to that undertaken by the REMM team. They will attribute changes to the fund's NAV by performing an analysis of current fund accounts against previous fund accounts. They will also review fund accounts to ensure consistent and appropriate application of accounting standards.

These fund accounts reviews are then passed to the appropriate asset manager within Aviva Investors REMM. They will consider the change in NAV and the accountant's review, against their knowledge of the market and developments they are aware of for that fund, in order to determine that the NAV supplied would appear reasonable. Subject to their being satisfied with the NAV, they will approve it for use in client valuations.
There may be circumstances where the asset manager is not satisfied with the NAV as reported by the fund manager, and will wish to apply an amended NAV, based on their and Langham Hall’s analysis. In such circumstances, approval must be sought from the Aviva Investors Pricing and Valuation Committee (AIPVC), chaired by Aviva Investors’ Chief Operating Officer.

The committee includes representatives from the front office and operations teams, risk and compliance and meets on a monthly basis. Input is also taken from our third party administrators, JPM IOS. The responsibilities of the committee include reviewing and authorising changes to the pricing policy, approving price amendments and reviewing reports of price exceptions and suspended securities across all asset classes, including real estate Hence Aviva Investors REMM reviews the NAVs received from invested funds which are applied to valuations of client portfolios for reasonableness. However, this review is merely for the purposes of providing investors with an indication of the performance of their underlying portfolio. It does not constitute an opinion as to whether these NAVs do provide a true and fair view of the valuation of invested funds.

Wherever possible, and through the use of side letters if necessary, we seek to ensure consistency of reporting to an IFRS INREV NAV standard basis. Where this is not possible, we will ask managers to provide us with the building blocks to create this analysis. We will then work with Langham Hall, to reconcile back to the NAV provided in the fund's normal accounting standards.

Pantheon – Private Equity

Methodology Description of Method Common Usage
1. Cost/recent round of financing/price of recent investment

The cost or price of a recent investment is recognised by the valuation guidelines as a method for measuring fair valuation. The validity of a valuation obtained in this way will inevitably erode over time, since the price at which an investment was purchased reflects the conditions that existed when the transaction took place.

Though fair value is dependent on exit rather than entry prices, this method is used when the recent transaction may be most reflective of fair value. This is usually until such a time until the circumstances of the company change following the time since the transaction took place.

2. Comparable Private Company Transactions

The value of a company is calculated through examination of third-party investments in comparable equity securities of the company, examination of transactions in equity securities of comparable companies and direct comparisons to similar companies. These comparisons should be appropriately adjusted for any control premiums, synergistic benefits or other excess benefits or detriments that accrue to the owner when determining a proper comparable valuation. Until a company achieves marketplace acceptance for its product or service, it may be difficult to identify truly comparable companies.

Commonly used for companies with low enterprise value and/or low EBITDA which means it is not appropriate to use earnings multiples for similar publicly listed companies.

3. Earnings/Earnings Multiples /Performance Multiples

Earnings multiple valuations involve applying a multiple, appropriate to the company being valued, to the earnings of a company. The valuation is described as a function of two variables:

(i) Price - The price the market is willing to pay for a company with similar characteristics of size, industry etc.; and

(ii) Earnings - the amount of earnings that the firm produces over a given time period. These variables are usually applied at a total enterprise level, which must be reduced by any higher ranking instruments (e.g. debt) of the company to obtain the value of equity holders' stake in the business. Discounts can be applied to reflect different characteristics of the company.The most widely used of the valuation methodologies, especially for buyout or other businesses that have comparable characteristics to companies in the public markets.

4. Net Assets

The net assets basis is most relevant for entities whose values are derived from their underlying assets. The value of the underlying assets in the company is split according to each investor's share of capital/equity/commitments.

Applied in situations where the valuation is largely dependent on the intrinsic value of the assets.

5. Discounted Cash flows (DCF)

DCF involves using forecasted future cash flows, adjusted for interest rates to arrive at a present value of an investment.

DCF is applied in situations where there are predictable cash flows visible over a given time horizon.

6. Industry Benchmarks

Industry benchmarks are normally based on the assumption that investors are willing to pay for market share, and that profitability of business in the industry does not vary greatly.

Industry benchmarks are applicable to industries such as the hotel industry (occupancy rates), digital media (sales per subscriber) and the nursing home industry (price per bed), or other industries where long-term contracts are a feature.

7. Publicly traded securities

Unrestricted publicly traded securities are valued at the closing public market price on the valuation date. Restricted publicly traded securities may be valued at a discount from such closing public market price, depending on the circumstances.

Consistently applied across all investment types.

BlackRock Institutional Jersey Dynamic Diversified Growth Fund

The above Fund is a sub-fund of the BlackRock Institutional Jersey Funds umbrella which reports under UK SORP and is not exchange-traded. The price is determined daily by the Funds Administrator and will be representative of the Fund's net asset value ("NAV_) at each dealing point subject to any spreads applied, where appropriate. The Fund is not subject to any redemption notice periods and can be redeemed at each dealing point, currently on a daily basis. No automatic gates or holdbacks or dealing suspensions are currently in force. Any potential redemption restrictions in the future, if these were to arise, would be subject to the requirements set out in the prospectus.

BlackRock in its capacity as Investment Manager oversees the valuation and pricing of these funds as well as the subscriptions and redemptions of the fund units.

13. Additional Financial Risk Management Disclosures

The Fund's primary long term risk is that the Fund's assets will fall short of its liabilities (i.e. promised benefits payable to members.) Therefore the aim of investment risk management is to minimise the risk of an overall reduction in the value of the Fund and to maximise the opportunity for gains across the whole fund portfolio. The Fund achieves this through asset diversification to reduce exposure to market risk (price risk, currency risk and interest rate risk) and credit risk to an acceptable level. In addition, the Fund manages its liquidity risk to ensure that there is sufficient liquidity to meet the Fund's forecast cash flows. The Pension Fund Committee manages these investment risks as part of its overall Fund risk management programme.

Responsibility for the Fund's risk management strategy rests with the Pension Fund Committee. The Pension Fund Risk Assessment analyses the risks faced by the Council's pensions operations, it is reviewed regularly by the Pension Fund Committee to reflect changes in activity and in market conditions. The analysis below is designed to meet the disclosure requirements of IFRS 7.

Market Risk
Market risk represents the risk that the fair value of a financial instrument will fluctuate because of changes in market prices of equities, commodities, interest rates, foreign exchange rates and credit spreads. This could be as a result of changes in market price, interest rates or currencies. The objective of the Fund's Investment strategy is to manage and control market risk exposure within acceptable parameters, while optimising the return.

In general excessive volatility in market risk is managed through diversification across asset class, investment manager, country, industry sector and individual securities. Each manager is expected to maintain a diversified portfolio within their allocation.

Market Price Risk
Market price risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting the market in general.

By diversifying investments across asset classes and managers, the Fund aims to reduce the exposure to price risk. Diversification of asset classes seeks to reduce correlation of price movements, whilst the appointment of specialist managers enables the Fund to gain from their investment expertise.

Market Price - Sensitivity Analysis
Whilst the value of the Fund's assets is sensitive to changes in market conditions and the Fund's assets are diversified across fund managers and asset classes to mitigate the risks. The Fund's liability to pay future benefits is equally sensitive, particularly to interest rate changes. The Fund's investment consultant undertakes triennial strategy reviews following the triennial actuarial valuation to ensure that the asset allocation of the Fund remains appropriate to expectations for its liabilities both in the short term and in the long term. The latest review, carried out in May 2014, showed the overall risk factor (standard deviation) for the Fund could be reduced from 15.2% to 13.5% by decreasing the Fund's allocation to equities and increasing the allocation to bonds. At the beginning of June 2014, the allocation to equities was decreased from 58% to 49% of the Fund and the allocation to bonds was increased from 15% to 25%. The next review is due in early 2017, interim strategy reviews can be undertaken if required. Following analysis of historical data and expected investment return movement during the financial year, State Street Investment Analytics have determined that the following movements in market price risk are reasonably possible for the 2014/15 reporting period.

Asset Type	Percentage Change 31 March 2014
	%
Fixed interest securities	5.08
UK equities – quoted	13.02
Overseas equities - quoted	13.08
Index-linked securities	8.02
Pooled investment vehicles	14.13
Property - unit trusts	2.67
Alternatives	2.53
Derivative contracts	2.53
Cash deposits	0.02
Investment income due	14.13

If the market price of the Fund's investments does increase/decrease in line with the above, the change in the market price of net assets available to pay benefits would be as follows.

Asset Type	31 March 2014	Percentage Change	Value on increase	Value on decrease
	£000	%	£000	£000
Fixed interest securities	124,547	5.08	130,874	118,220
UK equities – quoted	325,485	13.02	367,863	283,107
Overseas equities – quoted	390,387	13.08	441,450	339,324
Index-linked securities	48,560	8.02	52,455	44,665
Pooled investment vehicles	518,304	14.13	591,540	445,068
Property - unit trusts	146,290	2.67	150,196	142,384
Alternatives	328,392	2.53	336,700	320,084
Derivative contracts	145	2.53	149	141
Cash deposits	31,956	0.02	31,962	31,950
Investment income due	5,003	14.13	5,710	4,296
Total	**1,919,069**		**2,108,899**	**1,729,239**

Following analysis of historical data and expected investment return movement during the financial year, State Street Investment Analytics has determined that the following movements in market price risk are reasonably possible for the 2013/14 reporting period.

Asset Type	Percentage Change 31 March 2013
	%
Fixed interest securities	4.50
UK equities – quoted	14.03
Overseas equities - quoted	13.65
Index-linked securities	7.31
Pooled investment vehicles	15.22
Property - unit trusts	1.93
Alternatives	4.27
Derivative contracts	4.27
Cash deposits	0.01

Investment income due	15.22

If the market price of the Fund's investments had increased/decreased in line with the above, the change in the market price of net assets available to pay benefits would have been as follows.

Asset Type	31 March 2013	Percentage Change	Value on increase	Value on decrease
	£000	%	£000	£000
Fixed interest securities	136,233	4.50	142,363	130,103
UK equities – quoted	269,286	14.03	307,067	231,505
Overseas equities – quoted	378,094	13.65	429,704	326,484
Index-linked securities	31,943	7.31	34,278	29,608
Pooled Investment vehicles	349,391	15.22	402,568	296,214
Property - unit trusts	130,920	1.93	133,447	128,393
Alternatives	443,336	4.27	462,267	424,406
Derivative contracts	(125)	4.27	(120)	(130)
Cash deposits	28,992	0.01	28,995	28,989
Investment income due	5,208	15.22	6,001	4,415
Total	**1,773,278**		**1,946,570**	**1,599,987**

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Fund's exposure to interest rate movements from its investments in cash and fixed interest investments at 31 March 2013 and 31 March 2014 is provided below.

	31 March 2013	31 March 2014
	£000	£000
Cash deposits	28,992	31,956
Cash balances (not forming part of the investment assets)	10,318	17,446
Fixed interest securities	136,233	124,547
Total	**175,543**	**173,949**

Interest Rate – Sensitivity Analysis

The Pension Fund recognises that interest rates vary and can impact on the fair value of the assets. The sensitivity of the Fund's investments to changes in interest rates has been analysed by showing the impact of a 1% change in interest rates. This analysis assumes that all other variables, in particular foreign currency exchange rates, remain constant.

	Value	Change for the year in net assets available to pay benefits	
		1%	-1%
As at 31 March 2014	**£000**	**£000**	**£000**
Cash deposits	31,956	320	(320)
Cash balances (not forming part of the investment assets)	17,446	174	(174)
Fixed interest securities	124,547	1,245	(1,245)
Total	**173,949**	**1,739**	**(1,739)**

	Value	Change for the year in net assets available to pay benefits	
		1%	-1%
As at 31 March 2013	**£000**	**£000**	**£000**
Cash deposits	28,992	290	(290)
Cash balances (not forming part of the investment assets)	10,318	103	(103)
Fixed interest securities	136,233	1,362	(1,362)
Total	**175,543**	**1,755**	**(1,755)**

A 1% increase in interest rates will reduce the fair value of the relevant net assets and vice versa.

Currency Risk
Currency risk represents the risk that the fair value of financial instruments will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency risk on financial instruments that are denominated in any currency other than sterling. When sterling depreciates the sterling value of foreign currency denominated investments will rise and when sterling appreciates the sterling value of foreign currency denominated investments will fall. Over the long term the differences in currencies are likely to balance out and the Fund has chosen not to hedge its currencies, with the exception of the European element of the Aviva property mandate.

The following table summarises the Fund's currency exposure as at 31 March 2013 and 31 March 2014.

Currency Exposure by Asset Type	31 March 2013	31 March 2014
	£000	£000
Fixed interest securities	-	-
Equities – quoted	345,433	356,678
Index-linked securities	-	4,027
Pooled investment vehicles	156,758	168,459
Property - unit trusts	16,568	6,845
Cash deposits	2,428	2,814
Total	**521,187**	**538,823**

Currency Risk – Sensitivity Analysis
The sensitivity of the Fund's investments to changes in foreign currency rates have been analysed using a 5.71% movement in exchange rates in either direction for 31 March 2014. This analysis assumes that all variables, in particular interest rates, remain constant. State Street Investment Analytics provided data on currency risk for various currencies, based on the composition of the Fund's currency exposure a 5.71% fluctuation is considered reasonable.

A 5.71% strengthening or weakening of Sterling against the various currencies at 31 March 2014 would have increased or decreased the net assets by the amount shown in the following table.

Currency Exposure by Asset Type	31 March 2014	Value on increase	Value on decrease
	£000	£000	£000
		+5.71%	-5.71%
Fixed interest securities	-	-	-
Equities – quoted	356,678	377,044	336,312
Index-linked securities	4,027	4,257	3,797
Pooled investment vehicles	168,459	178,078	158,840
Property - unit trusts	6,845	7,236	6,454
Cash deposits	2,814	2,975	2,653
Total	**538,823**	**569,590**	**508,056**

The sensitivity of the Fund's investments to changes in foreign currency rates have been analysed using a 5.47% movement in exchange rates in either direction for 31 March 2013. This analysis assumes that all variables, in particular interest rates, remain constant. State Street Investment Analytics provided data on currency risk for various currencies, based on the composition of the Fund's currency exposure a 5.47% fluctuation in the currency is considered reasonable.

A 5.5% strengthening or weakening of Sterling against the various currencies at 31 March 2013 would have increased or decreased the net assets by the amount shown below.

Currency Exposure by Asset Type	31 March 2013	Value on increase	Value on decrease
	£000	£000	£000
		+5.47%	-5.47%
Fixed interest securities	-	-	-
Equities – quoted	345,433	364,328	326,538
Index-linked securities	-	-	-
Pooled investment vehicles	156,758	165,333	148,183
Property - unit trusts	16,568	17,474	15,662
Cash deposits	2,428	2,561	2,295
Total	**521,187**	**549,696**	**492,678**

One important point to note is that currency movements are not independent of each other. If sterling strengthened generally it may rise against all the above currencies producing losses across all the currencies.

Credit Risk

Credit risk represents the risk that the counterparty to a transaction or financial instrument will fail to discharge an obligation and cause the Fund to incur a financial loss. The market value of investments generally reflects an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the Fund's financial assets and liabilities. In essence the Fund's entire investment portfolio is exposed to some sort of credit risk. The Fund is exposed to credit risk through its investment managers, custodian and its daily treasury management activities. Credit risk is minimised through the careful selection and monitoring of financial institutions and counterparties. Contractual credit risk is represented by the net payment or receipt that remains outstanding.

A source of credit risk is the cash balances held internally or by managers. The Pension Fund's bank account is held at Lloyds TSB, which holds an "A" long term credit rating. The management of the cash held in this account is managed by the Council's Treasury Management Team in line with the Council's Treasury Management Strategy which sets out the permitted counterparties and limits. The value of the Fund invested by the Treasury Management Team at 31 March 2014 was £9.293m in an instant access Lloyds TSB account and £8.195m in the instant access Federated Short-Term Sterling Prime Fund, a AAA rated money market fund. (On 31 March 2013 £3.389m was invested in an instant access Lloyds TSB account.) Cash held by investment managers is invested with the global custodian, BNY Mellon, in a diversified money market fund rated AAAm.

Liquidity Risk

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due. The main liabilities of the Fund relate to the benefits payable which fall due over a long period of time. The investment strategy reflects this and sets out the strategic asset allocation of the Fund. Liquidity risk is mitigated by investing a proportion of the Fund in actively traded instruments in particular equities and fixed income investments. The Fund maintains a cash balance to meet operational requirements.

The Fund defines liquid assets as assets that can be converted to cash within three months. Illiquid assets are those assets which will take longer to convert in to cash. The following table summarises the Fund's illiquid assets by fund manager.

31 March 2013		31 March 2014
£000		£000
134,015	Aviva	146,506
69,216	Blackstone	74,606
113,988	Pantheon Private Equity	123,618
46,104	Partners Group	45,306
344	Hg Capital	343
363,667		**390,379**

14. Related Parties

The Buckinghamshire County Council Pension Fund is administered by Buckinghamshire County Council and therefore there is a strong relationship between the Council and the Pension Fund.

The County Council was reimbursed £1.7m (£1.4m in 2012/13) for administration costs incurred by the County Council on behalf of the Pension Fund. The Council is also the single largest employer of members of the Pension Fund and contributed £32.1m to the Fund in 2013/14 (£31.7m in 2012/13).

The Pension Fund's surplus cash held for day to day cash flow purposes is invested on the money markets by the treasury management function of Buckinghamshire County Council, through a service level agreement. During the year to 31 March 2014, the Fund had an average investment balance of £9.1m (year to 31 March 2013, £5.4m), earning interest of £61k (£39k year to 31 March 2013).

There are three members of the Pension Fund Committee who are active members of the Fund and one who is a deferred member. There are three employees who hold key positions in the financial management of the Fund who are active members. A proportion of their role is in respect of the Fund, the cost of that proportion of their work is lower than the value required for further detailed disclosure. The remuneration paid to the County Council's senior officers is published in the County Council's accounts.

Paragraph 3.9.4.3 of the Code exempts local authorities from the key management personnel disclosure requirements of IAS 24, on the basis that the disclosure requirements for officer remuneration and members' allowances detailed in section 3.4 of the Code (which are derived from the requirements of Regulation 7(2) – (4) of the Accounts and Audit (England) Regulations 2011) satisfy the key management personnel disclosure requirements of paragraph 16 of IAS 24. This applies in equal measure to the Buckinghamshire County Council Pension Fund.

15. Current Assets and Liabilities

31 March 2013 £000	Current Assets and Liabilities	31 March 2014 £000
	Current Assets	
7,453	Contributions due from employers 31 March	7,494
10,318	Cash balances (not forming part of the investment assets)	17,446
3,434	Other current assets	2,320
21,205	**Total Current Assets**	**27,260**
	Current Liabilities	
(891)	Management charges	(956)
(862)	HM revenue and customs	(872)
(1,131)	Unpaid benefits	(760)
(7,391)	Other current liabilities	(1,935)
(10,275)	**Total Current Liabilities**	**(4,523)**
10,930	**Net Current Assets**	**22,737**

31 March 2013 £000	Current Assets and Liabilities	31 March 2014 £000
	Current Assets	
2,610	Central government bodies	2,434
5,872	Other local authorities	5,413
8	NHS bodies	6
10,362	Public corporations and trading funds	17,583
2,353	All other bodies	1,824
21,205	**Total Current Assets**	**27,260**
	Current Liabilities	
(862)	Central government bodies	(872)
(296)	Other local authorities	(296)
-	NHS bodies	-
(688)	Public corporations and trading funds	(2,243)
(8,429)	All other bodies	(1,112)
(10,275)	**Total Current Liabilities**	**(4,523)**
10,930	**Net Current Assets**	**22,737**

16. Taxes on Income

2012/13 £000	Taxes on Income	2013/14 £000
-	Witholding tax – fixed interest securities	-
1,296	Witholding tax - equities	1,540
1,296	**Total Taxes on Income**	**1,540**

The Fund is unable to reclaim Advance Corporation Tax (ACT). However, the fund retains the following taxation status:

- VAT input tax is recoverable on all fund activities by virtue of Buckinghamshire County Council being the administering authority.
- The fund is an exempt approved fund under the Income Taxes Act 1988 and is therefore not liable to UK income tax or capital gains tax.
- Income earned from investments overseas in the United States and certain other countries is exempt from national taxation and therefore not subject to withholding tax.

17. Actuarial Position of the Fund

In accordance with the Local Government Pension Scheme (Administration) Regulations 2008 as amended, the Fund's actuary undertakes a funding valuation every three years for the purpose of setting employer contribution rates for the forthcoming triennial period. The last such valuation took place as at 31 March 2013. The next valuation will take place as at 31 March 2016.

The key elements of the funding policy are:

- Set employer contribution rates that will build up a fund of assets that will be sufficient to meet all future benefit payments from the Fund
- Build up the required assets in such a way that employer contribution rates are kept as low and stable as possible.

The Fund's Actuary, Barnett Waddingham LLP, undertook a valuation of the Fund as at 31 March 2013 in accordance with Regulation 36 of the Local Government Pension Scheme (Administration) Regulations 2008 as amended. On that date the market value of the assets held were £1,784m, sufficient to cover 82% of the accrued liabilities assessed on an ongoing basis. The funding policy is set to recover the deficit over seventeen years and the common rate of contribution for the period 1 April 2014 to 31 March 2017 is 19.5% of pensionable pay.

The results of the valuation are that the past service funding level of the Fund as a whole has increased from 79% to 82% between 31 March 2010 and 31 March 2013. The improvement of the funding position since the previous valuation is mainly due to good investment returns over the period but has been offset by a poorer outlook for the future based on market conditions compared to the valuation in 2010. At the same time, the contribution rate for the average employer, including payments to target full funding, has increased from 19% to 19.5% of pensionable salaries mainly due to an increase in the required deficit contributions as total pensionable payroll has reduced.

The main assumptions used in the valuation were:
Future assumed returns

- Investment return - equities 6.9% per annum
- Investment return - gilts 3.3% per annum
- Investment return - bonds 3.9% per annum
- Investment return - property 6.0% per annum
- Investment return – expense allowance 0.1% per annum

Financial assumptions

▪ Discount rate	6.1%	per annum
▪ Retail price index (RPI)	3.5%	per annum
▪ Consumer price index (CPI)	2.7%	per annum
▪ Pension and deferred pension increases	2.7%	per annum
▪ Short term pay increases	in line with CPI assumption for the two years to 31 March 2015	
▪ Long term pay increases	4.5%	per annum (RPI plus 1% per annum)

The most recent interim valuation took place as at 31 March 2014 which showed that the funding level had increased to 84% and the average required employer contribution would be 19.2% of payroll assuming the deficit is to be paid by 2030.

18. Actuarial Present Value of Promised Retirement Benefits

International Financial Reporting Standards (IFRS) requires the disclosure of the actuarial present value of promised retirement benefits. The Fund's Actuary has prepared a report which rolls forward the value of the Employers' liabilities calculated for the Triennial valuation as at 31 March 2013. On an IAS 19 basis the Actuary estimates that the net liability as at 31 March 2014 is £1,175m (31 March 2013 £532m), figures calculated on an IAS 19 basis are not relevant for calculations undertaken for funding purposes or for other statutory purposes undertaken under UK pensions legislation. The Fund accounts do not take account of liabilities to pay pensions and other benefits in the future.

For the Triennial Valuation the actuary asks the question – what is the value of the assets required based on existing investment strategy to be sufficient to meet future liabilities? For IAS 19 valuations, however, the actuary asks the question – how much would need to be borrowed on the corporate bond market to meet future liabilities?

The expected returns on the assets actually held will be different to borrowing costs, and so different amounts are required. This manifests itself in different discount rates being used in each type of valuation, and so different values are placed on the same liabilities.

31 March 2013 £000		31 March 2014 £000
2,316,281	Present value of funded obligation	3,084,572
1,784,200	Fair value of scheme assets	1,909,599
532,081	**Net Liability**	**1,174,973**

The Present Value of Funded Obligation consists of £2,698m (£1,863m at 31 March 2013) in respect of Vested Obligation and £386m (£453m at 31 March 2013) in respect of Non-Vested Obligation. Vested benefits are the benefits that employees have a right to receive even if they do not render services to the employer. In other words, the employees will receive their vested benefits even if they stop working for the employer. Thus, non-vested benefits are the benefits an employee can receive in the future if he or she continues providing services to the employer. The liabilities above are calculated on an IAS19 basis and therefore differ from the results of the triennial funding valuation (see Note 17) because IAS19 stipulates a discount rate rather than a rate that reflects market rates. The main assumptions used were:

31 March 2013		31 March 2014
3.4%	RPI increases	3.6%
2.6%	CPI increases	2.8%
4.8%	Salary increases	4.6%
2.6%	Pension increases	2.8%

4.5%	Discount rate	4.5%

These assumptions are set with reference to market conditions at 31 March. The Actuary's estimate of the duration of the Fund's liabilities is 19 years. The discount rate is the annualised yield at the 19 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 Fund's liabilities. This is consistent with the approach used at the last accounting date.

The RPI increase assumption is set based on the difference between conventional gilt yields and index-linked gilt yields at the accounting date using data published by the Bank of England, specifically the 19 year point on the Bank of England spot inflation curve. This is consistent with the approach used at the last accounting date. This measure has historically overestimated future increases in the RPI and so, in the past, the Actuary made a deduction of 0.25% to get the RPI assumption. However, the evidence for this in more recent periods is weaker and so the Actuary has made no such deduction at 31 March 2014. The RPI assumption is therefore 3.6%. As future pension increases are expected to be based on CPI rather than RPI, the Actuary made a further assumption about CPI which is that it will be 0.8% below RPI i.e. 2.8%.

Salary increases are then assumed to be 1.8% above CPI in addition to a promotional scale. However, the actuary has allowed for a short-term overlay from 31 March 2013 to 31 March 2015 for salaries to rise in line with CPI.

19. Contingent Liabilities and Contractual Commitments

Contractual commitments that the Fund has entered into by 31 March 2014 are:

Contractual Commitments	**Amount Paid as at 31 March 2013**	**Amount Paid as at 31 March 2014**	**Total Contractual Commitment**
	$000	**$000**	**$000**
Pantheon Asia Fund V LP	9,400*	21,000	25,000
Pantheon Asia Fund VI LP	19,375*	13,395	47,000
Pantheon USA Fund VII Limited	15,555	17,999	21,250
Pantheon USA Fund VIII Feeder LP	45,075	50,325	75,000
Pantheon Global Secondary Fund IV Feeder LP	7,065	10,440	15,000
Partners Group Global Resources 2009, LP	21,523	29,316	35,000
	117,993	**142,475**	**218,250**
	€000	**€000**	**€000**
Pantheon Europe Fund V "A" LP	13,956	15,497	18,125
Pantheon Europe Fund VI LP	39,000	39,975	65,000
Partners Group Global Real Estate 2008 SICAR	21,411	22,447	25,000
Partners Group Global Infrastructure 2009 SICAR	14,552	18,901	25,000
	88,919	**96,820**	**133,125**

These contractual commitments relate to outstanding call payments due on unquoted limited partnership funds held in the private equity, resources, global real estate and infrastructure parts of the portfolio. The amounts "called" by the funds are irregular in both size and timing over several years from the date of each original commitment. The total contractual commitment at 31 March 2014 is the same as the total contractual commitment at 31 March 2013.
*The table shows the amount paid as at 31 March 2013 as stated in the audited Pension Fund Accounts for 2012/13. Please note that the amounts paid as at 31 March 2013 for the Pantheon Asia Fund V LP should have been $19,375,000 and $9,400,000 for the Pantheon Asian Fund VI in the 2012/13 accounts.

On 31 March 2014 there were 3 group transfers to the Fund under discussion with other Funds (4 on 31 March 2013), the value of the transfers is being negotiated between the Funds' actuaries.

20. Additional Voluntary Contributions (AVCs)

AVC providers secure additional benefits on a money purchase basis for those members electing to pay additional voluntary contributions. The AVC providers to the Fund are Prudential and Clerical Medical. Prudential invests in several funds including with profits accumulation, deposit and discretionary funds. Clerical Medical invests in with profits and unit-linked funds, the financial year for this fund is 1 November to 31 October and the financial information included is for this period. These amounts are not included in the Pension Fund Net Asset Statement in accordance with regulation 5(2)c of the Pension Scheme (Management and Investment of Funds) Regulations 1998 (SI 1998 No 1831). The 2012/13 closing values for the Prudential AVCs differs from the 2013/14 opening value because the 2012/13 values did not include £671k final bonus and also the value of the AVC fund opening value in 2013/14 changed by £63k.

2012/13	**Prudential**	**2013/14**
£000		**£000**
4,168	Value of AVC fund at beginning of year	4,973
698	Employees contributions and transfers in	755
198	Investment income	308
(825)	Benefits paid and transfers out	(829)
4,239	**Value of AVC fund at year end**	**5,207**

1.11.2011 - 31.10.2012	**Clerical Medical**	**1.11.2012 - 31.10.2013**
£000		**£000**
3,642	Value of AVC fund at beginning of year	3,524
265	Employees contributions	267
298	Investment income	469
(681)	Benefits paid and transfers out	(347)
3,524	**Value of AVC fund at year end**	**3,913**

21. List of Scheduled and Admitted Bodies

Scheduled Bodies

Buckinghamshire County Council
Buckinghamshire Fire and Rescue Service
Thames Valley Police
Aylesbury Vale District Council
Chiltern District Council
Milton Keynes Council
South Bucks District Council
Wycombe District Council

Amersham Town Council
Aston Clinton Parish Council
Aylesbury Town Council
Bletchley & Fenny Stratford Town Council
Bridge Academy
Buckingham Town Council
Burnham Parish Council
Campbell Park Parish Council
Chalfont St Giles Parish Council
Chalfont St Peter Parish Council
Chepping Wycombe Parish Council
Chesham Bois Parish Council
Chesham Town Council
Chiltern Crematorium
Chilterns Conservation Board
Denham Parish Council
Farnham Royal Parish Council
Gerrards Cross Parish Council
Great Missenden Parish Council
Hambleden Parish Council
Hazlemere Parish Council
Iver Parish Council
Lane End Parish Council
Little Marlow Parish Council
Loughton Parish Council
Marlow Town Council
Newport Pagnell Town Council
Newton Longville Parish Council
Olney Town Council
Piddington & Wheeler End Parish Council
Princes Risborough Town Council
Shenley Brook End and Tattenhoe Parish Council
Shenley Church End Parish Council
Stantonbury Parish Council
Stony Stratford Town Council
Wendover Parish Council
West Bletchley Town Council
West Wycombe Parish Council
Winslow Town Council
Woburn Sands Town Council
Wolverton & Greenleys Town Council
Wooburn & Bourne End Parish Council
Woughton Community Council
Alfriston School
Amersham School
Amersham & Wycombe College
Aylesbury College
Aylesbury Grammar School
Aylesbury High School
Aylesbury Vale Academy
Beaconsfield High School
Beechview Middle School
Bedgrove Infant School
Bedgrove Junior School
Brill CofE School
Bourton Meadow Academy
Brookmead School
Brooksward School
Brushwood Middle School
Buckinghamshire New University
Buckinghamshire UTC
Burnham Grammar School
Burnham Park E-Act Academy
Castlefield School
Chalfonts Community College
Chalfont St Peter CE Academy
Chalfont Valley E-Act Academy
Charles Warren Academy
Chepping View Primary Academy
Chesham Grammar School
Chiltern Hills Academy
Cottesloe School
Danesfield School
Denbigh School
Denham Green E-Act Academy
Dr Challoner’s Grammar School
Dr Challoner’s High School
Germander Park School
Gerrards Cross C E School
Glastonbury Thorn First School
Great Marlow School
Green Park School
Hamilton Academy
Hazeley Academy
Heronsgate School

Highcrest Academy
Holmer Green Senior School
John Colet School
John Hampden Grammar School
Lord Grey School
Loudwater Combined School
Loughton School
Milton Keynes Academy
Milton Keynes College
New Bradwell Combined School
New Chapter Primary School
Oakgrove School
Olney Infant School
Orchard Academy
Ousedale School
Overstone Combined School
Oxley Park Academy
Portfields Combined School
Princes Risborough School
Rickley Park Primary School
Royal Grammar School
Royal Latin School
St Nicolas' CE Combined School Taplow
St Paul's RC School
Seer Green CofE School
Shenley Brook End School
Shepherdswell School
Sir Henry Floyd Grammar School
Sir Herbert Leon Academy
Sir William Borlase's Grammar School
Sir William Ramsay School
Southwood Middle School
Stanton School
Stantonbury Campus
Stephenson Academy
The Beaconsfield School
The Premier Academy
The Radcliffe School
Tickford Park School
Two Mile Ash School
Waddesdon C E School
Walton High
Wycombe High School

Election Fees:
Aylesbury Vale Local
Aylesbury Vale Parliamentary
Chiltern Local
Chiltern Parliamentary
Milton Keynes Local
Milton Keynes Parliamentary
Wycombe Local
Wycombe Parliamentary
South Bucks Local
South Bucks Parliamentary

Admitted Bodies

Acorn Childcare
Action for Children
Action for Hearing Loss
Adventure Learning Foundation
Alliance in Partnership
Ambassadors Theatre Group
AMEY plc
Archgate Cleaning
Aylesbury Vale Advantage
Aylesbury Vale Community Trust
Aylesbury Vale Dial-a-Ride
Beacon Housing Association
Braybourne Cleaning Services
Bucks Association of Local Councils
Buckinghamshire Care
Buckinghamshire Learning Trust
Buckinghamshire Support
Bucks Vision
Chiltern Rangers CIC
Community Impact Bucks
Connection FS
Connexions Buckinghamshire
Cygnet Foods
Excelcare
Hays Specialist Recruitment
Heritage Care
Hertsmere Leisure Trust
Hightown Praetorian & Churches Housing Association
Kids Play Childcare
MK Dons
Milton Keynes Development Partnership
Milton Keynes Service Partnership
Mouchel
National Foundation for Educational Research
Northgate-Arinso
NSL Services Group
Oxfordshire Health NHS Foundation Trust
Oxon PCT (SALT)
Paradigm Housing Association
Penn School
Pitney Bowes
Police Superintendents Association
Race Equality Council
Red Kite Community Housing Ltd
Ringway Infrastructure Services Limited
Ringway Jacobs
Risk Management Security Services
SDK (Environmental)
Sports Leisure Management
The Fremantle Trust
Vale of Aylesbury Housing Trust
Wolverton & Watling Way Pools Trust
Wycombe Dial-A-Ride

Glossary of Terms and Acronyms Used

Academies

Academies are publicly funded independent schools, free from local authority and national government control. Other freedoms include setting their own pay and conditions for staff, freedoms concerning the delivery of the curriculum, and the ability to change the length of their terms and school days. The income, expenditure and assets of academies with Buckinghamshire do not form part of the Council's accounts.

Accrue

If an organisation owes money for goods and services but has not received a bill up to the date it prepares its accounts, it will estimate what it owes. It will then include the debt in its accounts. This estimated liability is called an accrual.

Actuary

An actuary is an expert on pension scheme assets and liabilities, life expectancy and probabilities for insurance purposes (the likelihood of things happening). An actuary works out whether enough money is being paid into a pension scheme to pay the pensions when they are due.

Additional Voluntary Contributions (AVC)

An extra pension contribution you can make when a member of an employer Occupational Pension Scheme.

Amortisation

The process of charging capital expenditure, usually on intangible fixed assets, to the accounts over a suitable period of time.

Appropriations

Amounts transferred between the revenue account and revenue or capital reserves.

Balance Sheet

A balance sheet is a summary of an organisation's financial position. It lists the values, in the books of account on a particular date (in the case of the Council this is 31 March) of all the organisation's assets and liabilities. The assets and liabilities are grouped in categories, to paint a picture of the organisation's strengths and weaknesses.

Best Value Accounting Code of Practice (BVACOP)

This determines the structure of the Statement of Accounts. It is designed to facilitate comparisons between different local authorities' Statements of Accounts.

Biodegradable Municipal Waste (BMW)

Municipal waste that will degrade within a landfill, giving rise to landfill gas emissions. It includes, amongst other materials, food waste, green waste, paper and cardboard.

Budget

A statement which reflects the County Council's policies in financial terms and which sets out its spending plans for a given period. The revenue and capital budgets are finalised and approved in February before the start of the financial year on 1 April.

Capital Adjustment Account

The purpose of the Capital Adjustment Account is to contain the details of the costs of consuming fixed assets and the resources that have already been set aside to finance capital expenditure.

Capital Expenditure

Spending on assets which adds value and will provide benefit to the Council for more than one year, for example land, buildings and equipment. It is also referred to as 'capital expenditure' and 'capital payments'.

Capital Financing

The means by which capital expenditure incurred by the Council is funded.

Capitalisation

The classification of expenditure as capital rather than revenue, subject to the condition that the expenditure yields a benefit to the Council for a period of more than one year.

Capital Financing Requirement (CFR)

The CFR measures the Council's underlying need to borrow or finance by other long-term liabilities for a capital purpose. It represents the amount of capital expenditure that has not yet been resourced absolutely, whether at the point of spend (by capital receipts, capital grants/contributions or from revenue income), or over the longer term (by prudent minimum revenue provision (MRP) or voluntary application of capital receipts for debt repayment etc). Alternatively it means, capital expenditure incurred but not yet paid for.

Capital Receipts

Amounts received from the sale of capital assets. These can only be used for 'capital purposes' – to repay an existing debt, or to finance new capital expenditure. Amounts received that have not yet been used are referred to a 'capital receipts unapplied'.

Cash Flow Statement

Summarises the inflows and outflows of cash arising from transactions with third parties for capital and revenue purposes. It provides a link between the Balance Sheet at the beginning of the year, the Income and Expenditure Statement for the year and the Balance Sheet at the end of the year.

Chartered Institute of Public Finance and Accountancy (CIPFA)

The Chartered Institute of Public Finance and Accountancy is the accountancy body which recommends accounting practice for the preparation of local authority accounts.

Comprehensive Income and Expenditure Statement (CIES)

This account records an organisation's income and spending and shows the surplus or shortfall.

Consistency

The principle that the same accounting treatments are used from year to year so that useful comparisons can be made. Any significant change in policies must be declared in the accounting statements.

Contingencies

Sums set aside to meet the potential costs of activities expected to occur during future years.

Corporate and Democratic Core

Corporate and Democratic Core represents costs associated with democratic representation and management and corporate management. Democratic representation and management includes all aspects of Members' activities. Corporate management concerns the cost of the infrastructure that allows services to be provided and the cost of providing information that is required for public accountability. Such costs form part of total service expenditure, but are excluded from the costs of any particular service.

Council Tax

This is a tax charged locally on private houses. It provides some of the money to run local councils.

Creditor

This is someone who is owed money.

Current Assets

These are short-term assets which are constantly changing in value, such as stocks, debtors and bank balances.

Current Liabilities

These are short-term liabilities which are due to be paid in less than one year, such as bank overdrafts, money owed to suppliers and employees' PAYE.

Debtor

This is someone who owes money.

Dedicated Schools Grant (DSG)

A specific grant that must be spent on schools.

Deferred Benefits

A future benefit which is being paid for in the current accounting period.

Deferred Liabilities

An amount already received by the County Council that is being credited to the Comprehensive Income and Expenditure Statement over a number of years.

Depreciation

Depreciation is the drop in value of an asset due to wear and tear, age and obsolescence (going out of date) as recorded in an organisation's financial records.

Depreciated Historic Cost

The value of an asset shown in the Balance Sheet calculated from the original cost less depreciation to date.

Disposals

This happens when something is sold, transferred or given away.

Earmarked Reserves

These reserves represent monies set aside that can only be used for a specific usage or purpose.

Exceptional Items

Items that derive from the ordinary activities of the Council and are material in terms of the Council's overall expenditure and not expected to recur frequently or regularly.

Finance Lease

Under this type of lease the organisation leasing the goods is treated as if it owns the goods and reflects this in the Balance Sheet. It gains the profits that would come with ownership but it also suffers the losses.

Financial Instrument

For all terminology relating to financial instruments please see Financial Instruments section in the sub glossary below.

Fixed Asset

A fixed asset is one which is intended to be used for several years. Examples are buildings, machinery and vehicles.

General Fund

The Council's main revenue fund to which all revenue receipts are credited, and from which revenue liabilities are discharged. The movement on the fund in year represents the excess of income over expenditure once notional charges and credits have been replaced by the amounts required to be funded from Council Tax.

Government Grants

Amounts received from central Government towards funding the County Council's activities.

Her Majesty's Revenue and Customs (HMRC)

Formed on 18 April 2005, following the merger of the Inland Revenue and HM Customs and Excise Departments. HMRC ensure the correct tax is paid at the right time.

Impairment

A reduction in the value of a fixed asset arising from physical damage to the asset, dilapidation, obsolescence or a fall in market values.

Infrastructure

The County Council's network of roads, pavements and bridges.

Income

Amounts which the Council receives, or expects to receive, from any source. Income includes fees, charges, sales, capital receipts, government grants, the precept on Council Tax collection funds, Revenue Support Grant and National Non-Domestic Rates.

Intangible Fixed Assets

Intangible assets cannot be touched. An example is computer software (although the storage device the software is contained on can be touched, the value of the asset is primarily contained within the software coding, which cannot be touched).

International Financial Reporting Standards (IFRS)

Standards, interpretations and the framework for the preparation and presentation of financial statements.

Investments

Short term investments comprise deposits of temporary surplus funds with banks or similar institutions. Long term investments comprise similar funds held for a period of more than one year.

Lender Option, Borrower Option Loans (LOBOs)

A LOBO is a form of loan where, after an agreed initial period, and then at other pre-agreed intervals, the lender has the option to change the interest rate. If the lender changes the interest rate, the borrower then has the option of either continuing the loan at the new rate, or ending the loan without penalty, by repaying the outstanding principal in full, within the contracted time (usually five days).

Lessor

A lessor is the owner of an asset which is leased to another party.

Lessee

A lessee is the party that leases an asset that is owned by another party.

Local Government Pension Scheme (LGPS)

The pension scheme administered by Buckinghamshire County Council on behalf of its employees and other scheduled and admitted bodies.

Long Term Borrowing

The main element of long term borrowing is comprised of loans over one year in duration that have been raised to finance capital expenditure projects.

Market Value

The monetary value of an asset as determined by current market conditions at the Balance Sheet date.

Materiality

The concept that any omission from or inaccuracy in the Statement of Accounts should not be so large as to affect the understanding of those statements by a reader.

Minimum Revenue Provision (MRP)

The minimum amount (as laid down in statute) that the County Council must charge to the accounts each year in order to meet the costs of repaying amounts borrowed.

National Non-Domestic Rates (NNDR)

Business tax set by central government and distributed to local authorities.

Net Book Value

This is what an asset cost, as recorded in the books of account, less all the depreciation taken off the asset for age and wear.

Net Depreciated Replacement Cost

The estimated cost of replacing or recreating the particular asset in its existing condition and in its existing use.

Net Realisable Value

The expected proceeds from the sale of an asset when sold on the open market between a willing buyer and a willing seller less all the expenses incurred in selling the asset.

Non Distributed Costs

Costs that cannot be specifically applied to a service or services and are held centrally, comprising certain pension costs and the costs of unused shares of IT facilities and other assets.

Non Operational Assets

Fixed assets held by the Council that are not currently used in the provision of services. This includes properties that are awaiting sale and properties and assets under construction.

Operating Lease

Under this type of lease, ownership of the leased goods stays with the lessor (the company leasing out the goods).

Precept

The amount collected by the District Councils on behalf of the County Council for the County Council's share of the Council Tax.

Prepayments

In a set of accounts this means something which has been paid out which covers a period after the end of the accounting period.

Primary Care Trust (PCT)

A type of NHS trust, part of the National Health Service in England, that provides some primary and community services or commissions them from other providers, and are involved in commissioning secondary care.

Prior Period Adjustments/Prior Year Adjustments

Those material adjustments applicable to prior years arising from changes in accounting policies or from the correction of fundamental errors. They do not include minor corrections or adjustments of accounting estimates made in prior years.

Projected Unit Method

An accrued benefits valuation method in which the scheme liabilities make allowance for projected earnings.

Provisions

When accounts are being prepared and an amount needs to be set aside for liabilities which are known to exist, but which cannot be measured accurately, the amount set aside is called a provision.

Prudential Code

Since 1 April 2004 the Local Government Act 2003 has required local authorities to have regard to CIPFA's Prudential Code. This replaces the old system of credit approvals and allows local authorities to decide for themselves how much to borrow to finance their capital programme. Under the Code, borrowing must be affordable, prudent and sustainable, as measured by a range of prudential indicators, over the long term.

Public Works Loan Board (PWLB)

A government body from which a local authority may borrow money in the form of loans.

Receipts in Advance

Amounts received by the Council during this year that relate to goods or services to be delivered in future years.

Related Party

This is someone, or an organisation, which controls or significantly influences another organisation.

Reserves

These are amounts set aside in one year's accounts, which can be spent in later years. Some types of reserve can only be spent if certain conditions are met.

Revenue Expenditure

Revenue expenditure is spending on the day to day running costs of the Council. It includes expenditure on employees, premises, transport and supplies and services.

Revenue Expenditure Funded from Capital Under Statute (REFCUS)

Expenditure which legislation classifies as capital, although it does not result in the creation of a fixed asset.

Revenue Support Grant (RSG)

A general grant from central government to contribute towards the cost of providing services. When taken together with national non-domestic rates, it is known as the 'Formula Grant'.

Right to Buy (RTB)

The Right to Buy scheme gives eligible Council tenants the right to buy their property from the Council at a discount.

Royal Institution of Chartered Surveyors (RICS)

Professional body for qualifications and standards in land, property and construction.

Section 151 Officer

The Officer designated to assume overall responsibility for the administration of the financial affairs of the Council and for the preparation of the Council's Statement of Accounts.

Service Concession Arrangement

An arrangement, similar to Private Finance initiatives (PFI), involving a private sector operator constructing or upgrading an asset that is used to provide the public services on behalf of the Council, and operating and maintaining those assets in the delivery of services for an extended specified period time.

Service Expenditure Analysis (SEA)

The SEA structure is determined by CIPFA Best Value Accounting Code of Practice 2008 (BVACOP) and reflects the format of returns required by the Government and is designed to allow comparisons between the Statements of Accounts of different local authorities.

Service Level Agreement (SLA)

Part of a service contract where the level of service is formally defined.

Statement of Investment Principles (SIP)

Principles adopted by Buckinghamshire County Council in relation to the investment of assets of the Council's Pension Fund.

Surplus

The remainder after taking away all expenditure from income.

Tangible Fixed Assets

Fixed assets that have physical substance and which yield benefits to the County Council for a period of more than one year.

Trading Account

Services which are funded by generating income from internal and external clients.

Trust Funds

Funds administered by the Council for such purposes as charities, prizes and specific projects.

Usable Capital Receipts Reserve

A reserve held to provide an alternative source for financing future capital expenditure, and to ensure some stability in the level of capital programmes that can be financed.

Value Added Tax (VAT)

A tax that is charged on most goods and services that VAT-registered businesses provide in the UK.

Voluntary Aided Schools (VA School)

Voluntary Aided schools are mainly religious or 'faith' schools, although anyone can apply for a place.

Voluntary Controlled Schools (VC Schools)

Voluntary Controlled schools are similar to voluntary aided schools, but are run by the local authority.

Work in Progress (WIP)

The value of rechargeable work which has not been recharged at the end of the financial year.

Financial Instrument Accounting is based upon some of the most complicated accounting standards. This sub glossary has been produced to explain some terms to readers of the accounts.

Amortised Cost Using the Effective Interest Rate Method

Amortised cost is a mechanism that sees through contractual terms to measure the real cost that an authority bears each year from entering into a financial liability. For instance, if a premium is paid for the right to enter into a loan at less than market rates or a period of lower than market interest rates is granted and compensated for by a period of higher than market rates, authorities are required to account using a single effective interest rate. Interest payable in the Comprehensive Income and Expenditure Account will then be recognised on a level interest rate basis over the expected life of the loan.

Available for Sale Financial Instrument Reserve

The gain or loss arising from a change in the fair value of an Available for Sale financial asset should be taken to the Available for Sale Reserve with the exception of impairment losses.

Discount

An unforeseen gain to the Council resulting from the early repayment of a loan or restructuring of a loan portfolio.

Effective Interest Rate

When determining 'fair value', adjustments for transaction costs need to be taken into account
when calculating the effective interest rate of the instrument. The effective interest rate is defined as the rate of interest that will discount all the cash flows that will take place throughout the expected life of a financial instrument down to the fair value of the asset calculated at initial measurement. The cash flows included in the calculation will cover both interest and principal, plus any other consideration that the authority is scheduled to give or receive during the instrument's life, however described in the contract. Effective Interest Rate Accounting does not apply to all loans. Examples of loans that do involve effective
interest rate calculations include:

- Those where interest is programmed to vary in accordance with an underlying measure that reflects the cost of borrowing
- Those where the variation in the interest payable is programmed at the start of the contract (such as a stepped interest loan)

Equity Instrument

A contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities (such as an equity share in a company) – will only apply to investments in other entities held by the authority.

Fair Value

The amount for which an asset could be exchanged or a liability settled, assuming that the transaction was negotiated between parties knowledgeable about the market in which they are dealing and willing to buy/sell at an appropriate price, with no other motive in their negotiations other than to secure a fair price adjusted for transaction costs that are directly attributable to the acquisition/issue of the instrument (e.g. fees, commissions, taxes etc).

Financial Asset

A right to future economic benefits controlled by the authority that is represented by:

- Cash
- An equity instrument of another entity
- A contractual right to receive cash (or another financial asset) from another entity
- A contractual right to exchange financial assets/liabilities with another entity under conditions that are potentially favourable to the authority

Financial Asset Available for Sale

This category contains items that do not fit under any of the other financial asset categories. Examples include equity shareholdings and quoted investments. Available for Sale assets are carried at their fair value, with movements in fair value taken to the Other Comprehensive Income and Expenditure. Interest and dividends income are charged to the Comprehensive Income and Expenditure Account as part of the (Surplus) or Deficit on Provision of Services, alongside gains/losses on derecognition.

Financial Asset Fair Value through Profit and Loss

This designation is used for assets that an entity determines are held for trading and for derivatives with a positive value. The distinctive treatment of such assets would be that all gains and loss are posted to the I+E Account when they arise. However, the Council does not hold any assets of this nature.

Financial Asset Loans and Receivables

These are defined as financial assets (excluding derivatives) that have fixed or determinate payments and that are not quoted in an active market. Examples include operational debtors and bank deposits. Loans and receivables are carried at amortised cost. The I+E Account is charged with interest receivable, impairment losses and any gain or loss on 'derecognition' (i.e. disposal or maturity). Movements in fair value during the life of the asset are not recognised.

Financial Instrument

Any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another.

Financial Instruments Adjustment Account

This account has been set up to ameliorate the effects on the General Fund Balance of exceptional occurrence of having to restate financial instruments on the 2007/08 Balance Sheet.

Financial Liability

An obligation to transfer economic benefits controlled by the authority that is represented by:

- A contractual obligation to deliver cash (or another financial asset) to another entity
- A contractual obligation to exchange financial assets/liabilities with another entity under conditions that are potentially unfavourable to the authority

Financial Liability Amortised Cost

This category contains all of an authority's financial liabilities that are not 'held for trading' or are derivatives. Examples include operational creditors and borrowings. These liabilities are carried at amortised cost. The Comprehensive Income and Expenditure Account is charged with interest payable.

Financial Liability Fair Value Through Profit and Loss

This classification is used for liabilities held for trading or derivatives with a negative value. Under FRS 26, an entity can also choose to designate a financial liability as at fair value through profit and loss that would not by definition be required to be so classified, but the Code does not permit this. The distinctive treatment of such assets would be that all gains and loss are posted to the Comprehensive Income and Expenditure Account when they arise. However, the Council does not hold any assets of this nature.

Guarantees

A requirement for the Council to make specified payments to reimburse the holder of a debt if the debtor fails to make payment when due in accordance with the terms of the contract.

Impairments

At each Balance Sheet date an assessment is made of whether there is objective evidence that any financial asset or group of financial assets may be impaired (this includes assessing provision for doubtful debts). An assessment should first be made of whether evidence of impairment exists individually for financial assets that are individually significant. Then an assessment of impairment should be made individually or collectively for financial assets that are not individually significant.

Overhanging Premiums and Discounts

Premiums and discounts that relate to transactions prior to 1 April 2007 for which there is either no qualifying replacement loan or modified financial liability or for which the loan/liability has been derecognised. Premiums and discounts do not have a separate existence as financial instruments (as they usually represent payments made in termination of a contractual obligation) but will only be carried on the Balance Sheet to the extent that they can be linked in substance to a replacement transaction. If there is no replacement transaction to link to, the accumulated premiums and discounts will need to be derecognised at 1 April 2007, no matter what year they were first recognised.

Premium

An unforeseen loss to the Council resulting from the early repayment of a loan or restructuring of a loan portfolio.

Soft Loans

These are loans given to or received by the Council with associated interest payments at less than market rates. Examples of Soft Loans made by the Council include loans to employees. The Code requires the discounted interest rate to be recognised as a reduction in the fair value of the asset when measured for the first time. There may be occasions when an authority is in receipt of loans that are interest free or at less than prevailing market rates. If material, the effective interest rate of these loans will need to be calculated so that the value of the financial assistance provided to the authority by the lender can be separated from the financing cost of the transaction. It should be noted that this does not apply to PWLB loans – although they might have marginally lower than market interest rates, this reflects the ability of the Government itself to borrow cheaply, not a subsidisation of local government.

Grant Thornton

This version of the report is a draft. Its contents and subject matter remain under review and its contents may change and be expanded as part of the finalisation of the report.

The Audit Findings Report for Buckinghamshire County Council Pension fund

Year ended 31 March 2014

3 September 2014

Updated 17 September 2014.

An earlier version of this report was presented to the Pension Fund Committee on 11September 2014.

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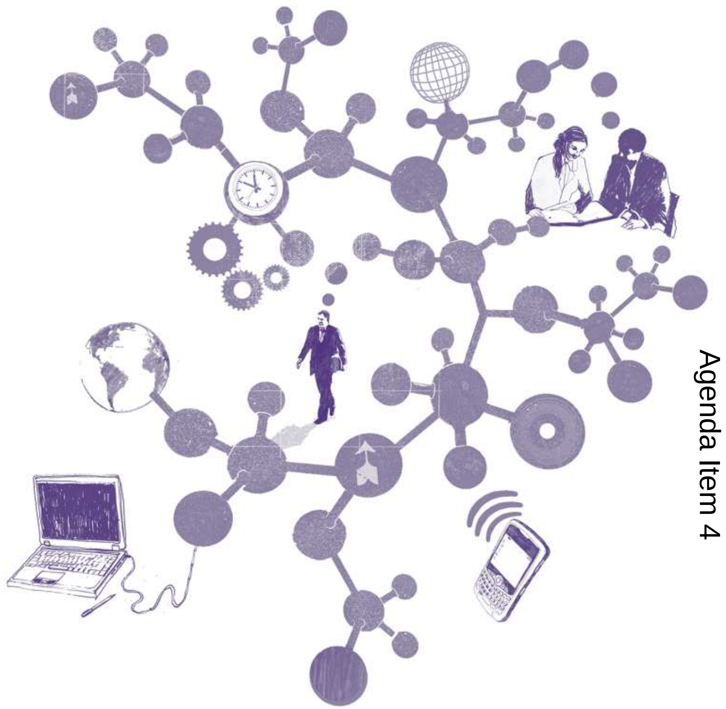

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify.

We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

Contents

Section 1: Executive summary

Executive summary

Purpose of this report

This report highlights the key issues arising from the audit of Buckinghamshire County Council Pension Fund's ('the Fund') financial statements for the year ended 31 March 2014. It is also used to report our audit findings to management and those charged with governance in accordance with the requirements of International Standard on Auditing (UK & Ireland) 260.

Under the Audit Commission's Code of Audit Practice we are required to report whether, in our opinion, the Fund's financial statements present a true and fair view of the financial position, the financial transactions of the Fund during the year and whether they have been properly prepared in accordance with the Code of Practice on Local Authority Accounting.

Introduction

In the conduct of our audit we have not had to alter or change our planned audit approach, which we communicated to you in our Audit Plan dated 10 June 2014.

Our audit is substantially complete although we are finalising our procedures in the following areas:

- receipt of queries on accounting disclosures - disclosure amendments set out on page 12
- receipt of direct bank account confirmation
- receipt and review of the amended Pension fund annual report
- receipt and review of the final version of the financial statements
- obtaining and reviewing the management letter of representation
- updating our post balance sheet events review, to the date of signing the opinion.

We received draft financial statements and the accompanying working papers were of good quality and were available at the start of our audit.

Key issues arising from our audit

Financial statements opinion

We anticipate providing an unqualified opinion on the Fund's financial statements.

The draft financial statements recorded net assets carried forward of £1,941,806k; which remains unchanged post audit. We made a number of adjustments to improve the presentation of the financial statements.

The key messages arising from our audit of the Fund's financial statements are:

- subject to the satisfactory completion of outstanding work outlined above, we anticipate providing an unqualified opinion on the Fund's financial statements
- the Fund's financial statements provided for audit were complete and compiled in accordance with the CIPFA Code of Practice for Local Authority Accounting
- the Council produced good working papers to support the figures in the Fund statements
- we note one instance where journal segregation of controls had not operated as designed.

Further details are set out in section 2 of this report.

Acknowledgement

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff during our audit.

Grant Thornton UK LLP
September 2014

Section 2: Audit findings

Audit findings

In this section we present our findings in respect of matters and risks identified at the planning stage of the audit and additional matters that arose during the course of our work. We set out on the following pages the work we have performed and findings arising from our work in respect of the audit risks we identified in our audit plan, presented to the Regulatory and Audit Committee on 10 June 2014. We also set out the adjustments to the financial statements from our audit work and our findings in respect of internal controls.

Changes to Audit Plan

We have not made any changes to our Audit Plan as previously communicated to you .

Audit opinion

We anticipate that we will provide the Fund with an unqualified opinion as set out in Appendix A subject to the satisfactory completion of outstanding work outlined on page 5.

Audit findings against significant risks

"Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, either due to size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty" (ISA 315).

In this section we detail our response to the significant risks of material misstatement which we identified in the Audit Plan. As we noted in our plan, there are two presumed significant risks which are applicable to all audits under auditing standards.

	Risks identified in our audit plan	Work completed	Assurance gained and issues arising
1.	**Improper revenue recognition** Under ISA 240 there is a presumed risk that revenue may be misstated due to improper recognition	Under ISA 240 there is a presumed risk that revenue may be misstated due to the improper recognition of revenue.	We have rebutted this presumption and therefore do not consider this to be a significant risk for the Buckinghamshire County Council Pension Fund for the following reasons: • The nature of the Pension Fund's revenue is in many respects relatively predictable and does not generally involve cash transactions. • The split of responsibilities between the Pension Fund, the custodian and its fund managers provides a very strong separation of duties reducing the risk around investment income. • Revenue contributions are made by direct salary deductions and direct bank transfers from admitted/scheduled bodies, are supported by separately sent schedules and are directly attributable to gross pay, making any improper recognition unlikely. • Transfers into the scheme are all supported by an independent actuarial valuation of the amount which should be transferred and which is subject to agreement between the transferring and receiving funds.
2.	**Management override of controls** Under ISA 240 there is a presumed risk of management over-ride of controls	• review of accounting estimates, judgements and decisions made by management • testing of journals entries • review of unusual significant transactions]	Our audit work has not identified any evidence of management override of controls. In particular the findings of our review of journal controls and testing of journal entries has not identified any significant issues. However, we note one instance where a year end journal was input in error to the wrong year and reversed. The error was identified and corrected immediately. Both journal transactions were not approved by a senior officer as required by your journal procedures.

Audit findings against other risks

In this section we detail our response to the other risks of material misstatement which we identified in the Audit Plan..

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
Investments	• Investments not valid • Investments activity not valid • Fair value measurement not correct (Level 1-3 investments)	We reviewed the reconciliation between information provided by the fund managers, the custodian and the Fund's own records and sought explanations for any variances. We tested a sample of the individual investments held by the fund at the year end and tested the valuation of the sample by agreeing prices to third party sources (quoted investments) or by review of the valuation methodology used to ensure it represented fair value. The existence of investments was confirmed directly to relevant documentation. We tested a sample of purchases and sales during the year back to detailed information provided by the fund managers.	Our work is complete, there are no significant issues to bring to your attention.
Benefit Payments	• Benefits improperly computed/claims liability understated	We confirmed the existence of controls operated by the Fund to ensure that all benefits are correctly calculated and that the appropriate payments were generated and recorded. We tested the key controls identified in these areas. We tested a sample of individual transfers, pensions in payments (new and existing), lump sum benefits and refunds by reference to member files. We tested pensions paid with reference to changes in pensioner numbers and increases applied in the year together by comparing pensions paid on a monthly basis and ensured that any unusual trends were satisfactorily explained.	Our work is complete, there are no significant issues to bring to your attention.

Audit findings against other risks

In this section we detail our response to the other risks of material misstatement which we identified in the Audit Plan.

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
Contributions	• Recorded contributions not correct	We confirmed the existence of controls operated by the Pension Fund to ensure that it identifies and receives all expected contributions from member bodies. We substantively tested contributions deductions. We substantively tested contribution deductions from the Administering Authority. We also reviewed contributions received with reference to changes in member body payrolls and numbers of contributing members to ensure that any unexpected trends are satisfactorily explained.	Our work is complete, there are no significant issues to bring to your attention.
Member data	• Member data not correct	We confirmed the existence of controls and reconciliations covering the determination of member eligibility, the input of evidence onto the Pensions Administration System and the maintenance of member records. We tested the key controls identified in these areas.	Our work is complete, there are no significant issues to bring to your attention.

Accounting policies, estimates & judgements

In this section we report on our consideration of accounting policies, in particular revenue recognition policies, and key estimates and judgements made and included with the Fund's financial statements.

Accounting area	Summary of policy	Comments	Assessment
Revenue recognition	• The Council's policy for major sources of revenues (contribution income and Investment income) are set out in detail within Note 2 Accounting Policies.	Your revenue recognition policy is consistent with our audit of the pension fund financial statements.	● Green
Judgements and estimates	• Key estimates and judgements disclosed in Note 2 include: – pension fund valuations and settlements – investment valuation – accruals.	• We reviewed key estimates and judgements made by management within the notes to the accounts. For the disclosures listed, we concluded they were consistent with guidance set out in the Code of Practice of Local Authority Accounting.	● Green
Other accounting policies	• We have reviewed the Fund's policies against the requirements of the CIPFA Code and accounting standards.	• Our review of accounting policies has not highlighted any issues which we wish to bring to your attention. We note you have not disclosed your accounting policy in respect of taxes on income. Whilst your taxes on income are not material year on year, we recommend as good practice you disclose your accounting policy in respect of this within Note 2 Accounting Policies.	● Green

Assessment
- ● Marginal accounting policy which could potentially attract attention from regulators
- ● Accounting policy appropriate but scope for improved disclosure
- ● Accounting policy appropriate and disclosures sufficient

Disclosure changes

The table below provides details of disclosure changes identified during the audit which have been made in the final set of financial statements.

	Adjustment type	Value £'000	Account balance	Impact on the financial statements
1	Disclosure	107,998	Note 9 Investments – Change in market value of investments	The net change in market value £107,998k should separately disclose all realised and unrealised profits during the year. The disclosure note has been amended.
2	Disclosure	n/a	Note 12 Financial Instruments	We note that financial instruments disclosure note isn't fully compliant with the IFRS. For example, the methods used when a valuation technique is used to derive its fair value and the assumptions made in doing so should be disclosed. The additional disclosures have been made to the updated accounts.
3	Disclosure	n/a	Post Balance Sheet Event	We note share prices are being significantly affected in anticipation of the Scottish independence vote which could have a material impact on LGPS investments. You also advised us of a change in strategy the Fund implemented during May 2014 to switch 10% of assets from equities to bonds. You considered the impact on your LGPS investments and concluded this was a non adjusting as the event do not change the values as at 31 March 2014. You have disclosed the facts as a PBSE note.

Other communication requirements

We set out below details of other matters which we, as auditors, are required by auditing standards to communicate to those charged with governance.

	Issue	Commentary
1.	**Matters in relation to fraud**	• We have not been made aware of any incidents in the period and no other issues have been identified during the course of our audit procedures.
2.	**Matters in relation to laws and regulations**	• We are not aware of any significant incidences of non-compliance with relevant laws and regulations.
3.	**Written representations**	• A standard letter of representation for the pension fund audit will be requested at the conclusion of our audit.
4.	**Disclosures**	• Our review found no material omissions in the financial statements.
5.	**Matters in relation to related parties**	• We are not aware of any related party transactions which have not been disclosed.
6.	**Going concern**	• Our work has not identified any reason to challenge the Fund's decision to prepare the financial statements on a going concern basis.

Section 3: Fees, non audit services and independence

Fees, non audit services and independence

We confirm below our final fees charged for the audit and there are no fees for the provision of non audit services.

Fees

	Per Audit plan £	Actual fees £
Fund audit	25,033	25,033
Total audit fees	**25,033**	**25,033**

Fees for other services

Service	Fees £
None	Nil

Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Auditing Practices Board's Ethical Standards and therefore we confirm that we are independent and are able to express an objective opinion on the financial statements.

We confirm that we have implemented policies and procedures to meet the requirements of the Auditing Practices Board's Ethical Standards.

Section 4: Future developments

Developments relevant to your Pension Fund and the audit

Political	Environmental	Social	Technological
Developments relevant to the next financial year			
1. Financial reporting CIPFA has published best practice guidance relating to the identification and disclosure of administrative and investment management expenditure. This applies from 2014/15 and will enable consistent reporting across the LGPS facilitating more meaningful comparisons in this area. The definition is separated into three distinct categories of costs.	**2. Legislation** Under the Local Government Pension Scheme (LGPS 2014), pensions will be calculated on Career Average Revalued Earnings (CARE) rather than a final salary basis from 1 April 2014. Administering authorities will need to ensure their updated administration systems are calculating new pensions accruals correctly from 1 April 2014; dealing effectively with more complex data requirements and that new contribution rates are being correctly applied by employers.	**3. Actuarial valuation** Following the 31 March 2013 actuarial valuation all employers will need to consider the level of additional employer deficit contributions required and how to fund them.	**4. Other issues** The number of LGPS employers continues to grow as local authorities outsource services. Affected funds need to consider the impact this has on its exposure to risks and reflect on the impact this has for their investment strategies.
Developments relevant to future periods			
1. Financial reporting Changes to the Pension SORP may affect the investment disclosures in the Net Asset Statement and Fair Value determination (changing the classification from level 1, 2 & 3 to A, B & C). A revised SORP will be issued in 2014 and may find its way into the LG code in 2015/16.	**2. Legislation** From April 1 2015 The Pensions Regulator will have formal powers and responsibilities for oversight of the LGPS. This will include monitoring implementation of new governance arrangements, which require the creation of a scheme manager and pension board for each LGPS. The Administering Authority will need to determine how it will meet the requirement to have a pension board and the consequent changes it will need to make to its general governance arrangements.	**3. Structural reform** DCLG is consulting on the potential use of Collective Investment Vehicles and passive management of funds. The outcome of this consultation may lead to a change in administration of some schemes and significant changes in investment strategies.	**4. Other issues** The Pensions Regulator, Financial Conduct Authority and HMRC continue to commit resources to combat pension liberation schemes. More guidance and potential changes to HMRC registration of new schemes is likely.

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Section 5: Communication of audit matters

Communication of audit matters to those charged with governance

International Standards on Auditing (ISA) 260, as well as other ISAs, prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table opposite.

The Audit Plan outlined our audit strategy and plan to deliver the audit, while this Audit Findings report presents the key issues and other matters arising from the audit, together with an explanation as to how these have been resolved.

Respective responsibilities

The Audit Findings Report has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission (www.audit-commission.gov.uk).

We have been appointed as the Fund's independent external auditors by the Audit Commission, the body responsible for appointing external auditors to local public bodies in England. As external auditors, we have a broad remit covering finance and governance matters.

Our annual work programme is set in accordance with the Code of Audit Practice ('the Code') issued by the Audit Commission and includes nationally prescribed and locally determined work. Our work considers the Fund's key risks when reaching our conclusions under the Code.

It is the responsibility of the Fund to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Fund is fulfilling these responsibilities.

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	✓	
Overview of the planned scope and timing of the audit. Form, timing and expected general content of communications	✓	
Views about the qualitative aspects of the entity's accounting and financial reporting practices, significant matters and issues arising during the audit and written representations that have been sought		✓
Confirmation of independence and objectivity	✓	✓
A statement that we have complied with relevant ethical requirements regarding independence, relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged Details of safeguards applied to threats to independence	✓	✓
Material weaknesses in internal control identified during the audit		✓
Identification or suspicion of fraud involving management and/or others which results in material misstatement of the financial statements		✓
Compliance with laws and regulations		✓
Expected auditor's report		✓
Uncorrected misstatements		✓
Significant matters arising in connection with related parties		✓
Significant matters in relation to going concern		✓

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Appendix A: Audit opinion

We anticipate that we will provide the Fund with an unmodified audit report

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BUCKINGHAMSHIRE COUNTY COUNCIL

Opinion on the pension fund financial statements

We have audited the pension fund financial statements of Buckinghamshire County Council for the year ended 31 March 2014 under the Audit Commission Act 1998. The pension fund financial statements comprise the Fund Account, the Net Assets Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14.

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This report is made solely to the members of Buckinghamshire County Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's Members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Service Director (Finance & Commercial Services) and auditor

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

Scope of the audit of the pension fund financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Service Director (Finance & Commercial Services); and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the explanatory foreword to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on the pension fund financial statements

In our opinion the pension fund's financial statements:
give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2014 and the amount and disposition of the fund's assets and liabilities as at 31 March 2014; and
have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 and applicable law.

Opinion on other matters

In our opinion, the information given in the explanatory foreword for the financial year for which the financial statements are prepared is consistent with the financial statements.

Darren Wells
Director
for and on behalf of Grant Thornton UK LLP, Appointed Auditor

Grant Thornton UK LLP
Fleming Way
Manor Royal
Crawley RH10 9GT

XX September 2014

Resources &
Business Transformation

Service Director (Finance & Commercial Services)
Richard Ambrose

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Finance & Commercial Services
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Grant Thornton UK LLP
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Date: 23 September 2014

Dear Sirs

Buckinghamshire County Council Pension Fund - Financial Statements for the ended 31 March 2014

This representation letter is provided in connection with your audit of the financial statements of Buckinghamshire County Council Pension Fund for the year ended 31 March 2014 for the purpose of expressing an opinion as to whether the financial statements show a true and fair view of the financial transactions of the Fund during the year ended 31 March 2014, and of the amount and disposition at that date of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the Fund year, in accordance with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 (the Code).

Financial Statements

1 We have fulfilled our responsibilities for the preparation of the financial statements in accordance with the Code; in particular the financial statements show a true and fair view in accordance therewith, and for keeping records in respect of contributions received in respect of active members.

2 We acknowledge our responsibility for the design and implementation of internal control to prevent and detect error and fraud.

3 Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.

4 Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of the Code.

5 All events subsequent to the date of the financial statements and for which the Code requires adjustment or disclosure have been adjusted or disclosed.

6 We believe that the Pension Scheme's financial statements should be prepared on a going concern basis on the grounds that current and future sources of funding or support will be more than adequate for the Pension Scheme's needs. We believe that no further disclosures relating to the Pension Scheme's ability to continue as a going concern need to be made in the financial statements.

7 We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

8 We acknowledge our responsibilities for making the accounting estimates included in the financial statements. Where it was necessary to choose between estimation techniques that comply with the Code, we selected the estimation technique considered to be the most appropriate to the Pension Fund's particular circumstances for the purpose of giving a true and fair view. Those estimates reflect our judgment based on our knowledge and experience about past and current events and are also based on our assumptions about conditions we expect to exist and courses of action we expect to take.

Information Provided

9 We have provided you with:

a. access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
b. additional information that you have requested from us for the purpose of your audit; and
c. unrestricted access to persons from whom you determine it necessary to obtain audit evidence.

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

11 All transactions have been recorded in the accounting records and are reflected in the financial statements.

12 We are not aware of any fraud or suspected fraud affecting the Fund involving:

a. management;
b. employees who have significant roles in internal control; or
c. others where the fraud could have a material effect on the financial statements.

13 We have no knowledge of any allegations of fraud, or suspected fraud, affecting the Fund's financial statements communicated by employees, former employees, analysts, regulators or others.

14 We are not aware of any instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.

15 We have disclosed to you the identity of the Fund's related parties and all the related party relationships and transactions of which we are aware.

Other

We confirm that the Fund is a Registered Pension Fund. We are not aware of any reason why the tax status of the Fund should change.

Approval

The approval of this letter of representation was minuted by the Council's Regulatory and Audit Committee at its meeting on 23 September 2014.

Signed on behalf of the Committee

Yours faithfully

Signed	…………………………	Signed	…………………………
Name	Richard Ambrose	Name	Zahir Mohammed
Position	Service Director (Finance & Commercial Services)	Position	Chairman of Regulatory & Audit Committee
Date	…………………………	Date	………………………

INVESTOR IN PEOPLE