Buckinghamshire County Council

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Agenda

REGULATORY AND AUDIT COMMITTEE

Date: Wednesday 23 September 2015

Time: 9.00 am

Venue: Mezzanine Room 1, County Hall, Aylesbury

10	**FORWARD PLAN (STANDING ITEM)**	**10.40**	**265 - 268**
11	**DATE AND TIME OF THE NEXT MEETING** The next meeting is scheduled for 18 November 2015, Mezzanine Room 2, County Hall, Aylesbury.	**10.55**	
12	**EXCLUSION OF THE PRESS AND PUBLIC** **To resolve to exclude the press and public as the following item is exempt by virtue of Paragraph 3 of Part 1 of Schedule 12a of the Local Government Act 1972 because it contains information relating to the financial or business affairs of any particular person (including the authority holding that information).**		
13	**MEMBERS CLOSED SESSION WITH GRANT THORNTON AUDITORS**	**11.00**	
14	**MEMBERS CLOSED SESSION WITH CHIEF AUDITOR**	**11.30**	

If you would like to attend a meeting, but need extra help to do so, for example because of a disability, please contact us as early as possible, so that we can try to put the right support in place.

For further information please contact: Nichola Beagle on 01296 382662, email: njbeagle@buckscc.gov.uk

Members

Mr T Butcher (VC)
Mr W Chapple OBE
Mrs A Davies
Mr T Egleton
Mr P Hardy
Mr D Martin
Mr Z Mohammed
Mr R Scott (C)
Mr A Stevens

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Minutes

REGULATORY AND AUDIT COMMITTEE

MINUTES OF THE MEETING OF THE REGULATORY AND AUDIT COMMITTEE HELD ON WEDNESDAY 24 JUNE 2015 IN MEZZANINE ROOM 2, COUNTY HALL, AYLESBURY, COMMENCING AT 9.00 AM AND CONCLUDING AT 11.05 AM.

MEMBERS PRESENT

Mr T Butcher (Vice-Chairman)
Mr W Chapple OBE
Mrs A Davies
Mr D Martin
Mr A Stevens

OTHERS IN ATTENDANCE

Mr R Ambrose, Director of Assurance, Service Director, Finance and Commercial Services
Mrs S Ashmead, Director of Strategy and Policy
Ms N Beagle, Committee Assistant
Mr D Bradley, Manager, Public Sector Assurance, Grant Thornton UK LLP
Mr I Dyson, Chief Internal Auditor
Ms J Edwards, Pensions and Investments Manager
Mr R Schmidt, Assistant Service Director (Strategic Finance)
Ms S Turnbull, Head of Member Services

1 APOLOGIES FOR ABSENCE / CHANGES IN MEMBERSHIP

Apologies were received from Richard Scott, Peter Hardy and Paul Grady.
In Richard Scott's absence, Tim Butcher chaired the meeting.

2 DECLARATIONS OF INTEREST

There were no declarations of interest.

3 MINUTES

The minutes of the meeting held on 10 June 2015 were agreed as a correct record.

Comments were made as follows:

- Page 3, Attendance; Richard Schmidt advised that his name had been omitted from the attendance sheet, along with his colleague Julie Edwards.
- Page 3, Item 5 – minutes of the previous meeting, Tim Butcher requested that bullet points 2, 4 and 5 reflecting actions to be taken were to be emboldened to highlight that they will be carried over to a future meeting.
- Page 3, Item 5 – minutes of the previous meeting, bullet point 3, Richard Schmidt advised a change in wording of the penultimate sentence to "There are now a number of arrangements in place to support such staff transfers, as under TUPE Regulations staff have to have an equivalent scheme when transferring over and if they do not that are **considered for admission** into our pension scheme".
- Page 6, Question 5, Tim Butcher advised a change in wording of the first sentence to "A member queries how **the** process will work in the future".
- Page 8, Financial results of the year, Richard Schmidt advised that bullet point 5 "A transfer to the earmarked reserves of £11.5m (has resulted in a decrease of £10m in the general fund), although both of these points are correct, one is not a consequence of the other and therefore they should remain in the minutes, under separate bullet points.
- Page 8, bullet point 8, Richard Schmidt advised a change in wording to "Although we are now finding ourselves in a slightly more **risky** position. It is within acceptable guidelines".
- Page 8, Question 1, bullet point 3, Richard Schmidt advised a sentence amendment to read "At the end of this financial year **or** the beginning of the next financial year, payment of the £180m is required for the Energy from Waste Plant (EfW), the reserves strategy is in place to reduce the amount we have to borrow".
- Page 9, Pension Fund Accounts, Question 1, Tim Butcher requested that details of the informative email that had been circulated by Julie Edwards on 23 June be included in the minutes retrospectively.
- Page 11, Draft Risk and Assurance Strategy, Comment 1, Tim Butcher requested that when using acronyms, to include the full title also to make it clear to readers what exactly is being referred to.
- Tim Butcher also made a general request, that full names are used for all Members, officers and attendees in the minutes, rather than just their first names.

4 CONSTITUTIONAL CHANGE DOCUMENT

Sarah Ashmead, Hugh Peart and Sara Turnbull attended the meeting to provide an update on the draft changes relating to the Constitution.

- Sarah Ashmead provided a background to the reasons for the changes being implemented and advised that these reflect the Localism Act and other legal requirements.
- The Constitution document with the tracked changes was discussed in depth by the Committee.
- Sarah Ashmead explained that there were two sets of changes visible in the document;
    1. Those underlined with no bold text which were the minor changes that the Monitoring Officer would make under her delegated powers.
    2. Those highlighted in yellow which were the substantive changes.

- Tim Butcher advised that he wanted the committee to take a look at the changes page by page on the projector screen today in preparation for when the document is taken to full council for agreement.

A Member asked for clarity on the staff members who were referred to as “statutory officers”.

- Sarah Ashmead advised that the 3 statutory officers were:
    I. Head of Paid Service (Chief Executive)
    II. S151 Officer (Director of Assurance)
    III. Monitoring Officer (Director Strategy & Policy)
- Sarah Ashmead advised that following the change in legislation, following any investigation the decision on whether to dismiss either of the above posts from now on will be a Full Council decision.

Comments raised during the discussion in relation to the changes made:

- Article 7- The Executive, item 7.9, “In the absence of a Cabinet Member, a key decision may be taken by a Managing Director or relevant senior officer **in consultation** with the appropriate Deputy Cabinet Member”.
- Article 13 – Finance, Contracts and Legal Matters, item 14.4, It was clarified that following the changes in legislation, any and all contract’s should be made in writing, no matter what their value.
- Article 16- Suspension, Interpretation and Publication of the Constitution, item 16.1, a sentence was removed “unless at least one quarter of the Council is present”. Sarah Ashmead confirmed that this sentence had been removed as it was deemed unnecessary, all meetings are required to be quorate for any motions to be passed, and if a meeting is not quorate then the motion cannot go ahead. This sentence was just a repetition of this point.
- Meetings of the Council, Item 7, Motions of Notice, item 2, discussion took place over the time deadlines for a notice of motion. The sentence had been amended to state “no later than 9.30am on the Monday morning”, however all Committee Members felt this time was unrealistic, and proposed that this be changed to Midday on the Monday. All agreed to this change and Sara Turnbull advised this would be amended. A member also suggested that any other deadlines for members should also reflect the midday deadline, to avoid any confusion. All agreed to this.

ACTION: Sara Turnbull

- Meetings of the Council, Item 15, Summons and Agenda Procedure, a number of members expressed confusion over this point. Sarah Ashmead advised that the original point 2 had been removed and replaced with the subsequent point 3 (now point 2) to avoid repetition.
- 5 days’ Notice Rule – A member queried whether this related to working days only. Sara Turnbull advised 5 clear working days, which is stated higher up in the explanation.
- Meetings of the Council, Item 16, Inspection of Documents, a sentence had been removed which stated “Members of the public may submit comments in writing about any published report, within five days of its publication. Where practicable, such comments will be attached to the report”. Sara Turnbull advised that this had been removed as only specific items require public involvement and when this is the case this is stated in the report.

- Part 5 Codes and Protocols, Allegations on Members Conduct, Sara Ashmead advised that although the detailed wording regarding “How to deal with a complaint regarding members”, had only just been updated, the practice had been enforced since 2007 when the policy was agreed by full council.
- Register of Members’ interest Pro-Forma, the form has now been updated. A member queried the headline paragraph stating “Members must register the interests of their husband or wife, civil partner or any person that they are living with as husband, wife or civil partner, as if they are their own interests, when they know about them”. Many members felt that this was too vague, as it did not extend to adult children that perhaps a member may live with, who may have conflicting interests. Hugh Peart agreed with this however he advised that the text had been extracted directly from the piece of legislation and therefore needed to remain. Sarah Ashmead also confirmed that once the amended constitution had been agreed at Full Council, the new form will be circulated to all Members for completion.
- Lobbying of Councillors/Members’ Procedure’s, item 16, Sarah Ashmead confirmed that there had been a change in the legislation, which had been enforced for some time, advising “Members **can form a view** on any Planning matter”. Following discussion with specific examples given, Hugh Peart advised that if a member is a decision maker within a planning committee, although they are able to form a view, to avoid any conflict of interest they should not take part in any Action Groups within their constituency opposing the scheme. However, if the Member is not a decision maker and is purely reflecting the opinion of their constituents, they are able to take part in any Action Groups. The members requested that this item be widely promoted to all members to confirm that they are able to form a view. Sarah Ashmead agreed and confirmed this would be circulated following Full Council sign off of the Constitution.

  ACTION: Sara Turnbull
- Minuting of Reasons for Refusal or Granting Permission, item 32, a sentence has been added to advise **“The committee is required in such circumstance to give reasons for not agreeing to the officer recommendations”.** Hugh Peart advised that although this point is not a statutory change, it is advisable as should a declined decision go to an appeal hearing and there not be sufficient supporting evidence for the refusal, it is very likely that the decision would be overturned. It is therefore best practice to provide detailed reasons for a refusal of a planning matter. This item was challenged by some members, who believed that this point might contradict democratic rights however after further discussion all agreed to the change.

RESOLUTION
After the detailed discussion, all members agreed to the recommendations stated in the officer’s report which were as follows:

1. **To note the minor changes approved by the Monitoring Officer made under delegated powers from Council. These changes are those which are shown as underlined tracked changes (with no highlighted text in bold) in Appendix 1.**
2. **To agree to recommend to County Council for approval the proposed tracked changed which are highlighted in yellow in Appendix 1.**

This is subject to the amendment agreed by the Committee that the proposed time for motions and written questions to Full Council is changed to Noon on the Monday before the meeting.

5 ANNUAL GOVERNANCE STATEMENT

Ian Dyson presented the Draft Annual Governance Statement.

- The Annual Governance Statement (AGS) is published alongside the statement of accounts, to promote transparency within the public domain.
- This format is consistent with the proper practice as required under the Accounts and Audit Regulations, 2011.
- The draft reflects the financial year 2014/2015. The processes set out are those that are now in place when approving this statement.
- In April 2014 – the governance framework changed, therefore this Annual Governance Statement reflects the current framework, but also references the government framework in place between 1 April 2014 and 31 March 2015 as that set out in the 2013/14 AGS.
- Appendix 1 is an Action Plan set out for 2015/2016 and should be addressed this financial year. Each point on the action plan was discussed and explained in detail.

Tim Butcher thanked Ian Dyson for the comprehensive report. It was advised that the committee were satisfied with the accurate reflection of the material governance issues set out in this report.

RECOMMENDATION
The Committee is RECOMMENDED to approve the Annual Governance Statement 2014/2014.

All Committee Members agreed to this recommendation

6 INTERNAL AUDIT ANNUAL REPORT AND ACTION TRACKER

Ian Dyson presented this report.

- This report sets out the Chief Auditors opinion on the Council's system of internal control, based on the internal audits undertaken and other available assurance mechanisms.
- Ian Dyson requested that the Committee refer to Appendix 1 the Summary of Audit Outcomes. It was advised that the items in yellow in this report are those where the outcomes of the audit has not previously been reported to the Committee. In particular Business Continuity Management and the AFW Debt Management were highlighted as they had an opinion of Limited Assurance.
- Ian Dyson advised that his overall opinion reflected in the annual report was that of "reasonable assurance". Ian Dyson confirmed that this was a very positive message. It was evident that the organisation sought to correct any weaknesses highlighted within the audit process, which was very positive management assurance.
- Ian Dyson also advised that it was clear and evident that there had been a significant step change as a result of Future Shape. The Risk Management process was now clearly understood and the assurance framework was therefore becoming well embedded within the new process.
- The system of internal control should allow for earlier detection of issues and earlier response.

Business Continuity Management (BCM)

- Tim Butcher advised the committee that the Resilience Manager for BCM would be invited to the September meeting, to provide an update on the actions being put in place in regards to the areas of risk. Ian Dyson confirmed he would invite the Resilience Manager for BCM to the meeting in September 2015.

ACTION: Ian Dyson

Governance & Financial Management Audits: Adults and Family Wellbeing (AFW) data

- Tim Butcher highlighted the report, where it stated that not all staff within the AFW had completed the mandatory data protection E-learning training.
- This raised the question "Why are mandatory E-learning training courses not set out as DSP objectives?"
- Ian Dyson advised that unfortunately this change would not be within the Regulatory and Audit Committee's remit, however we could offer this as a "suggestion" to the Managing Director of the AFW area. All members agreed with this.
- Ian Dyson also suggested that a report be requested across the organisation on the current E-Learning status as the audit highlighted similar results in other business units.
- Members requested a report on compliance with E-Learning; and requested a report on compliance with all mandatory training across the council.

1. **Report on E-Learning data protection mandatory module.**
2. **Report on compliance with all mandatory training across the organisation.**

Ian Dyson to source these reports, to be brought back for discussion at the meeting in November 2015.

ACTION: Ian Dyson

7 RESPONSE TO AUDIT ANNUAL REPORT BY THE CHIEF EXECUTIVE

Richard Ambrose attended on behalf of the Chief Executive, to provide a verbal report.

- Richard Ambrose advised that following the Annual Report, the Chief Executive was confident that the new framework will provide the assurance required.
- In response to the report, the Chief Executive supported its findings and the positive understanding of Risk now within the organisation.
- The need for good governance had been recognised.
- The Chief Executive was pleased with the overall assurance level being "reasonable", as this was a very positive message.
- Richard Ambrose advised that the "Contract Management Application" and "Business Continuity" programmes would be closely monitored by the One Council Board. It was recognised that there was more to be done with "Business Continuity" and Richard Ambrose advised that he was pleased to hear that this item will be coming back to the September meeting.
- Richard Ambrose also advised that with regards to the AFW Debtors, the Chief Executive was expecting to see actions around this report and will confirm that this will be discussed further at the September meeting.
- Richard Ambrose confirmed that overall the Chief Executive was happy with the report.

8 TREASURY MANAGEMENT ANNUAL REPORT

Julie Edwards attended to provide feedback on the report.

- The report outlined Actions set for 2014/2015.
- The average rate of return on investment was 0.88%, exceeding the weighted average London Interbank Bid (LIBID) for the year by 0.56%.
- The total of these investments at any one time varied between £180m and £280m at interest rates between 0.44% and 1.55%.
- The interest earned and credited to the Council's revenue account was £2.19m.
- Cash balances during the year were higher than expected and the CCLA property investment achieving higher than anticipated returns.

Member Questions/Comments

- A Member queried the figure for 2014/2015 in regards to the Energy for Waste (EfW) technical adjustment.
- Richard Ambrose advised that the Council was committed to making a payment to the EfW upon completion of the project in May 2016. In 2014/2015 we were required to account for the build work that had been completed to date. However, no payment would actually be made until the plant had been completed and had passed the operational tests (likely to be May 2016).
- Richard Ambrose confirmed that this had been evident in the accounts since 2013/2014, with the amounts being proportional to the work undertaken. The total cost to the Council in May 2016 would be £180m.

Capital Financing Requirement

- The Actual amount for 2014/15 is £319.334m, which was higher than the revised estimate for 2014/2015. This had resulted in a decrease in 2015/2016 from £328.189m to £325.887m.

Member Questions/Comments

- A Member queried "as we are moving towards proactive financial management, have we learnt anything and do we liaise with other councils to share knowledge?"
- Julie Edwards advised that a meeting was held twice a year with other councils to discuss treasury management issues.
- Richard Ambrose advised that the council had treasury management advisors who updated the team regularly. Some authorities took bigger risks and therefore made bigger returns on investments, but this was not recommended by the treasury management advisors. Due to the current financial climate, many of our investments are on a short term basis, this approach may be reviewed in a few years' time.
- Tim Butcher queried whether the Authorised Limit for External Debt figure of £400m (on page 76), reflected the figure that was brought to Full Council this time last year?
- Richard Ambrose advised that the Authorised Limit was a requirement however the Operation Boundary Limit was a more realistic figure. The figures in this report reflect those that were brought to Full Council in February 2015.
- The £100m difference in the two figures, relates to the EfW. In total the underlying need to borrow is £130m for this project. At present it was expected that we would borrow

£30m externally and £100m internally. The Authorised Limit allows for flexibility, should we be required to borrow the full £130m.
- The dramatic drop in the 2016/2017 figures related to the EfW technical adjustment and would be flexible depending on the amount actually borrowed.

RECOMMENDATION
The Committee are asked to RECOMMEND to Council the treasury Management Annual Report and the actual Prudential Indicators for 2014/2015.
The Committee are asked to RECOMMEND to Council changes to the estimates of capital expenditure within Prudential Indicator 2.1 to £129.979m in 2015/2016, £53,053 in 2016/2017 and £30.100m in 2017/2018.
The Committee are asked to RECOMMEND to Council changes to the Capital Financing Requirement within Prudential Indicator 2.2 to £325.887 in 2015/2016, £317.505m in 2016/2017 and £307.013m in 2017/2018.

All Committee Members agreed to the recommendations.

9 EXTERNAL AUDIT PROGRESS REPORT

Dominic Bradley attended the meeting to present the report.
- The finalised statements were received by Grant Thornton on 10th June.
- From first indication of initial checks, the set of accounts look good and were accompanied by some good working papers.
- By receiving the figures earlier than in previous years, the audit team had been able to make good progress.
- Issues were arising when asking for further information that was slow to come back, especially where the financial records were from areas outside of the council's control (e.g. schools that are not processed through the council's payroll system). Finance were continuing to try to work with these areas to provide the information, however so far this was proving difficult.

Member Questions/Comments
Question 1
- A Member queried if such problems had been experienced in the past?
- Dominic Bradley confirmed that there had been a problem in the past; however this had been an internal payroll issue which had now been resolved.
- Richard Ambrose confirmed that the biggest problem remaining was around schools where the council was not the provider. The information required so far had not been forthcoming, although it had been promised. There were only a relatively small number of schools that used an outside payroll provider, therefore the risk was small.
- Dominic Bradley advised that Grant Thornton were confident that the information would eventually be received, even if this did not materialise until September 2015.
- Tim Butcher requested that Richard Ambrose investigate this issue outside of this meeting and report back to Richard Scott by the end of next week.
- Richard Ambrose agreed to this action and confirmed that this ongoing issue needed to be investigated.
- Richard Ambrose confirmed that following his investigation he would provide the results to Richard Scott week commencing 29 June 2015.

ACTION: Richard Ambrose

Comment 1

- Tim Butcher requested that the word “austerity” be removed from the first paragraph on page 85 of the report.
- Dominic Bradley confirmed that it was not a political comment and that it was an economic term; however a note would be made.

Question 2

- A Member queried whether the report reflected Bucks County Council (BCC) specifically or if it reflected the national position, as this was not clear.
- Dominic Bradley advised that the report had been based across all survey responses received and therefore was a National Survey, not specific to BCC.
- Ian Dyson advised that this style of report had been a regular reporting tool, to provide a broader view to reflect the national position, which could also highlight potential issues.
- Dominic Bradley thanked all for their comments and confirmed that these would be taken on board. The report would make it clear in future that it is reflecting the national position.

Tim Butcher thanked Grant Thornton for the report.

10 COMPARATIVE INFORMATION REPORT ON PENSION FUNDS

A written report had been provided by Mr Oyerinde from Grant Thornton. Dominic Bradley confirmed he would answer any questions on the report.

Members Questions/Comments

Question 1

- A Member asked what the term “Level 3 Investment” referred to.
- Dominic Bradley advised that these were investments whose fair value cannot be determined by using observable measures, such as market prices or models. Level 3 assets were typically very illiquid, and fair values could only be calculated using estimates or risk-adjusted value range.

Question 2

- A Member queried the 51% of the Bucks Pension Fund’s value of investment, being the Level 3 Investments. Is this figure typical for Pensions Funds such as this?
- Dominic Bradley advised that when the comparison was carried out, there was no correlation or information to suggest that BCC was an outlier. The percentage level of level three investments would be for the organisations management to consider.
- Richard Ambrose advised that the Level 3 Investments were more about risk and whether what is being invested in was advisable. To put a limit on the percentage of Level 3 Investments would be the wrong way to view. Richard Ambrose advised that a further report could be brought to the Pension Committee to clarify, if required.

Question 3

- A Member asked for clarification on the composition that made up the investments:
- Richard Ambrose advised;
    - 50% Level 3 Investments
    - 25% each – equities and bonds –which potentially could be riskier than Level 3 Investments (especially equities).
- The Member suggested that perhaps further breakdown of the composition of Level 3 Investments be presented outside of this meeting, for further clarity.

- Dominic Bradley advised that with the Level 3 Investment the risk reflects in "how they are valued" rather than the number or type of investments they are.
- Tim Butcher queried what steps are taken to ensure continuity with how each investment is valued.
- Dominic Bradley advised that the organisations management team would have an expert that has valued them. Grant Thornton would review the qualifications of this expert and also review the assumptions used and whether there have been any changes have been made with any assumptions that the expert has used, and if so whether these were reasonable changes. Generally though all experts approach the role with the same sort of valuation in the same way year on year and it is fairly rare for any significant issues to be highlighted.

Tim Butcher thanked Grant Thornton for the report.

11 FORWARD PLAN - STANDING ITEM

Additions to the Forward Plan were agreed as follows:
September Meeting
- Feedback on Business Continuity
- Feedback on the AFW Debt Management
- Private closed session with Grant Thornton Auditors
- Private closed session with Ian Dyson

November Meeting
- Report on Data Protection E-Learning
- Report on Mandatory Training across the organisation
- Anti-Fraud and Corruption Policy and Money Laundering Policy (to be moved from the September meeting)

It was agreed that a degree of flexibility would be needed as both of these meetings already have a substantial list of topics and therefore some topics may need to be postponed.

All Committee Members agreed to the Forward Plan.

12 EXCLUSION OF THE PRESS AND PUBLIC

It was confirmed that the press and public be excluded for the following item which is exempt by virtue of Paragraph 3 of part 1 of Schedule 12a of the Local Government Act 1972 because it contains information relating to the financial or business affairs of any particular person (including the authority holding that information).

13 CONFIDENTIAL MINUTES

The confidential minutes from the meeting on 10th June 2015 were agreed as a correct record.

14 DATE AND TIME OF NEXT MEETING

23 September 2015 09.00 – 11.00am, Mezzanine Room 2. This date was agreed.
Meeting closed 11.05am.

CHAIRMAN

Signature……………………………… **Date……………………………..**

Buckinghamshire County Council

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Regulatory and Audit Committee

Title: **Statement of Accounts for the year ending 31 March 2015**

Date: 23 September 2015

Author: Richard Ambrose –Director of Assurance

Contact officer: Elspeth O'Neill – Projects & 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 10 June 2015 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. Representatives from Grant Thornton will provide an update on their findings at the meeting as detailed in their Audit Findings Report for 2014-15.

Subject to the satisfactory resolution of the normal audit processes, 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.

During the year of audit, in August 2014, a report on the Inspection of Children's services concluded that, overall, children's services in the Council were judged to be inadequate. Grant Thornton has recognised the responses made to the issues identified and the actions undertaken as part of a two year strategy to improve children's services. Whilst progress appears on track full completion of the improvement programme is not due until later in 2016. Based on their review, with the exception of this issue set out above, Grant Thornton have indicated that they are satisfied that the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in the use of resources for the year ended 31 March 2015.

Recommendation

That the Committee considers its response to the matters raised by Grant Thornton in their Audit Findings Report 2014-15 and agrees that the Statement of Accounts for Buckinghamshire County Council and Pension Fund for the financial year ended 31 March 2015 can be signed by the Chairman of this Committee.

That the Committee approves the Letters of Representation on behalf of the Council 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.

Statement of Accounts – Bucks County Council

Two adjustments have been made to the accounts as a consequence of the audit and been agreed with Grant Thornton. These relate to:

- The defined benefit pension charge adjusted by £2.007m due to an error in apportioning the element that relates to Buckinghamshire Care

- An adjustment to show the gains from increases in the fair value of Available for Sale Financial Assets as £0.625m of 'other comprehensive income' in the CIES.

There was no overall impact on the General Fund balance. A number of other disclosure items have also been amended as listed on p22 and p23 of the Audit Findings Report. A copy of the Statement of Accounts as amended and to be approved is included as part of the papers. It should be noted that the audit has not yet concluded and further adjustments may be identified.

The audit has identified two unadjusted misstatements:

- (£0.224m) net movement 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 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 2015/16 to confirm that the policy remains appropriate.

- £1.178m difference in relation to the long-term receivable for re-provisioning of Adult Social Care. The calculation of the long-term debtor is based on a number of accounting estimates (including rate of inflation and discount rate). The re-provisioning calculation dates back to 2005/06 and the original model that supports the figure in the

Accounts can no longer be located, however we consider that this does not mean that the figures within the Accounts are materially incorrect.

Members were advised at the meeting on 10 June 2015 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. CIPFA have updated the Code of Practice for 2015/16 and as a result the approach we adopt will be compliant from 2015/16. The Council's approach has not resulted in a material misstatement of asset values during 2014/15.

Statement of Accounts - Pension Fund

Grant Thornton audited the Pension Fund Accounts during the summer and are proposing to issue an unqualified audit opinion on the pension fund's financial statements. As a consequence of the audit the amounts disclosed in Note 9 Investments for the purchases, sales, realised and unrealised profit amounts were amended.

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 £10.073m to £21.043m. Earmarked reserves have increased to £132.947m. 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 2015 – BCC and Pension Fund
Letter of Representation – BCC
Letter of Representation – Pension Fund
Draft Audit Findings Report 2014/15 - BCC (provided by Grant Thornton)
Draft Audit Findings Report 2014/15 - Pension Fund (provided by Grant Thornton)

Buckinghamshire County Council

Statement of Accounts

For the year ending 31 March 2015

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 Director of Assurance.
- 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 Director of Assurance Responsibilities

The Director of Assurance 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 2015 (the Code).

In preparing this Statement of Accounts, the Director of Assurance 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 Director of Assurance

I certify that this draft Statement of Accounts for the year ended 31 March 2015 gives a true and fair view of the financial position of the Council as at 31 March 2015 and its income and expenditure for the year ended 31 March 2015.

Richard Ambrose
Date: September 2015
Director of Assurance

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 September 2015.

Richard Scott
Date: September 2015
Chairman of the Regulatory and Audit Committee

We have audited the financial statements of Buckinghamshire County Council for the year ended 31 March 2015 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow 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 2014/15.

This report is made solely to the members of Buckinghamshire County Council, as a body, in accordance with Part II of the Audit Commission Act 1998 and as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. Our audit work has been undertaken so that we might state to the members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the 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 Assurance and auditor

As explained more fully in the Statement of the Director of Assurance's Responsibilities, the Director of Assurance 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 2014/15, 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 also 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’s circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Director of Assurance 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 2015 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 2014/15 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.

Matters on which we report by exception

We are required to 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; or
- we issue a report in the public interest under section 8 of the Audit Commission Act 1998; or
- we designate under section 11 of the Audit Commission Act 1998 a 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 in October 2014.

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

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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2014, as to whether the Authority has proper arrangements for:

- securing financial resilience; and
- 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 2015.

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.

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 arrangements for ensuring the effectiveness of Children's Services at the Council and the Local Safeguarding Children's Board in the Buckinghamshire area were judged to be 'inadequate'. This judgement is evidence of weaknesses in the arrangements for improving efficiency and productivity.

Qualified Conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2014, 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 2015.

Certificate

We certify that we have completed the audit of the financial statements of Buckinghamshire County Council in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Paul Grady

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

Grant Thornton House

Melton Street

Euston square

London

NW1 2EP

September 2015

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 2015 was £183.920m. Of this amount, £16.571m was earmarked for schools, £3.261m related to usable capital reserves, £10.097m related to capital grants, £21.044m was un-earmarked General Fund and £132.947m 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 2014/15 was £40.457m.
- 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 decrease in cash and cash equivalents during the year was £14.713m.

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.

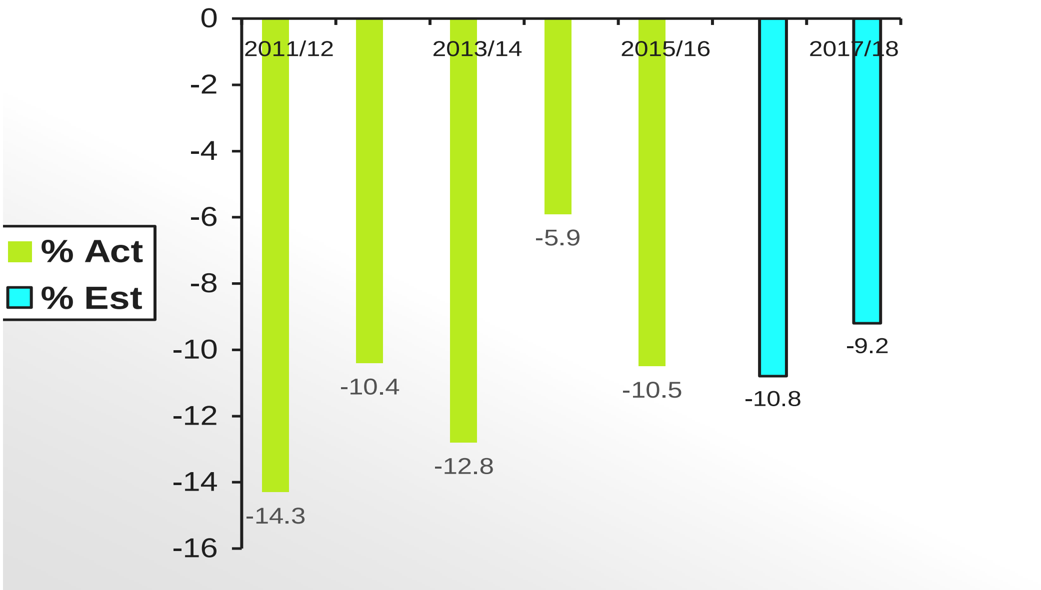
The Statement of Accounts also contains information regarding the Pension Fund (see page 71), as Buckinghamshire County Council is the administering authority.

Financial Review

Although the wider economic picture is showing some signs of recovery the outlook for local authority budgets remains bleak. The Conservative Party manifesto and the Chancellor's Autumn Statement set out a continued emphasis on national deficit reduction, which he is seeking to do predominantly through reducing public expenditure. The provisional local government settlement does not go beyond the next financial year, 2015/16. This leaves future years with a greater degree of uncertainty, although the likelihood is that the age of austerity for local government will continue until at least 2019.

The chart below shows the percentage decrease in the funding settlement for the last few years on a like for like basis, despite steadily increasing demands on services mainly due to demographic changes. Reductions for the final two years are estimates and include business rates income forecasts together with assumed government grant cuts.

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: -

- **Spending Review** – the latest financial settlement is for only one year. The Conservative Party will undertake a spending review during the summer. Indications are that future cuts will be front loaded.
- **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 (£48.9m over the next 3 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.
- **Care Act** - The capping part of the Care Act will begin to impact from April 2016, although there will be implementation costs prior to that. The full impact is still uncertain but there are risks that the additional costs will not be fully funded.

- **Ofsted Improvement Plan** – Considerable additional resources have had to be found in the current financial year to respond to the need to deliver an improvement plan following the adverse Ofsted inspection of Children's Services. One of the biggest challenges in delivering the improvement plan is the recruitment and retention of more social workers, both to meet increasing demand and to replace more expensive agency staff. The latest budget proposals include a package of measures to achieve this, but there is a national shortage of social workers and many other authorities are taking similar action, which places Buckinghamshire's own plans at some risk.

- **Governance in the new environment following Future Shape launch -** New structures, new roles and new governance arrangements are all aimed at improving the Council's ability to respond to the challenges it faces. However, in the short term there is some risk that the new arrangements are not fully understood by all and mistakes are made. A programme of training is being implemented to mitigate this risk.

Revenue Budget

The table below shows the revenue outturn position against the budgeted income and expenditure for 2014/15.

Portfolio Area	Budget for year £000	Actual £000	Variance £000	Variance %
Portfolio				
Leader	7,810	7,810	0	0.0%
Community Engagement	13,584	13,387	(197)	(1.5%)
Health and Wellbeing	115,944	115,949	5	0.0%
Children's Services	49,792	51,140	1,348	2.6%
Education and Skills	25,749	25,785	36	0.1%
Finance and Resources	25,500	25,476	(24)	(0.1%)
Planning and Environment	20,821	20,809	(12)	(0.1%)
Transportation	27,585	27,691	106	0.4%
Client Transport	17,182	17,182	0	0.0%
Transformation Savings	101	0	(101)	100.0%
Subtotal - Portfolios	**304,068**	**305,229**	**1,161**	**0.4%**
Corporate Costs (Non Portfolio)				
Treasury Management & Capital Financing	38,019	36,942	(1,077)	(2.9%)
Contingencies	2,749	1,261	(1,488)	(118.0%)
Other Corporate Costs	986	216	(770)	(355.8%)
Subtotal - Corporate Costs	**41,754**	**38,419**	**(3,335)**	**(8.7%)**
Total	**345,822**	**343,648**	**(2,174)**	**(0.6%)**
Financing				
Council Tax*	(228,790)	(228,791)	(1)	0.0%
Revenue Support Grant	(52,662)	(52,673)	(11)	0.0%
Business Rates Retention*	(15,350)	(14,402)	948	(6.6%)
Top Up Grant	(24,709)	(24,709)	0	0.0%
Education Service Grant	(6,988)	(6,978)	10	(0.1%)
Other Un-Ringfenced Grants	(6,198)	(6,023)	175	(2.9%)
Contrib to/(Use of) Earmarked Reserves	0	0	0	0.0%
Contrib to/(Use of) General Reserves	(11,074)	(11,074)	0	0.0%
Legal Trading Account	(51)	0	51	100.0%
Subtotal Financing	**(345,822)**	**(344,650)**	**1,172**	**(0.3%)**
Net	**0**	**(1,002)**	**(1,002)**	

*The Council Tax and Business Rate Retention differs from the Council Tax and Locally retained Non Domestic Rates shown on Note 6 (page 33) as the Accounts includes an adjustment for the estimated surplus on the Collection Fund from the previous year.

Overall the Council spent £1.002m less than the net revenue budget of £345.822m. Against the revenue budget for Portfolios of £304,068m there is an overspend of £1.161m (0.4%) at the end of the year.

The biggest contributing factor to the Portfolio outturn overspend is the Children's Services overspend of £1.348m, this is despite additional budget having been approved by full County Council during the year. Health & Wellbeing have managed their overspend by the use of reserves. Transportation were unable to contain all pressures and have a small overspend of £106k which will be carried forward into 2015/16

Despite considerable attention to provide effective management and ensure value for money in the procurement of services within Children's Services, some areas have needed to spend more than expected. The most significant being (a) attracting permanent social workers and (b) the anticipation of increasing demands. In view of the circumstance surrounding this service, Cabinet will be requested not to carry forward this overspend at its meeting in June

Capital budget

The capital budgets are summarised below in respect of released budgets and income. The outturn position for the year is £26.8m (27%) slippage/underspends on the released capital expenditure budget for the year, with an underachievement of income of £3.5m (15%) Significant variances are below.

- **Health and Wellbeing -** Slippage of £4.7m due to delays in the Day Care scheme permissions so will be over a time frame greater than originally envisaged
- **Education and Skills** – Largely Misbourne School due to planning delays and the Temporary Classrooms block.
- **Finance and Resources** – Most significant slippage relates to property maintenance £3.8m, Future Shape, Investment costs and Asset Management at £1.3m each.
- **Unreleased variance** of £11.3m through schemes not being ready to progress through the Gateway process.

Portfolio		Budget 2014-15 £000	Outturn £000	Variance £000	Variance %
Leader	Expenditure - Released	1,425	1,379	(46)	(3%)
	Income	(900)	(898)	2	(0%)
Leader	**Net**	**525**	**481**	**(44)**	**(8%)**
Community Engagement	Expenditure - Released	35	16	(19)	(54%)
	Expenditure - Unreleased	40	0	(40)	(100%)
Community Engagement	**Net**	**75**	**16**	**(59)**	**(79%)**
Health and Wellbeing	Expenditure - Released	8,008	3,306	(4,702)	(59%)
Health and Wellbeing	**Net**	**8,008**	**3,306**	**(4,702)**	**(59%)**
Childrens Services	Expenditure - Released	165	0	(165)	(100%)
	Expenditure - Unreleased	19	0	(19)	(100%)
Childrens Services	**Net**	**184**	**0**	**(184)**	**(100%)**
Education and Skills	Expenditure - Released	32,793	27,324	(5,469)	(17%)
	Expenditure - Unreleased	3,207	0	(3,207)	(100%)
	Income	(11,653)	(12,324)	(671)	6%
Education and Skills	**Net**	**24,347**	**15,000**	**(9,347)**	**(38%)**
Finance and Resources	Expenditure - Released	13,787	6,089	(7,698)	(56%)
	Expenditure - Unreleased	5,725	0	(5,725)	(100%)
	Income	(1,898)	(307)	1,591	(84%)
Finance and Resources	**Net**	**17,614**	**5,782**	**(11,832)**	**(67%)**
Planning and Environment	Expenditure - Released	7,090	4,372	(2,718)	(38%)
	Expenditure - Unreleased	1,700	0	(1,700)	(100%)
	Income	(268)	(76)	192	(72%)
Planning and Environment	**Net**	**8,522**	**4,296**	**(4,226)**	**(50%)**
Transportation	Expenditure - Released	34,822	28,808	(6,014)	(17%)
	Expenditure - Unreleased	607	0	(607)	(100%)
	Income	(8,695)	(6,294)	2,401	(28%)
Transportation	**Net**	**26,734**	**22,514**	**(4,220)**	**(16%)**
Total Expenditure Released		98,125	71,294	(26,831)	(27%)
Total Expenditure Unreleased		11,298	0	(11,298)	(100%)
Total Income		(23,414)	(19,899)	3,515	(15%)
Total Net		**86,009**	**51,395**	**(34,614)**	**(40%)**

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 is undertaken as part of the budget formulation.

In 2014/15 reserves have fallen faster than previously planned in order to fund a number of the time limited initiatives being carried out as part of the Children's Services improvement plan as well as an in-year increase in demand pressures and staffing in this service area. Funding of some improvement initiatives will continue for the next few years.

The current budget assumes further use of general reserves over the next three years which will bring the level down to an estimated £18m (5.5% of the Council's net budget requirement). This is after a £3m release agreed by the Council during May 2015 for plane and patch works on unclassified networks.

Current Borrowing Facilities and Capital Borrowing

Gross External Borrowing and the Capital Financing Requirement

The table below shows 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 2015/16 onwards are based on estimates:

	Actual 2014/15	2015/16	2016/17	2017/18	2018/19
	£000	£000	£000	£000	£000
Gross Borrowing	190,714	215,000	220,000	220,000	215,000
Capital Financing Requirement	319,334	325,887	315,205	304,805	294,745

The Council is committed to building an EfW plant. This may require additional borrowing during 2016/17, although in practice much of this may be financed through a combination of earmarked reserves and current cash investments. The gross borrowing indicator assumes borrowing of £15m per annum in advance during 2015/16 and a further £15m during 2016/17 (offset by a scheduled £10m debt repayment). The need for borrowing in advance will be reviewed.

During 2014/15 £11.732m of long-term debt was repaid (2013/14 £5.732m). However £15m of short-term borrowing was undertaken on 31 March 2015 due to a short-term cash requirement.

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:

	2015/16	2016/17	2017/18
	£000	£000	£000
Estimates of expenditure	91,572	263,238	57,102

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 2014/15	2015/16	2016/17	2017/18
	£000	£000	£000	£000
Authorised limit for borrowing	250,000	270,000	320,000	320,000
Authorised limit for other long term liabilities	150,000	200,000	15,000	15,000
Authorised limit for total external debt	400,000	470,000	335,000	335,000

The authorised limit for other long term liabilities reflects the recognition of the PFI-type liability for EfW.

Future Developments in Service Delivery

Future Shape

The Council has gone 'live' with phase 1 of the move to a new Future Shape operating model. Services are now delivered through four devolved Business Units (Transport, Environment and Economy; Business Services Plus; Communities, Health and Adult Social Care; and Children's Social Care and Learning) and a small Headquarters. In respect of the latter two Business Units, restructuring in phase 2 is planned for the latter part of 2015/16. Our ambition is to organise ourselves in a more commercially minded way as a result options around further Alternative Delivery Vehicles are being developed during 2015/16.

Care Act

The first phase of implementation of the Care Act will begin to impact from April 2016. This could result in a significant change to how we deliver services around Adult Social care.

General Accounting Principles

The Statement of Accounts summarises the Council's transactions for the 2014/15 financial year and its position at the year end of 31 March 2015. The Accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 (the Code) and the Service Reporting Code of Practice 2014/15 (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 trade receivable or trade payable 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 2015. 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 71.

Material and Unusual Charges or Credits in the Accounts

Schools Assets

Following the adoption of new International Financial Reporting Standards on group accounting, the Code of Practice for 2014/15 includes new accounting requirements for Schools:

- Schools are separate entities and maintained schools (but not free schools or academies) meet the definition of entities controlled by local authorities
- Rather than prepare Group Accounts, School income and expenditure as well as assets and liabilities are included within the Council's Single Entity Accounts
- Recognition of non-current assets used by Schools should be based on the normal recognition criteria (as set out in Note 14 Property, Plant and Equipment) i.e. based on whether the Council or the School control the future service potential of the asset and not just the ownership of the underlying asset.

There is no change to the accounting for income and expenditure, current assets and liabilities of Schools. However the change to the Code has resulted in a prior year adjustment in respect of Non-Current Assets as follows:

- Foundation Schools – the non-current assets are vested in the Governing Body of the School. Previously these assets were not recognised in the Balance Sheet; however following the change to the Code these Schools meet the definition of entities controlled by the Council and as a result are consolidated into the Balance Sheet. The impact of this change is to increase the value of non-current assets within the Opening Balance Sheet by £45.837m

- Voluntary Controlled Schools – where the non-current assets are owned by religious bodies (the Diocese of the Church of England) and used by the Schools under 'mere' licences which pass no interest to the school these assets are no longer recognised within the balance sheet. The impact of this change is to decrease the value of non-current assets within the Opening Balance Sheet by £58.678m

There is no change to the accounting for Community Schools (these remain on balance sheet); Voluntary Aided Schools (only land owned by the Council is on balance sheet; non-current assets owned by the religious bodies are off-balance sheet); and Academy Schools (property assets transferred under finance leases are off-balance sheet).

Further details of the prior year adjustment are shown in Note 14.

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 £583.008m (£471.109m in 2013/14) has a substantial impact on the net worth of the Council as recorded in the Balance Sheet. A loss of £140.115m has been recorded in year due to a change in financial assumptions adopted by the actuary, in particular a reduction in the discount rate applied to discount scheme liabilities to 3.3% (2013/14 4.4%). This reflects the downward trend in long-term bond rates. This loss is partly off-set by a £46.408m gain in assets in excess of interest cost. The overall position is a net £111.899m increase in pension liabilities. 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 2016 are £23.506m.

Energy from Waste ('EfW')

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 £115.675m based on the value of works as at 31 March 2015 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 on 1 May 2016.

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 per annum transferred to the Trust including the School Improvement Service, Early Years Improvement Service, Schools, Workforce Development and Business Development. The Council has been represented on the Trust Board, primarily through the 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 Council Museum Trust

On 1 July 2014, the operational running of the County Museum in Church Street, Aylesbury and the Museum Resource Centre in Halton transferred to the new Buckinghamshire Council Museum Trust. The Council is represented on the Trust 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 Law Plus

On the 24th November 2014 Buckinghamshire Law Plus commenced trading. Buckinghamshire Law Plus is the first public sector enterprise to be granted a licence by the Solicitors Regulation Authority as an 'Alternative Business Structure' (ABS). Previously limited to advising 'in-house' to the Council, Buckinghamshire Law Plus can now use their wealth of experience to provide legal advice in all aspects of public law to everyone including any local authority, the voluntary, not-for profit and charitable sectors and the public at large. The Company is 95% owned by the Council and 5% owned by Bucks and Milton Keynes Fire Authority.

Adventure Learning Foundation

On the 1st November 2013 the Council entered in to a Partnership agreement with The Adventure Learning Foundation, a charitable trust developed to run the County Council's two outdoor education centers, Green Park at Aston Clinton and Shortenills at Chalfont St Giles, in partnership with Marlow-based Longridge Activity Centre. Services to the value of around £120k per annum transferred to the trust.

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 (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 the companies are recorded as equity share capital unpaid of £2.

The Bucks Care Accounts are currently being finalised for agreement by the Bucks Care Board. A summary of the audited Profit & Loss Account will be incorporated into the final Statement of Accounts for Buckinghamshire County Council in September.

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

The Code of Practice on Local Authority Accounting in the United Kingdom (the Code) requires the disclosure of information relating to the expected impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. This applies to the adoption of the following new or amended standards within the 2015/16 Code:

- IFRS 13 Fair Value Measurement. This standard provides a consistent definition of fair value and enhanced disclosure requirements. It is designed to apply to assets and liabilities covered by those IFRS standards that currently permit or require measurement at fair value (with some exceptions).The adoption of this standard will require surplus assets (assets that are not being used to deliver services, but which do not meet the criteria to be classified as either investment properties or non-current assets held for sale) to be revalued to market value rather than value in existing use as at present. Operational property, plant and equipment assets are outside the scope of IFRS 13. Overall this standard is not expected to have a material impact on the Statement of Accounts.

- IFRIC 21 Levies. This standard provides guidance on levies imposed by government in the financial statements of entities paying the levy. The IFRIC specifies the obligating event as the activity that triggers the timing of the payment of the levy. This standard will not have a material impact on the Statement of Accounts.

- Annual Improvements to IFRSs (2011 – 2013 Cycle). These improvements are minor, principally providing clarification and will not have a material impact on the Statement of Accounts. The Code requires implementation from 1 April 2015 and there is therefore no impact on the 2014/15 Statement of Accounts.

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:

- **Infrastructure Assets (including Highways)** are currently recognised in the Balance Sheet on a depreciated historical cost basis at £315.698m. This is in accordance with the 2014/15 Code. Consultation has now been completed on a change in valuation basis and will be brought into effect in the 2016/17 code. It is estimated that a change in basis would result in a valuation of £9.1bn.

- **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.

- **Energy from Waste (Service Concession Arrangements)** has 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 £115.675m.

- **Schools Non-current Assets** are currently recognised in the balance sheet based on the extent to which the Council or School controls the service potential of the asset, rather than the ownership of the underlying assets. In relation to Voluntary Aided and Voluntary Controlled Schools, where no substantive evidence has been identified that would give either BCC or the School rights to the assets that would override the rights of ownership, these assets are not recognised in the Balance Sheet. The value of these assets is estimated at around £110m.

- **Group Accounts** the Council has not prepared Group Accounts on the basis that there would be no material difference to the Single Entity Accounts. Details of the Councils interests in other companies is on page 17.

- **Statutory override in respect of de-recognition of Schools Assets** the Council has applied the statutory override in respect of the de-recognition of Schools Assets that where the entity transfers out of the Council's control due to the school transferring to Academy status. The impact of not applying the statutory override would be to reduce the General Fund balance by £14.8m.

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 2015 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 £1.029bn.
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 £1.151bn inclusive of assets under construction and service concession arrangements.
Pensions Liability	The valuation of the liability is prepared in accordance with International Accounting Standard 19, by the Councils Actuary. Actual values may be higher or lower depending on variations in market conditions	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 £583.008m.

Events after the Balance Sheet Date

The Statement of Accounts was authorised for issue by the Director of Assurance on 23rd September 2015. 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 2015, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

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.

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 2014	**(31,116)**	**(10,749)**	**(2,790)**	**(121,365)**	**(9,080)**	**(10,364)**	**(185,464)**	**(371,072)**	**(556,536)**
Movement in reserves during 2014/15									
(Surplus) or deficit on the Provision of Services	40,457	-	-	-	-	-	40,457	-	40,457
Other Comprehensive Income and Expenditure	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**65,789**	**65,789**
Total Comprehensive Income and Expenditure	**40,457**	**-**	**-**	**-**	**-**	**-**	**40,457**	**65,789**	**106,246**
Adjustments between accounting basis & funding basis under regulations (Note 2)	(44,999)	-	-	-	5,819	267	(38,913)	38,913	-
Net (Increase) / Decrease before Transfers to Earmarked Reserves	**(4,541)**	**-**	**-**	**-**	**5,819**	**267**	**1,545**	**104,702**	**106,246**
Transfers to/(from) Earmarked Reserves (Note 3)	14,614	(3,386)	354	(11,582)	-	-		-	
(Increase) / Decrease in 2014/15	**10,073**	**(3,386)**	**354**	**(11,582)**	**5,819**	**267**	**1,545**	**104,702**	**106,246**
Balance at 31 March 2015	**(21,043)**	**(14,135)**	**(2,436)**	**(132,947)**	**(3,261)**	**(10,097)**	**(183,919)**	**(266,370)**	**(450,290)**

Comparative Figures 2013/14

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 2013	**(39,681)**	**(10,540)**	**(3,114)**	**(105,014)**	**(8,172)**	**(46,954)**	**(213,475)**	**(377,181)**	**(590,656)**
Movement in reserves during 2013/14									
(Surplus) or deficit on the Provision of Services	16,707	-	-	-	-	-	16,707	-	**16,707**
Other Comprehensive Income and Expenditure	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**17,412**	**17,412**
Total Comprehensive Income and Expenditure	**16,707**	**-**	**-**	**-**	**-**	**-**	**16,707**	**17,412**	**34,119**
Adjustments between accounting basis & funding basis under regulations (Note 2)	(24,378)	-	-	-	(908)	36,590	11,304	(11,304)	-
Net (Increase) / Decrease before Transfers to Earmarked Reserves	**(7,671)**	**-**	**-**	**-**	**(908)**	**36,590**	**28,011**	**6,108**	**34,119**
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**	**6,108**	**34,119**
Balance at 31 March 2014	**(31,116)**	**(10,749)**	**(2,790)**	**(121,365)**	**(9,080)**	**(10,364)**	**(185,464)**	**(371,072)**	**(556,536)**

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.

Restated 2013/14				2014/15		
Gross Expenditure £000	Gross Income £000	Net Expenditure £000		Gross Expenditure £000	Gross Income £000	Net Expenditure £000
3,144	(1,439)	1,705	Central Services	2,808	(1,507)	1,301
11,896	(2,305)	9,591	Culture and Related Services	14,611	(1,996)	12,615
26,016	(1,856)	24,160	Environment and Regulatory Services	29,783	(3,297)	26,486
3,919	(1,469)	2,450	Planning Services	4,688	(1,771)	2,917
465,796	(312,280)	153,516	Education and Children's Services	465,724	(324,068)	141,656
53,372	(5,724)	47,648	Highw ays and Transport Services	51,023	(6,963)	44,060
4,494	-	4,494	Housing Services	3,743	(190)	3,553
157,444	(35,083)	122,361	Adult Social Care	168,029	(37,204)	130,825
12,879	(15,853)	(2,974)	Public Health	13,794	(16,154)	(2,360)
2,980	(486)	2,494	Corporate and Democratic Core	4,800	(285)	4,519
-	(1,526)	(1,526)	Non Distributed Costs	1,293	(528)	764
741,940	**(378,021)**	**363,919**	**Cost of Services**	**760,296**	**(393,963)**	**366,336**
357	-	357	Other Operating Expenditure (Note 4)	23,496	-	23,496
29,590	(2,199)	27,391	Financing and Investment Income and Expenditure (Note 5)	28,997	(2,688)	26,309
-	(374,960)	(374,960)	Taxation and Non-Specific Grant Income (Note 6)	-	(375,684)	(375,684)
771,887	**(755,180)**	**16,707**	**(Surplus) or Deficit on Provision of Services**	**812,789**	**(772,335)**	**40,457**
		(7,112)	(Surplus) or Deficit on Revaluation of Non-Current Assets (Note 14)			(27,293)
		-	Surplus or deficit on revaluation of available-for-sale financial assets (Note 25)			(625)
		37,131	Remeasurement of the defined benefit liability - change in Financial assumptions (Note 13)			140,115
		(12,606)	Remeasurement of the defined benefit liability - return on plan assets (Note 13)			(46,408)
		17,413	**Other Comprehensive Income and Expenditure**			**65,789**
		34,120	**Total Comprehensive Income and Expenditure**			**106,246**

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.

1 April 2013 Restated £000	31 March 2014 Restated £000		Notes	31 March 2015 £000
1,010,810	1,071,749	Property, Plant & Equipment	14	1,151,376
7,550	7,550	Heritage Assets	17	7,550
3,007	2,524	Intangible Assets	18	2,141
1,764	15,440	Long Term Investments	20	18,875
22,616	21,422	Long Term Trade and Other Recievables	23	19,767
1,045,747	**1,118,685**	**Long Term Assets**		**1,199,709**
207,547	89,651	Short Term Investments	20	100,186
-	1,463	Temporary Loans	20	1,145
7,897	6,319	Assets Held for Sale	19	3,573
132	264	Inventories		262
41,558	43,656	Short Term Trade and Other Recievables	23	51,794
36,426	82,080	Available for Sale Financial Assets	20	76,369
641	15,728	Cash and Cash Equivalents	22	1,015
294,201	**239,161**	**Current Assets**		**234,344**
(8,000)	(13,453)	Short Term Borrowing	20	(28,250)
(15,779)	-	Temporary Loans	20	-
(97,005)	(99,521)	Short Term Trade and Other Payables	23	(86,930)
(7,601)	(637)	Current Provisions	24	-
(128,385)	**(113,611)**	**Current Liabilities**		**(115,180)**
(5,562)	(6,337)	Provisions and Long Term Liabilities	24	(7,438)
(185,928)	(174,196)	Long Term Borrowing	20	(162,464)
-	(36,057)	Service Concession Arrangements	16	(115,675)
(429,417)	(471,109)	Pension Liability	13	(583,008)
(620,907)	**(687,699)**	**Long Term Liabilities**		**(868,585)**
590,656	**556,536**	**Net Assets**		**450,288**
(213,475)	(185,464)	Usable Reserves	MiRS*	(183,920)
(377,181)	(371,072)	Unusable Reserves	25	(266,368)
(590,656)	**(556,536)**	**Total Reserves**		**(450,288)**

*MiRS - Movement in Reserves Statement (see page 20

These financial statements replace the unaudited financial statements certified by Richard Ambrose on 10 June 2015

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 (lenders) to the Council.

Restated 2013/14 £000		**2014/15 £000**
16,707	Net (surplus) or deficit on the provision of services	40,457
(63,995)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	(95,032)
52,987	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	51,844
5,700	**Net cash flows from Operating Activities**	**(2,730)**
67,246	Purchase of property, plant and equipment, investment property and intangible assets	65,034
993,145	Purchase of short-term and long-term investments	847,565
(10,551)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(9,540)
(1,034,470)	Proceeds from short-term and long-term investments	(840,246)
(42,436)	Other receipts from investing activities	(42,305)
(27,066)	**Net cash flows from investing activities**	**20,508**
-	Cash receipts of short and long-term borrowing	15,000
6,279	Repayments of short and long-term borrowing	(11,935)
6,279	**Net cash flows from financing activities**	**(3,065)**
(15,087)	**Net (increase) or decrease in cash and cash equivalents**	**14,713**
641	Cash and cash equivalents at the beginning of the reporting period	15,728
15,728	**Cash and cash equivalents at the end of the reporting period**	**1,015**

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:

	Net Expenditure per Outturn Report	Fees & Charges	Government Grants	**Total Income**	Employee Expenses	Other Operating Expenses	Recharges	**Total Expenditure**
Portfolio Area	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Leader	7,810	(61)	(45)	(106)	4,163	3,717	35	7,916
Community Engagement	13,387	(3,105)	-	(3,105)	9,775	6,665	52	16,492
Health and Wellbeing	115,949	(38,489)	(17,179)	(55,669)	15,800	155,395	423	171,618
Children's Services	51,140	(4,236)	(703)	(4,939)	20,033	34,612	1,434	56,079
Education and Skills	42,963	(27,973)	(289,282)	(317,255)	202,984	148,539	8,696	360,219
Finance and Resources	25,476	(4,308)	-	(4,308)	25,199	3,946	639	29,784
Environment	20,809	(3,746)	(189)	(3,935)	3,604	20,814	326	24,744
Planning and Transportation	27,691	(6,028)	(1,928)	(7,956)	2,147	33,202	298	35,647
Sub-Total Portfolios	**305,225**	**(87,945)**	**(309,328)**	**(397,273)**	**283,704**	**406,891**	**11,903**	**702,498**
Corporate Costs	38,420	(3,472)	-	(3,472)	825	41,247	(180)	41,892
Total	**343,645**	**(91,417)**	**(309,328)**	**(400,745)**	**284,529**	**448,138**	**11,723**	**744,389**

Financing	(333,573)	(243,190)	(90,383)	(333,573)	-	-	-	-
Earmarked Reserves	-	-	-	-	-	-	-	-
Net (surplus) / deficit	**10,072**	**(334,607)**	**(399,711)**	**(734,317)**	**284,529**	**448,138**	**11,723**	**744,389**
Planned Use of General Fund	(11,074)							
Net Budget (surplus) / deficit	**(1,002)**							

Comparative Figures 2013/14

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 and 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 and Transportation	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)**							

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.

	2013/14	2014/15
	£000	£000
Net expenditure per the Outturn report	8,565	10,072
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	75,546	63,869
Amounts in the Analysis not reported in the Net Cost of Service in the Comprehensive Statement of Income and Expenditure	281,976	292,394
Cost of Services in Comprehensive Income and Expenditure Statement	**366,086**	**366,334**

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 and other service income	(88,754)	(6,185)	-	-	36,444	(58,495)	-	(58,495)
Interest and investment income	(2,663)	-	(1,961)	4,624	-	-	(4,624)	(4,624)
Income Council Tax and NNDR	(242,995)	-	-	242,995	-	-	(242,996)	(242,996)
Government grants and contributions	(399,711)	(936)	(42,305)	132,688	-	(310,264)	(132,688)	(442,952)
Total Income	**(734,123)**	**(7,121)**	**(44,265)**	**380,307**	**36,444**	**(368,759)**	**(380,308)**	**(749,067)**
Employee expenses	284,529	5,822	(3,848)	(892)	-	285,610	19,900	305,510
Other service expenses	436,441	928	770	(33,214)	(24,349)	380,576	-	380,576
Support Service recharges	11,723	372	-	-	(12,094)	-	-	-
Application of capital grants	-	-	42,305	(42,305)	-	-	-	-
Depreciation, amortisation and impairment	-	-	68,907	-	-	68,907	-	68,907
Interest Payments	11,033	-	-	(11,033)	-	-	11,033	11,033
Precepts and Levies	460	-	-	(460)	-	-	460	460
Gain or Loss on Disposal of non current Assets	9	-	-	(9)	-	-	23,036	23,036
Total Expenditure	**744,195**	**7,121**	**108,134**	**(87,913)**	**(36,444)**	**735,093**	**54,429**	**789,523**
Surplus or deficit on the provision of services	**10,072**		**63,868**	**292,394**	**-**	**366,334**	**(325,879)**	**40,456**

Comparative figures for 2013/14

	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 and 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 and 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	-	-	72,756	-	-	72,756	-	72,756
Interest Payments	11,410	-	-	(11,410)	-		11,410	11,410
Precepts and Levies	456	-	-	(456)	-	-	456	456
Gain or Loss on Disposal of non current Assets	-	-	-	-	-	-	409	409
Total Expenditure	**723,523**	**6,665**	**118,300**	**(95,182)**	**(35,780)**	**717,526**	**30,452**	**747,978**
Surplus or deficit on the provision of services	**8,565**	**23**	**72,849**	**281,976**	**-**	**363,412**	**(346,705)**	**16,707**

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.

2014/15

	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	(32,018)	-	-	32,018
Revaluation losses on Property, Plant and Equipment	(29,534)	-	-	29,534
Amortisation of Intangible Assets	(1,085)	-	-	1,085
Capital grants and contributions applied	41,142	-	-	(41,142)
Revenue Expenditure Funded from Capital Under Statute	(6,270)	-	-	6,270
Amounts of non-current assets written off on disposal as part of the (gain)/loss on disposal to the Comprehensive Income and Expenditure Statement	(32,811)	-	-	32,811
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)	8,084	-	-	(8,084)
Capital expenditure financed from the General Fund	11,869	-	-	(11,869)
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	1,163	-	(1,163)	
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	1,430	(1,430)
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	9,783	(9,783)	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	16,864	-	(16,864)
Contribution from the Capital Receipts Reserve towards the costs of non-current asset disposals	(243)	243		
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	-	(1,505)	-	1,505
Adjustments primarily involving the Financial Instruments Adjustment Account:				
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with 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	(42,709)	-	-	42,709
Employer's pensions contributions and direct payments to pensioners payable in the year	24,517	-	-	(24,517)
Adjustments primarily involving the Collection Fund Adjustment Account:				
Amount by which Council Tax and NNDR income credited to the CIES is different from Council Tax and NNDR income calculated for the year in accordance with statutory requirements	(198)	-	-	198
Adjustments primarily involving the Accumulated Absences Account:				
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accrual basis is different from remuneration chargeable in the year in accordance with statutory requirements	1,191	-	-	(1,191)
Total Adjustments	**(44,999)**	**5,819**	**267**	**38,913**

2013/14 Comparative Figures

Restated	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied Reserve £000	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	(32,638)	-	-	32,638
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)
Revenue Expenditure Funded from Capital Under Statute	(30,062)	-	-	30,062
Writedown of grants relating to Revenue Expenditure Funded from Capital Under Statute	(4,159)	-	-	4,159
Amounts of non-current assets written off on disposal as part of the (gain)/loss on disposal to the Comprehensive Income and Expenditure Statement	(10,903)	-	-	10,903
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
Write Down of deferred capital receipts	451	-	-	(451)
Adjustments primarily involving the Financial Instruments Adjustment Account:				
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with 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 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	2,994	-	-	(2,994)
Adjustments primarily involving the Accumulated Absences Account:				
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accrual basis is different from remuneration chargeable in the year in accordance with statutory requirements	217	-	-	(217)
Total Adjustments	**(24,377)**	**(908)**	**36,590**	**(11,305)**

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 31 March 2013	Transfers Out 2013/14	Transfers In 2013/14	Balance at 31 March 2014	Transfers Out 2014/15	Transfers In 2014/15	Balance at 31 March 2015
	£000	£000	£000	£000	£000	£000	£000
Earmarked General Fund Reserves							
A - Revenue Contribution to Capital	(23,807)	7,274	(14,727)	(31,260)	10,243	(17,248)	(38,265)
B - Doubtful Debt Reserve	(1,457)	409	-	(1,048)			(1,048)
C - Priority Spend	(1,564)	316	(5)	(1,253)	329	(145)	(1,069)
D - Learning Skills Council Reserve	(415)	-	(114)	(529)		(49)	(578)
E - Efficiency Fund and SALIX	(2,102)	849	(493)	(1,746)	770	(785)	(1,761)
F - Commuted Sums	(511)	-	(25)	(536)			(536)
G - Renew als	(2,425)	1,753	(1,387)	(2,059)	1,111	(1,529)	(2,477)
H - Insurance	(4,903)	1,066	(1,217)	(5,054)	147	(606)	(5,513)
I - Election Expenses	(461)	288	-	(173)		(124)	(297)
J - Transformation	(1,743)	1,743	(2,559)	(2,559)	783	(39)	(1,815)
K - Social Care	(11,643)	13,383	(9,697)	(7,957)	13,371	(7,714)	(2,300)
L - Waste	(27,974)	-	(8,935)	(36,909)	1,386	(11,085)	(46,608)
M - Revenue Grants Unapplied	(6,332)	24	(5,033)	(11,341)	1,490	(2,552)	(12,403)
N - DSG carry forw ard	(11,949)	4,184	(45)	(7,810)	5,026		(2,784)
O - Strategic Asset Development	-	258	(1,750)	(1,492)		(964)	(2,456)
AA - Other	(7,729)	1,817	(3,728)	(9,640)	2,022	(5,420)	(13,038)
Subtotal	**(105,015)**	**33,364**	**(49,715)**	**(121,366)**	**36,678**	**(48,260)**	**(132,948)**
Earmarked for Schools							
AB - Earmarked Schools Revenue Balances	(10,540)	11,886	(12,095)	(10,749)	10,975	(14,361)	(14,135)
AB - Earmarked Schools Devolved Formula Capital	(3,114)	3,115	(2,791)	(2,790)	2,791	(2,437)	(2,436)
Subtotal	**(13,654)**	**15,001**	**(14,886)**	**(13,539)**	**13,766**	**(16,798)**	**(16,571)**
Total	**(118,669)**	**48,365**	**(64,601)**	**(134,905)**	**50,444**	**(65,058)**	**(149,519)**

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

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 2014	Balance at 31 March 2015
Devolved Formula Capital carried forward	(2,790)	(2,436)
Supluses carried forward*	(12,719)	(15,880)
Deficits carried forward*	1,970	1,745
Total	**(13,539)**	**(16,571)**

***** Excluding schools that became academies in year.

4 - Other Operating Expenditure

Restated 2013/14 £000		2014/15 £000
(1,154)	(Gain)/losses on the disposal of non-current assets	1,953
1,055	Loss on de-recognition of Academies non-current assets	21,074
456	Levies - Environment Agency	460
-	(Gain)/losses on the disposal of Financial Assets Held for Sale	9
357	**Total**	**23,496**

5 - Financing and Investment Income and Expenditure

2013/14 £000		2014/15 £000
11,410	Interest payable and similar charges	11,033
18,151	Net interest on the defined pension liability	19,900
(2,197)	Interest receivable and similar income	(4,624)
27	Impairment of financial assets	-
27,391	**Total**	**26,309**

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 trade receivable; overpaid Council Tax; business rates trade payable; and the net trade receivable / payable 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 yet been satisfied are carried in the Balance Sheet as trade payables.

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 2014/15

Taxation and Non Specific Grant Income

2013/14 £000	Grants Held Centrally	2014/15 £000
(220,403)	Council Tax	(227,366)
(58,443)	Revenue Support Grant	(52,673)
(14,026)	Locally retained Non Domestic Rates	(15,630)
(24,237)	NNDR Top up Grant	(24,709)
(15,415)	Non-ringfenced Government Grants *	(13,001)
(42,436)	Capital Grants and Contributions	(42,305)
(374,960)	**Total**	**(375,684)**

*Non-ringfenced government grants detailed below

2013/14 £000	Non-ringfenced Government Grants	2014/15 £000
(687)	Local Service Support Grant	(402)
(2,322)	Council Tax Grant (including Freeze Grant)	-
(7,194)	Education Service Grant	(6,978)
(1,379)	Severe Weather	-
(1,647)	New Homes Bonus	(2,444)
-	SEN / SEN reform grants	(1,498)
(2,186)	Total of other grants below £1m each	(1,679)
(15,415)	**Total**	**(13,001)**

2013/14 £000	Grants Credited to Services	2014/15 £000
(261,989)	Dedicated Schools Grant	(262,127)
(15,681)	Public Health Grant	(17,249)
(7,386)	Education Funding Agency 16-19	(6,468)
(3,978)	Skills Funding Agency	(3,590)
(1,045)	PE and Sports Grant	(1,467)
-	Department for Transport Grant	(1,928)
-	Universal Free School Meals	(4,431)
(6,258)	Pupil Premium	(8,912)
(1,174)	Devolved Formula Capital Grant	(1,154)
(5,013)	Total of other grants below £1m each	(2,938)
(302,523)	**Total**	**(310,264)**

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 2014/15 are as follows:

	Central Expenditure	Individual Schools Budgets	Total
	£000	£000	£000
Final DSG for 2014/15 before Academy recoupment			366,872
Academy figure recouped for 2014/15			(104,744)
Total DSG after Academy recoupment for 2014/15			**262,127**
Brought forward from 2013/14			7,808
Carry-forward to 2015/16 agreed in advance			(3,677)
Agreed initial budgeted distribution in 2014/15	**71,756**	**194,502**	**266,258**
Final budgeted distribution for 2014/15	71,756	194,502	266,258
Less Actual central expenditure	(72,558)	-	(72,558)
Less Actual ISB deployed to schools	-	(194,596)	(194,596)
Plus agreed carry-forward for 2015/16	499	841	5,018
Carry Forward to 2015/16	**(302)**	**747**	**4,122**

8 - Members' Allowances

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

	2013/14	2014/15
	£000	£000
Salaries	534	531
Employer Contributions	91	100
Allowances	332	352
Total	**957**	**983**

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
The Council charged the Fund £1.256m (2013/14 £1.655m) 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 2014/15 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 2014/15 TWK Transit provided Buckinghamshire County Council with transport services for the Children's Services directorate to the value of £3.06m (2013/14 £2.91m).

Interests in Companies and Other Entities

Buckinghamshire Care Ltd
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 £9.645m for 2014/15 (£3.908m for 2013/14, 6 months only). 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 2014/15 was £0.496m.

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 received £11.560m from the Council in 2014/15 (£5.8m in 2013/14), the Trust uses this to work with the Council to fulfil its statutory duties for raising attainment and securing the best possible future for children and young people. 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 2014/15 was £0.38m (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. In order to enable the setup of this company the Council has made a £250k loan to ALF to cover initial investment, to be repaid over 5 years.

Buckinghamshire County Museum Trust
The Buckinghamshire County Museum Trust is a registered charity and a company limited by guarantee. The Trust was established on 1 August 2014 to provide a museum and arts service previously provided by the County Council. The Trust received £645k funding from the Council for the remainder of 2014/15.

Buckinghamshire Law Plus
Buckinghamshire Law Plus is a private limited company established in a joint venture between Buckinghamshire County Council and Buckinghamshire & Milton Keynes Fire Authority, the first public sector enterprise in the country to be granted a license by the Law Society to operate as a commercial law firm under an Alternative Business Structure (ABS). Previously law firm ownership and investment was restricted to lawyers however, the Legal Reforms Act 2007 removed these barriers enabling non-lawyers to own and invest in law firms. In order to enable the setup of this Company the Council has made a £100k loan to Bucks Law Plus to cover initial investment, to be repaid over 3 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.

Buckinghamshire Advantage Ltd (was Aylesbury Vale Advantage, AVA)
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. As part of the transfer from Aylesbury Vale Advantage to Buckinghamshire Advantage, the Council was paid £1.195m and assets transferred with the value of £0.8m.

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. As at 31 March 2015 £6.087m (2013/14 £6.176m) was held on behalf of the BTVLEP.

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 2014/15 was £673k (2013/14 £781k)

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 2014/15 was as follows:

	Salary, Fees and Allowances	Benefits in Kind	Pension Contributions	Total
	£	£	£	£
Chief Executive - Chris Williams	216,175	2,867	48,860	267,902
Strategic Director - Resources and Business Transformation	150,585	3,398	33,541	187,524
Strategic Director - Children and Young People *	139,535	1,696	31,814	173,045
Strategic Director - Communities and Built Environment	148,799	-	33,541	182,340
Strategic Director - Adults and Family Wellbeing *	139,988	897	31,928	172,813
Director - Public Health	118,199		16,790	134,989
Service Director - Finance and Commercial Services	115,517	-	26,109	141,626
Service Director - Legal and Demorcratic Services	71,731	-	11,480	83,211
Total	**1,100,529**	**8,858**	**234,063**	**1,343,449**

*The Strategic Director posts for Children and Young People and Adults and Family Wellbeing were held by more than one person during the year

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:

			2013/14			2014/15
	Non Schools	Schools	Total	Non Schools	Schools	Total
£50,000 - £54,999	35	58	93	36	53	89
£55,000 - £59,999	22	60	82	23	47	70
£60,000 - £64,999	22	41	63	14	29	43
£65,000 - £69,999	14	20	34	16	19	35
£70,000 - £74,999	15	13	28	11	10	21
£75,000 - £79,999	3	4	7	7	2	9
£80,000 - £84,999	9	5	14	6	2	8
£85,000 - £89,999	6	3	9	3	2	5
£90,000 - £94,999	2	2	4	3	1	4
£95,000 - £99,999	4	2	6	2	2	4
£100,000 - £104,999	3	1	4	3	0	3
£105,000 - £109,999	0	0	0	0	0	0
£110,000 - £114,999	0	0	0	0	0	0
£115,000 - £119,999	2	0	2	2	0	2
£120,000 - £124,999	1	0	1	0	0	0
£125,000 - £129,999	0	0	0	0	0	0
£130,000 - £134,999	0	0	0	0	0	0
£135,000 - £139,999	1	0	1	1	0	1
£140,000 - £144,999	2	0	2	1	0	1
£145,000 - £149,999	2	0	2	1	0	1
£150,000 - £154,999	0	0	0	1	0	1
£175,000 - £179,999	0	0	0	1	0	1
£210,000 - £214,999	1	0	1	0	0	0
£215,000 - £219,999	0	0	0	1	0	1
	144	**209**	**353**	**132**	**167**	**298**

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 2014/15, incurring liabilities of £1.138m (£2.062m in 2013/14). 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	
	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15
							£000	£000
£0 - £19,999	70	10	94	55	164	65	1,021	536
£20,000 - £39,999	9	3	20	9	29	12	741	331
£40,000 - £59,999	2		1	1	3	1	134	48
£60,000 - £79,999				2		2		131
£80,000 - £99,999	1		1	1	2	1	166	92
£100,000-£199,999								
	82	**13**	**116**	**68**	**198**	**81**	**2,062**	**1,138**

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 2014/15, the Council paid an estimated £12.810m to Teachers' Pensions in respect of teachers' retirement benefits, representing 13.6% of pensionable pay. This is charged to the Education and Children's Service line in the CIES. The figures for 2013/14 were £13.482m 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 2014/15 the Council paid an estimated £0.198m to NHS Pensions in respect of public health staff retirement benefits (£0.209m in 2013/14). 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:

Comprehensive Income and Expenditure Statement

2013/14 £000	Cost of Services	2014/15 £000
20,850	Service Cost (comprising)	24,325
27,640	- current service cost	25,265
1,267	- past service costs	657
(6,050)	- settlements and curtailments	(3,604)
1,473	Administration expenses	491
	Financing and Investment Income and Expenditure	
18,151	- net interest on the defined liability	19,900
42,481	**Total Post Employment Benefit Charged to the Surplus Deficit on the Provision of Services**	**42,709**
	Other Comprehensive Income and Expenditure Statement	
	Remeasurement of the defined benefit liability, comprising:	
12,606	- return on plan assets in excess of interest	46,408
12,643	- actuarial gains and losses	-
(21,620)	- change in Financial assumptions	(139,671)
(36,616)	- change in demographic assumptions	-
8,462	experience gain/loss on defined benefit obligation	(444)
(24,525)	**Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement**	**(93,707)**

Movement in Reserves Statement

(42,481)	Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	(42,709)
25,314	Actual amount charged against the General Fund Balance employers' contributions payable in year to the scheme	24,517

The change in financial assumptions has resulted in a loss of £140.115m in respect of pensions liabilities (as shown above). This is due, in particular to a reduction in the discount rate applied to discount scheme liabilities to 3.3% (2013/14 4.4%) and reflects the downward trend in long-term bond rates. Due to the materiality of this change this figure has been presented separately on the face of the CIES. The loss is partly off-set by a £46.408m gain in assets in excess of interest cost.

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:

	2010/11 £000	2011/12 £000	2012/13 £000	2013/14 £000	2014/15 £000
Present value of the defined benefit obligation	(782,998)	(880,931)	(972,781)	(1,043,725)	(1,211,823)
Fair value of plan assets	504,742	479,150	568,197	597,615	655,142
Net liability on Fund	**(278,256)**	**(401,781)**	**(404,584)**	**(446,110)**	**(556,681)**
Present value of unfunded obligation		(23,905)	(24,833)	(24,999)	(26,327)
Net liability in Balance Sheet	**(278,256)**	**(425,686)**	**(429,417)**	**(471,109)**	**(583,008)**

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 3.3% 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

2013/14 £000		2014/15 £000
(997,614)	**Opening balance at 1 April**	(1,068,724)
(27,640)	Current service cost	(25,265)
(1,267)	Past service costs, including curtailments	(657)
(42,531)	Interest cost	(45,470)
(6,534)	Contributions by scheme participants	(6,528)
	Remeasurement gains and losses:	
(21,620)	- change in financial assumptions	(139,671)
(36,616)	- change in demographic assumptions	
8,462	- experience loss/(gain) on defined benefit obligation	(444)
18,942	Liabilities extinguished on settlements	10,009
35,897	Estimated benefits paid net of transfers in	36,780
1,797	Unfunded pension payments	1,820
(1,068,724)	**Closing balance at 31 March**	**(1,238,150)**

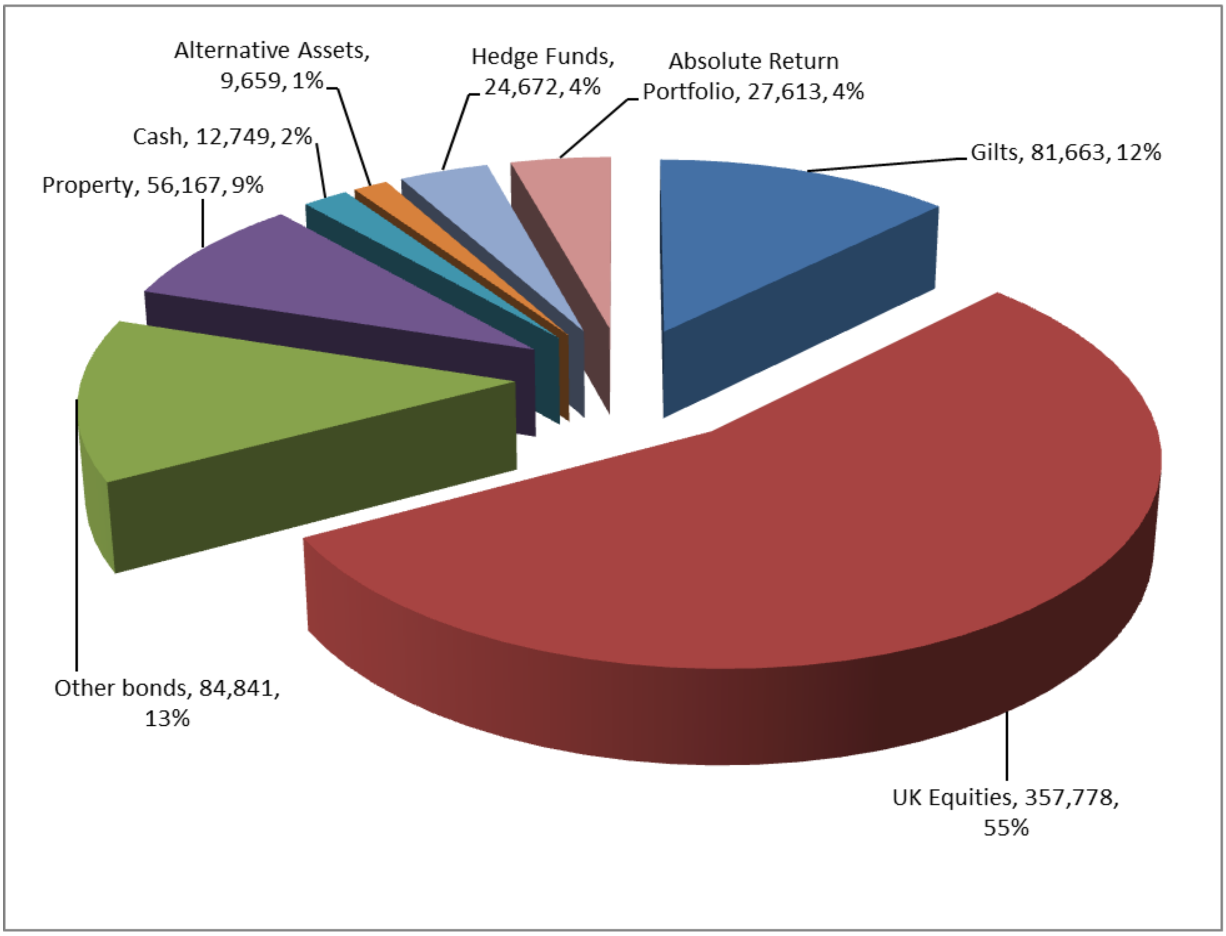
Reconciliation of the movement in the fair value of the scheme (plan) assets:

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.

2013/14		2014/15
£000		£000
568,197	Opening balance at 1 April	597,615
24,380	Interest on assets	25,570
	Remeasurement gains and losses:	
12,606	- return on plan assets less the amount included in net interest exper	46,408
12,643	- other actuarial gains/(losses)	
(1,473)	Administration expenses	(491)
25,314	Employer contributions	24,517
6,534	Contributions by scheme participants	6,528
(37,694)	Estimated benefits paid plus unfunded net of transfers in	(38,600)
(12,892)	Settlement prices received/(paid)	(6,405)
597,615	**Closing balance at 31 March**	**655,142**

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:

2013/14	Mortality assumptions:	2014/15
	Longevity at 65 for current pensioners:	
23.6 years	■ Men	23.7
26.0 years	■ Women	26.1
	Longevity at 65 for future pensioners:	
25.8 years	■ Men	26.0
29.4 years	■ Women	28.4
	Other assumptions:	
3.6%	RPI Increases	3.2%
2.8%	CPI Increases	2.4%
4.6%	Rate of increase in salaries	4.2%
2.8%	Rate of increase in pensions	2.4%
4.4%	Rate for discounting scheme liabilities	3.3%
50.0%	Take-up of option to convert annual pension into retirement lump sum	10.0%

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%	1,238,150	32,524
Adjustment to discount rate	+0.1%	1,216,226	31,767
	-0.1%	1,260,461	33,300
Adjustment to long term salary increase	+0.1%	1,240,613	32,540
	-0.1%	1,235,701	32,508
Adjustment to pension increases and deferred revaluation	+0.1%	1,258,173	33,291
	-0.1%	1,218,490	31,775
Adjustment to mortality age rating assumption	+ 1 year	1,195,845	31,446

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 £23.506m in 2015/16. The estimated duration of the Employer's liability is 18 years.

Pension guarantees

In accordance with the terms of the Admission Agreement with Buckinghamshire Learning Trust and the Adult Learning Foundation, the Council has provided the Administering Authority a guarantee of the payment of all sums due 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:

- Community Schools and Foundation Schools are recognised where either the Council or the School 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 and Voluntary Controlled Schools. Assets used by Schools under 'mere' licences where the underlying rights to the property are held by the Diocese of the Church of England are not recognised where the control of the asset has not passed to the school.
- The transfers of assets to Academies are subject to a formal lease agreement and are not recognised in the Balance Sheet in accordance with the requirements of IAS 17.

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 (i.e. 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 trade receivable 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 trade receivable. 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 minimum revenue provision (MRP) 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. The MRP charge for 2014/15 is £8.084m (£8.408m for 2013/14) and 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.

Property, Plant & Equipment

	Other Land and Buildings £000	Vehicles, Plant and Equipment £000	Infrastructure Assets £000	Surplus Assets £000	Assets Under Construction £000	Total £000
Restated Cost or Valuation						
At 1 April 2014	**822,704**	**24,483**	**349,475**	**3,693**	**39,324**	**1,239,680**
additions	28,863	585	30,753	2	83,747	143,950
revaluation increases/(decreases) recognised in the Revaluation Reserve	15,177					15,177
revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(29,534)					(29,534)
derecognition - disposals	(31,373)	(239)				(31,612)
derecognition - recategorised as REFCUS						-
derecognition - other	(4,243)					(4,243)
assets reclassified	(2,257)	250		340	(877)	(2,545)
At 31 March 2015	**799,338**	**25,080**	**380,227**	**4,035**	**122,194**	**1,330,874**
Accumulated Depreciation and Impairment						
At 1 April 2014	**(92,751)**	**(20,187)**	**(54,862)**	**(129)**	**-**	**(167,929)**
depreciation charge	(20,424)	(1,949)	(9,668)	23		(32,018)
depreciation written out to the Revaluation Reserve	12,116					12,116
derecognition - disposals	7,052	197				7,249
derecognition - other	1,026					1,026
other movements in depreciation and impairment	108			(49)		59
At 31 March 2015	**(92,873)**	**(21,938)**	**(64,530)**	**(155)**	**-**	**(179,497)**
Net Book Value						
as at 31 March 2015	706,465	3,142	315,697	3,880	122,194	1,151,377
as at 1 April 2014 Restated	729,953	4,297	294,612	3,564	39,324	1,071,751

The main items comprising additions of £143.950m are the Energy from Waste plant (£79.618m) within Assets under construction, Strategic Highways Maintenance and Management of £18.313m within Infrastructure Assets and in Other Land & Buildings £5.578m development of Furzedown School; £2.250 Mandeville School Sports Facilities and £3.461m School Property Maintenance programme.

De-recognition disposals includes the transfer to Academy status of Beaconsfield High School (£19.671m) and Wye Valley School (£6.316m) and disposal of Kingswood School (£4.089m).

Restated 2013/14	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	**802,826**	**22,756**	**323,029**	**3,693**	**5,480**	**1,157,785**
additions	38,944	1,792	26,445	-	38,003	105,184
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	(9,698)	(65)	-	-	-	(9,763)
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	**822,704**	**24,483**	**349,475**	**3,693**	**39,324**	**1,239,680**
Accumulated Depreciation and Impairment						
At 1 April 2013	**(84,825)**	**(16,838)**	**(45,194)**	**(118)**	**-**	**(146,975)**
depreciation charge	(19,550)	(3,397)	(9,668)	(11)		(32,626)
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	**(92,751)**	**(20,187)**	**(54,862)**	**(129)**	**-**	**(167,929)**
Net Book Value						
as at 31 March 2014 Restated	729,953	4,297	294,612	3,564	39,324	1,071,750
as at 1 April 2013 Restated	718,001	5,918	277,835	3,575	5,480	1,010,810

Capital Commitments

Project	Type of Contract	Name of Contractor	Contract Value	Amount Outstanding at 31st March 2015
			£000	£000
Furze Down	Construction	Leadbitter	9,250	425
Disraeli	Construction	Jarvis	3,710	3,260
Castlefield	Construction	Edgar Taylor	1,358	990
Misbourne	Construction	Borras	2,720	1,787
St Mary's FL	Construction	Borras	1,485	1,170
Flackwell Heath	Construction	Edgar Taylor	1,065	785
			19,588	**8,417**

At 31 March 2015, the Council has £8.417m capital commitments for the construction or enhancement of Property, Plant, Equipment and Intangible assets. Commitments as at 31 March 2014 were £8.625m.

Revaluations

The following table shows the progress of the Council's five year rolling programme for the revaluation of fixed assets. The valuations for 2014/15 have been carried out by RICS qualified external company, Carter Jonas. The effective date of valuation for the current year was 1 April 2014.

	Other Land and Buildings £000	Vehicles, Plant and Equipment £000	Infrastructure Assets £000
Carried at historical cost:		3,142	315,697
Valued at fair value as at:			
31 March 2011	102,308		
31 March 2012	526,661		
31 March 2013	108,238		
31 March 2014	147,060		
31 March 2015	159,360		
Total Cost or Valuation	**1,043,627**	**3,142**	**315,697**

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'

Academy Schools

The total value of Academy Schools that are now held under finance leases (note 28) was £103.107m as at 31 March 2015 (£97.049m as at 31 March 2014).

Prior Period Adjustment

The 2014/15 Code of Practice includes new accounting requirements for Schools which has resulted in a change in accounting policy and a prior period adjustment in relation to non-current assets for Schools. The change in accounting policy requires that Foundation Schools are recognised (where the non-current assets are vested in the Governing Body of the Schools) and Voluntary Controlled Schools are derecognised (where the non-current assets are used by Schools under 'mere' licences) on Balance Sheet as follows:

	£000
Foundation Schools (at 1 April 14)	45,837
Voluntary Controlled Schools (at 1 April 14)	58,678
Net impact	12,841

The effect of the restatement on the Balance Sheet and MiRS is as follows:

	At 31 March 2014 Original £000	**At 31 March 2014 Restated** £000	**Adjustment made** £000
Property, Plant & Equipment	1,084,590	1,071,749	(12,841)
Unusable Reserves	(383,913)	(371,072)	12,841
Capital Adjustment Account (Note 25)	(655,514)	(642,673)	12,841

The effect of the restatement of Property, Plant & Equipment note is as follows:

	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 2014						
As originally stated	826,512	24,483	349,475	3,693	39,324	1,243,488
As restated	822,704	24,483	349,475	3,693	39,324	1,239,680
Adjustment made	(3,808)	-	-	-		(3,809)
Accumulated Depreciation and Impairment at 1 April 2014						
As originally stated	(83,718)	(20,187)	(54,862)	(129)	-	(158,896)
As restated	(92,751)	(20,187)	(54,862)	(129)	-	(167,929)
Adjustment made	(9,033)	-	-	-	-	(9,033)
Net Book Value at 31 March 2014						
As originally stated	742,794	4,297	294,612	3,564	39,324	1,084,591
As restated	729,953	4,297	294,612	3,564	39,324	1,071,751
Adjustment made	(12,841)	-	-	-		(12,841)

The effect of the restatement on the 2013/14 CIES is as follows:

Cost of Services			
Education and Children's Services	**Expenditure**	**Income**	**Net Expenditure**
As originally stated	467,962	(312,280)	155,682
As restated	465,796	(312,280)	153,516
Adjustment made	(2,166)	-	(2,166)
Other Operational Expenditure	**Expenditure**	**Income**	**Net Expenditure**
As originally stated	865	-	865
As restated	357	-	357
Adjustment made	(508)	-	(508)
Surplus or Deficit on the Provision of Services	**Expenditure**	**Income**	**Net Expenditure**
As originally stated	774,561	(755,180)	19,381
As restated	771,887	(755,180)	16,707
Adjustment made	(2,674)	-	(2,674)

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.

	2013/14	2014/15
	£000	£000
Opening Capital Financing Requirement	220,151	247,801
Capital Investment		
Property, plant and equipment	105,192	143,950
Intangible assets	679	702
Revenue Expenditure Funded from Capital Under Statute	30,063	6,270
Source of Finance		
Capital receipts	(11,072)	(16,864)
Government grants and other contributions	(79,026)	(42,572)
Direct revenue contributions	(9,778)	(11,869)
Minimum revenue provision	(8,408)	(8,084)
Closing Capital Financing Requirement	**247,801**	**319,334**
Explanation of movements in year		
Increase/(decrease) in underlying need to borrowing (unsupported by government financial assistance)	(8,408)	(8,084)
Assets acquired under PFI/Service Concession Arrangements	36,057	79,618
Increase/(decrease) in Capital Financing Requirement	**27,649**	**71,534**

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 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 2015 (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 2015/16	-	270	270
Payable in 2 – 5 years	180,000	6,958	186,958
Payable in 6 – 10 years	-	9,839	9,839
Payable in 11 – 15 years	-	11,236	11,236
Payable in 16 – 20 years	-	12,781	12,781
Payable in 21 – 25 years	-	14,545	14,545
Payable in 26 – 30 years	-	16,557	16,557
Payable in 31 years to end of contract	-	2,981	2,981

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:

	2013/14 £000	**2014/15** £000
Balance outstanding at start of year	-	36,057
Payments during the year	-	-
Capital expenditure incurred in the year	36,057	79,618
Balance outstanding at year-end	**36,057**	**115,675**

A Waste reserve has been set up to manage the financial implications of this contract; the value of this is £46.608m (2013/14 £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 2013	847	1,022	5,681	7,550
31 March 2014	**847**	**1,022**	**5,681**	**7,550**
1 April 2014	847	1,022	5,681	7,550
31 March 2015	**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

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.

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.
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. Due to the diverse nature of the collections and lack of comparable market values, 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 £1.085m charged to revenue in 2014/15 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:

	2013/14	2014/15
	£000	£000
Balance at start year:		
Gross carrying amounts	9,409	10,088
Accumulated amortisation	(6,402)	(7,564)
Net carrying amount at start of year		
Purchases	679	702
Assets reclassified		
Amortisation for the period	(1,162)	(1,085)
Net carrying amount at end of year	**2,524**	**2,141**
Comprising:		
Gross carrying amounts	10,088	10,790
Accumulated amortisation	(7,564)	(8,649)
	2,524	**2,141**

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 previous 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.

	2013/14	2014/15
	£000	£000
Balance outstanding at start of the year:	7,897	6,318
Assets newly classified as held for sale:		
Property, Plant and Equipment	8	2,486
Depreciation	(12)	-
Assets declassified as held for sale:		
Assets sold	(1,575)	(5,231)
Balance outstanding at year end	**6,318**	**3,573**

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 2014	31 March 2015	31 March 2014	31 March 2015
Investments				
Loans and Receivables:	£000	£000	£000	£000
Cash and Cash Equivalents	-		15,728	1,015
Temporary Loans	-		1,463	1,145
Investments	15,440	18,875	89,651	100,186
Available-for-sale Financial Assets	-	-	82,080	76,369
Total Investments	**15,440**	**18,875**	**188,922**	**178,716**
Trade and Other Receivables				
Loans and Receivables	21,423	19,767	43,656	51,794
Total Trade and Other Receivables	**21,423**	**19,767**	**43,656**	**51,794**
Less Statutory Items to be Excluded				
Payments in Advance	-	-	(3,740)	(5,640)
Collection Fund Adjustment	-	-	(10,674)	(10,431)
Her Majesty's Revenue and Customs (HMRC)	-	-	(6,760)	(11,173)
Total to be Deducted from Loans and Receivables	**-**	**-**	**(21,174)**	**(27,244)**
Total Value of Assets	**36,863**	**38,642**	**211,404**	**203,266**
Borrowings				
Financial Liabilities at Amortised Cost	(174,196)	(162,464)	(13,453)	(28,250)
Total Borrowings	**(174,196)**	**(162,464)**	**(13,453)**	**(28,250)**
Other Long Term Liabilities				
Service Concession Arrangements	(36,057)	(115,675)		
Total Other Long Term Liabilities	**(36,057)**	**(115,675)**		
Trade and Other Payables				
Financial Liabilities at Amortised Cost	-	-	(99,521)	(86,930)
Total Trade and Other Payables	**-**	**-**	**(99,521)**	**(86,930)**
Less Statutory Items to be Excluded				
Receipts in Advance and Deferred Income	-	-	20,647	17,854
Collection Fund Adjustment	-	-	4,179	3,467
HMRC	-	-	4,712	4,600
Total to be Deducted from Liabilities	**-**	**-**	**29,538**	**25,921**
Total Value of Liabilities	**(210,253)**	**(278,139)**	**(83,436)**	**(89,259)**

	Financial Liabilities measured at amortised cost £000	Financial Assets: Loans and receivables £000	Financial Assets: Available for sale £000	Total £000
Interest expense	11,033	-	-	11,033
Total expense in Surplus or Deficit on the Provision of Services	**11,033**	**-**		**11,033**
Interest income	-	(2,369)	(313)	(2,682)
Total income in Surplus or Deficit on the Provision of Services	**-**	**(2,369)**	**(313)**	**(2,682)**
Net loss/(gain) for the year	**11,033**	**(2,369)**	**(313)**	**8,351**

Fair Values of Assets and Liabilities

Financial liabilities and financial assets, represented by loans and receivables and long-term trade receivables and trade payables 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 2015 is the repayment cost calculated using the repayment interest rates at 31 March 2015. 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 2015
- 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 2014		31 March 2015	
	Carrying amount	Fair value	Carrying amount	Fair value
	£000	£000	£000	£000
Financial liabilities	(257,632)	(300,323)	(251,723)	(331,427)
Other long-term liabilities	(36,057)	(36,057)	(115,675)	(115,675)

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 2014		31 March 2015	
	Carrying amount	Fair value	Carrying amount	Fair value
	£000	£000	£000	£000
Loans and receivables	226,844	227,427	222,141	235,320
Long-term Tade and Other Receivables	21,423	21,423	19,767	19,767

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 £20m (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 only investments that can be withdrawn on the next working day will be made with that organisation 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 month Arlingclose provides CDS spreads information enabling the

Treasury Team to monitor short, medium and long term trends of CDS spreads. If there is a spike in the values of CDS's due to adverse market conditions, then Arlingclose alert the Treasury Team immediately.

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 2015	Historical experience of default	Historical experience adjusted for market conditions at 31 March 2015	Estimated maximum exposure to default and uncollectability at 31 March 2015	Estimated maximum exposure at 31 March 2014
	£0	%	%	£0	£0
	A	B	C	(A x C)	
Deposits with banks and financial institutions	175,811	0.05	0.05	87.6	106.5
Customers	22,237	0	1.212	724	594.8
				811.6	**701.3**

No credit limits were exceeded during the reporting period and the Council does not expect any losses from non-performance by any of its counterparties in relation to deposits.

Of the £22.237m (2013/14 £21.198m) balance £18.4m (2013/14 £17.3m) of trade receivables 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 £0.724m (2013/14 £0.595m) to be made in respect of these trade receivables.

The Council does not generally allow credit for customers, such that £7.623m of the £18.4m balance is past its due date for payment. The past due amount can be analysed by age as follows:

31 March 2014		31 March 2015
£000		£000
4,227	Less than three months	2,234
687	Three to six months	542
632	Six months to one year	1261
3,327	More than one year	3,586
8,873		**7,623**

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 2014 £000		31 March 2015 £000
11,732	Less than one year	11,732
11,732	Between one and two years	11,732
33,464	Between two and five years	23,464
129,000	More than five years	129,000
185,928		**175,928**

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 2014/15 would have been:

31 March 2014 £000		31 March 2015 £000
0	Increase in interest payable on variable rate borrowings	0
(570)	Increase in interest receivable on variable rate investments	(650)
(570)	**Impact on Surplus/Deficit on the Provision of Services**	**(650)**
731	Decrease in fair value of fixed rate investment assets	554
731	**Impact on other Comprehensive Income and Expenditure**	**554**
16,928	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	26,560

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 2014		31 March 2015
£000		**£000**
(4,280)	Bank current accounts	1,015
20,008	Short-term deposits	
15,728	**Total Cash and Cash Equivalents**	**1,015**

23 – Trade and Other Receivables and Payables

Short-term Trade and Other Receivables

	31 March 2014	31 March 2015
	£000	**£000**
Central government bodies	828	732
HM Revenue and Customs	6,760	11,173
Other local authorities and NHS	1,051	2,483
Collection Fund adjustment	10,674	10,253
Sundry Tade and Other Receivables	21,198	22,237
Payments in advance	3,740	5,640
Total	**44,251**	**52,518**
Provision for doubtful debts	(595)	(724)
Total Short Term Trade and Other Receivables	**43,656**	**51,794**

Long Term Trade and Other Receivables

	31 March 2014	31 March 2015
	£000	**£000**
Reprovisioning of social care	16,459	15,633
Finance lease	3,634	2,917
Other Long Term Trade and Other Receivables	1,330	1,217
Total Long Term Trade and Other Receivables	**21,423**	**19,767**

Short-term Trade and Other Payables

	31 March 2014	31 March 2015
	£000	£000
HM Revenue and Customs	(4,712)	(4,600)
Central government bodies	(2,319)	(1,206)
Other local authorities	(2,199)	(2,062)
Collection Fund adjustment	(4,179)	(3,482)
Deposits from contractors and others	(17,361)	(13,235)
Other sundry creditors	(38,692)	(37,059)
Receipts in advance and deferred income	(20,647)	(17,854)
Capital expenditure	(9,412)	(7,432)
Total	**(99,521)**	**(86,930)**

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. The following provisions have been made as at 31 March 2015:

	Current Provisions		Long Term Provisions			
	Redundancy and Pension Strain	Carbon Reduction Commitment	Insurance	National Non-Domestic Rates	Other	Total
	£000	£000	£000	£000		£000
1 April 2014	**(154)**	**(484)**	**(5,227)**	**(1,111)**	**-**	**(6,976)**
Additional provisions made	-	-	(623)	(474)	(60)	(1,157)
Amounts used	154	484	56	-	-	694
Balance at 31 March 2015	**-**	**-**	**(5,794)**	**(1,585)**	**(60)**	**(7,439)**

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. No provision was required for 2014/15
- Carbon Reduction Commitment (CRC) – The CRC Energy Efficiency Scheme, no provision was required for 2014/15 due to the scheme finishing

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.

2013/14 Restated £000		2014/15 £000
(181,718)	Revaluation Reserve	(201,384)
(642,673)	Capital Adjustment Account	(629,931)
2,403	Financial Instruments Adjustment Account	2,243
(21,606)	Deferred Capital Receipts Reserve	(20,101)
471,109	Pensions Reserve	583,008
(5,385)	Collection Fund Adjustment Account	(5,187)
6,798	Accumulated Absences Account	5,607
-	Available for Sale Financial Instruments Reserve	(625)
(371,071)	**Total Unusable Reserves**	**(265,744)**

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.

2013/14 £000			2014/15 £000
(182,336)	**Balance at 1 April**		(181,718)
(9,896)	Upward revalution of assets	(39,877)	
2,784	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	12,584	
(7,112)	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services		**(27,293)**
2,205	Difference between fair value depreciation and historical cost depreciation	2,284	
5,524	Accumulated gains on assets sold or scrapped	5,343	
7,729	Amount written off to the Capital Adjustment Account		**7,627**
(181,718)	**Balance at 31 March**		**(201,384)**

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.

2013/14			2014/15
£000			£000
(608,865)	**Balance as restated as at 1 April**		(642,673)
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
32,638	- Charges for depreciation and impairment of non-current assets	32,018	
5,242	- Revaluation losses on Property, Plant and Equipment	29,534	
1,162	- Amortisation of intangible assets	1,085	
30,063	- Revenue Expenditure Funded from Capital Under Statute	6,270	
4,159	- Expenditure recategorised as REFCUS financed in prior year	-	
10,903	- 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	32,811	
84,167			**101,718**
	Adjusting amounts written out of the Revaluation Reserve		
(7,729)	- Net written out amount of the cost of non-current assets consumed in the year	(7,627)	
	Capital financing applied in the year:		
(11,072)	- Use of the Capital Receipts Reserve to finance new capital expenditure	(16,864)	
(32,665)	- Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(41,142)	
(46,361)	- Application of grants to capital financing from the Capital Grants Unapplied Account	(1,430)	
(8,408)	- Statutory provision for the financing of capital investment charged against the General Fund balance	(8,084)	
(1,961)	- Voluntary provision for the financing of capital investment charged against the General Fund balance	(1,961)	
(9,778)	- Capital expenditure financed from the General Fund	(11,869)	
(117,974)			**(88,976)**
(642,673)	**Balance at 31 March**		**(629,931)**

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.

2013/14		2014/15
£000		£000
2,563	**Balance at 1 April**	2,403
(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)**
2,403	**Balance at 31 March**	**2,243**

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.

2013/14		2014/15
£000		£000
(22,584)	**Balance at 1 April**	(21,606)
(451)	Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehenisve Income and Expenditure Statement	-
1,429	Transfer to the Capital Receipts Reserve upon receipt of cash	1,505
(21,606)	**Balance at 31 March**	**(20,101)**

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.

2013/14		2014/15
£000		£000
429,417	**Balance at 1 April**	471,109
(12,606)	Actuarial gains on pensions assets	(46,408)
37,131	Actuarial losses on pensions liabilities	140,115
42,481	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	44,716
(25,314)	Employer's pension contributions and direct payments to pensioners payable in the year	(24,517)
471,109	**Balance at 31 March**	**585,015**

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.

2013/14		2014/15
£000		£000
(2,391)	**Balance at 1 April**	(5,385)
(4,045)	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	1,425
1,051	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	(1,227)
(5,385)	**Balance at 31 March**	**(5,187)**

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.

2013/14		2014/15
£000		£000
7,015	**Balance at 1 April**	6,798
(7,015)	Settlement or cancellation of accrual made at the end of the preceding year	(6,798)
6,798	Amounts accrued at the end of the current year	5,607
(217)	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	**(1,191)**
6,798	**Balance at 31 March**	**5,607**

Available for Sale Financial Instrument Reserve

The Available for Sale Financial Instruments Reserve contains the gains arising from increases in the value of investments that have quoted market prices or otherwise do not have fixed or determinable payments. The balance is reduced when investments with accumulated gains are either revalued downwards or impaired and the gains are lost or disposed of and the gains are realised.

2013/14		2014/15
£000		£000
-	**Balance at 1 April**	-
-	Fair Value adjustments on Available for Sale Financial Assets	(625)
-	**Balance at 31 March**	**(625)**

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:

	2013/14	2014/15
	£000	£000
Fees payable with regard to external audit services carried out by the appointed auditor for the year	115	115
Fees payable for the certification of grant claims and returns for the year	2	2
Fees payable in respect of other services provided during the year	-	-
Total	**117**	**117**

27 – Notes to the Cashflow Statement

Adjustment to net surplus or deficit on the provision of services for non-cash movements

2013/14 £000		2014/15 £000
16,707	Net (surplus) or deficit on the provision of services	40,457
(37,478)	■ Depreciation, impairment and downward valuations	(61,551)
(1,162)	■ Amortisations	(1,085)
46	■ Increase in impairment for provision of bad debts	(129)
(2,516)	■ Increase / decrease in creditors	12,591
858	■ Increase /decrease in debtors	6,612
132	■ Increase / decrease in inventories	(2)
(17,167)	■ Movement in Pension liability	(18,192)
(11,411)	■ Carrying amount of non-current assets sold or derecognised	(32,811)
4,704	■ Other non-cash items charged to the net Surplus or Deficit on the provision of services	(464)
(63,995)		**(95,032)**

Adjustment for items included in the net surplus or deficit on the provision of services that are investing and financing activities

2013/14 £000		2014/15 £000
10,551	■ Proceeds from the sale of property, plant and equipment, investment property and intangible assets	9,539
42,436	■ Any other items for which the cash effects are investing or financing activities	42,305
52,987		**51,844**
5,700	**Net cash flows from Operating Activities**	**(2,730)**

28 - 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.

2013/14 £000		2014/15 £000
	Expenditure	
8,543	Integrated mental health provided services	8,039
8,543	**Total Expenditure**	**8,039**
	Income	
(2,377)	Contribution from Buckinghamshire County Council	(2,338)
(6,166)	Contribution from Oxfordshire and Buckinghamshire Mental Health Trust	(5,701)
(8,543)	**Total Income**	**(8,039)**
-	**Balance**	-

Children and Adolescence Mental Health Services (CAMHS)

This is a partnership with Clinical Commissioning Group. The Council is the host authority for the pooled fund arrangement.

2013/14 £000		2014/15 £000
	Expenditure	
5,490	Children and adolescence mental health services	5,440
5,490	**Total Expenditure**	**5,440**
	Income	
(1,293)	Contribution from Buckinghamshire County Council	(1,282)
(1,619)	Contribution from Aylesbury Vale Clincial Commissioning Group	(1,604)
(2,578)	Contribution from Chiltern Clinical Commissioning Group	(2,554)
(5,490)	**Total Income**	**(5,440)**
-	**Balance**	-

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

2013/14 £000	**Other Pooled Budget Arrangements**	2014/15 £000
3,469	Joint Pooled Community Equipment Loan Service	3,384
2,974	Integrated Mental Health Provision for Older People Agreement	2,945
2,371	Residential Respite Short Breaks Pooled Fund	2,371
2,168	Speech and Language Therapy	2,008

29 - 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 £10.137m (2013/14 £9.368m). 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 2014 £000	31 March 2015 £000
Other Land and Buildings	9,368	10,137
Finance Lease Net Book Value	**9,368**	**10,137**

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 2014	31 March 2015
	£000	£000
Amounts paid during the year	**1,405**	**999**
Not later than one year	827	788
Later than one year and not later than five years	1,301	1,172
Later than five years	881	790
Total Estimated Future Payments	**3,009**	**2,750**

The amounts paid in year comprise the following elements:

	31 March 2014	31 March 2015
	£000	£000
Minimum lease payments	1,517	999
Contingent rents	50	-
Sublease payments receivable	(162)	(62)
	1,405	**937**

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 trade receivables) 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 trade receivables 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 2014	31 March 2015
Finance lease debtor (net present value of minimum lease payments):	£000	£000
■ current	678	717
■ non-current	3,634	2,917
Unearned finance income	848	599
Unguaranteed residual value of property	200	200
Gross investment in the lease	**5,360**	**4,433**

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

	Gross Investment in the Lease		Minimum Lease Payments	
	31 March 2014	31 March 2015	31 March 2014	31 March 2015
	£000	£000	£000	£000
Not later than one year	927	927	927	927
Later than one year and not later than five years	3,708	3,506	3,708	3,306
Later than five years	725	-	525	-
	5,360	**4,433**	**5,160**	**4,233**

The Council has granted a number finance leases to schools on obtaining Academy status for nil rentals. The value of buildings derecognised totals £103.107m 2014/15 (£97.049m 2013/14); 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 2014	31 March 2015
	£000	£000
Not later than one year	1,444	2,172
Later than one year and not later than five years	3,119	4,731
Later than five years	3,188	3,726
	7,751	**10,629**

Pension Fund

Statement of Accounts

For the year ending 31 March 2015

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

We have audited the Pension Fund financial statements of the Buckinghamshire County Council for the year ended 31 March 2015 under the Audit Commission Act 1998. The Pension Fund financial statements comprise the Pension 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 2014/15.

This report is made solely to the members of the Buckinghamshire County Council, as a body, in accordance with Part II of the Audit Commission Act 1998 and as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. Our audit work has been undertaken so that we might state to the members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the 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 Assurance and auditor

As explained more fully in the Statement of the Director of Finance's Responsibilities, the Director of Assurance is responsible for the preparation of the Authority's Statement of Accounts, which include 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 2014/15, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the pension fund financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards also 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 pension fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Director of Assurance; and the overall presentation of the Pension Fund financial statements.

In addition, we read all the financial and non-financial information in the Explanatory Foreword to identify material inconsistencies with the audited Pension Fund 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 financial statements:

- give a true and fair view of the financial transactions of the Pension Fund during the year ended 31 March 2015 and of the amount and disposition of the fund's assets and liabilities as at 31 March 2015, other than liabilities to pay pensions and other benefits after the end of the scheme year; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 and applicable law.

Opinion on other matters

In our opinion, the information given in the Explanatory Foreword for the financial year for which the Pension Fund financial statements are prepared is consistent with the Pension Fund financial statements.

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

Grant Thornton UK LLP
Grant Thornton House
Melton Street
Euston Square
London
NW1 2EP

September 2015

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. A review of the investment strategy in May 2014 showed that 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%. 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. From 1 April 2014, the scheme became a career average scheme, whereby members accrue benefits based on their pensionable pay in that year at an accrual rate of 1/49th. Employee contribution bands range from 5.5% to 12.5% of pensionable pay for the year ending 31 March 2015. From April 2014 there is a 50/50 option which means members can pay half their contribution rate and build up half the pension benefit whilst retaining full value of other scheme benefits such as death in service lump sum and ill health cover. Accrued pension is revised annually in line with the Consumer Prices Index. Prior to 1 April 2014, pension benefits under the LGPS were based on final pensionable pay and length of pensionable service. More details of benefits provided under the scheme are available on the Council's pension website.
http://www.buckscc.gov.uk/about-your-council/local-government-pension-fund/scheme-members/

Membership of the Fund

The following summarises the membership of the Fund:

31 March 2014	Membership of the Fund	31 March 2015
21,693	Contributors	25,112
15,266	Pensioners	15,900
20,832	Deferred pensioners	21,791
57,791	**Total Membership of the Fund**	**62,803**

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 2015

Restated 31 March 2014 £000	Pension Fund Account	Note	31 March 2015 £000
	Dealings with Members, Employers and Others directly Involved in the Fund		
	Income		
112,454	Contributions	3	107,376
6,426	Transfers in from other pension funds	4	4,238
78	Other income		107
118,958			**111,721**
	Benefits	5	
(70,743)	Pensions		(75,543)
(19,880)	Commutation of pensions and lump sums		(20,542)
	Payments to and on Account of Leavers	6	
(9)	Refunds of contributions		172
(6,286)	Transfers out to other pension funds		(5,708)
(96,918)			**(101,621)**
22,040	**Net Additions from Dealings with Members**		**10,100**
(16,125)	**Management expenses**	7	**(15,619)**
	Returns on Investments		
36,375	Investment income	8	34,769
116,848	Profits and losses on disposal of investments and changes in value of investments	9	236,012
(1,540)	Taxes on income	16	(1,310)
151,683	**Net Returns on Investments**		**269,471**
157,598	**Net Increase/(Decrease) in the Net Assets Available for Benefits During the Year**		**263,952**
1,784,208	**Net Assets of the Fund Available to Fund Benefits at 1 April**		**1,941,806**
1,941,806	**Net Assets of the Fund Available to Fund Benefits at 31 March**		**2,205,758**

For 2014/15 the Fund changed its accounting policy for management expenses in accordance with CIPFA guidance. Management fees on pooled funds have been added to management expenses. The Pension Fund Account has been restated to include management fees on pooled funds and management expenses as a separate category.

Prior Period Adjustment	**2013/14 Original £000**	**2013/14 Restated £000**	**Adjustment Made £000**
Administrative expenses	(2,096)	-	2096
Investment management expenses	(5,179)	-	5,179
Management expenses	-	(16,125)	(16,125)
Profits and losses on disposal of investments and changes in values of investments	107,998	116,848	8,850
Total	**100,723**	**100,723**	**-**

Net Assets Statement

31 March 2014 £000	Net Assets Statement	Note	31 March 2015 £000
	Investments		
	Fixed interest securities		
10,020	▪ Public sector		23,432
114,527	▪ Other		194,261
715,872	Equities - quoted		683,237
48,560	Index-linked securities		87,050
846,696	Pooled investment vehicles		983,239
146,290	Unit trusts - property		160,074
31,956	Cash deposits		50,197
145	Derivative contracts		606
5,003	Dividend income receivable		6,453
1,919,069	**Net Investments**	11	**2,188,549**
-	Borrowings - sterling		-
27,260	Current assets	15	**22,355**
(4,523)	Current liabilities	15	**(5,146)**
1,941,806	**Net Assets of the Fund Available to Fund Benefits at 31 March**		**2,205,758**

1. Basis of Preparation

The accounts summarise the fund's transactions for the 2014/15 financial year and its position at year end as at 31 March 2015. 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 Assets 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.

Management Expenses
All 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 Reporting Date
Since 31 March 2015, there has been some volatility in the financial markets, 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. These changes are deemed to be non-adjusting post balance sheet events. There have been no events since 31 March 2015, 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 2015 have been included in these accounts.

2013/14 £000	Contributions	2014/15 £000
	Employers	
25,195	Administering authority	24,669
56,836	Scheduled bodies	48,931
5,032	Admitted bodies	6,390
	Employers' Augmentation Costs	
-	Administering authority	-
63	Scheduled bodies	-
-	Admitted bodies	-
	Members	
6,949	Administering authority	7,004
16,504	Scheduled bodies	18,153
1,875	Admitted bodies	2,229
112,454	**Total Contributions**	**107,376**

4. Transfer Values

2013/14 £000	Transfers in from other pension funds	2014/15 £000
-	Group transfers	-
6,426	Individual transfers	4,238
6,426	**Total Transfers in from other pension funds**	**4,238**

The individual transfer values relate to transfers, which have been received during the financial year i.e. included on a cash basis. On 31 March 2015 there were no outstanding transfer values receivable greater than £50k (no outstanding transfer values receivable on 31 March 2014).

On 31 March 2015 there were 5 group transfers to the Fund being negotiated with other Funds (3 on the 31 March 2014), the value of the transfers to the Fund is being negotiated between the Funds' actuaries. The income due to the Fund for the 5 transfers 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.

2013/14 £000	Benefits	2014/15 £000
	Pensions	
28,324	Administering authority	29,791
37,421	Scheduled bodies	40,212
4,998	Admitted bodies	5,540
17,765	Commutations of pensions and lump sum retirement benefits	18,625
2,115	Lump sum death benefits	1,917
90,623	**Total Benefits**	**96,085**

6. Payments to and on Account of Leavers

2013/14 £000	Payments to and on Account of Leavers	2014/15 £000
9	Refunds to members leaving service	87
-	Payments for members joining the state scheme	(259)
-	Group transfers to other pension funds	1,900
6,286	Individual transfers to other pension funds	3,808
6,295	**Total Payments to and on Account of Leavers**	**5,536**

The individual transfer values relate to transfers, which have been paid during the financial year i.e. included on a cash basis. On 31 March 2015 there were 6 outstanding individual transfer values payable greater than £50k, for which £637k had not been paid. There were no outstanding individual transfer values payable on 31 March 2014

On 31 March 2015 there were 2 group transfers from the Fund being negotiated with other Funds (0 on the 31 March 2014), the value of the transfers from the Fund is being negotiated between the Funds' actuaries. The expenditure in respect of 1 of the transfers has not been accrued since negotiations are at too early a stage for an estimate of the value to be available.

7. Management Expenses

Restated 2013/14 £000	Management Expenses	2014/15 £000
1,538	Administrative costs	1,105
14,029	Investment management expenses	13,955
558	Oversight and governance costs	559
16,125	**Total Management Expenses**	**15,619**

The analysis of the cost of managing the Pension Fund during the period has been prepared in accordance with CIPFA guidance. Management expenses have been categorised as administrative costs, investment management expenses and oversight / governance costs. Management fees for pooled funds and transaction costs have been included in the investment management expenses, 2013/14 investment management expenses have been restated to include management fees on pooled funds and transaction costs.

Prior Period Adjustment	2013/14 Original £000	2013/14 Restated £000	Adjustment Made £000
Administrative expenses	2,096	1,538	(558)
Investment management expenses	5,179	14,029	8,850
Oversight and governance costs	-	558	558
Total	**7,275**	**16,125**	**8,850**

The investment management expenses include £1.281m (£1.414m in 2013/14) in respect of performance related fees payable to the fund's investment managers. It also includes £1.554m in respect of transaction costs (£1.519m in 2013/14).

8. Investment Income

2013/14 £000	Investment Income	2014/15 £000
6,774	Interest from fixed interest securities	9,392
22,268	Dividends from equities	19,505
479	Income from index-linked securities	808
157	Interest on cash deposits	69
6,379	Income from property unit trusts	6,443
318	Other	(1,448)
36,375	**Total Investment Income**	**34,769**

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.

Investments (All values are shown £000)	Value at 31 March 2014 £000	Reclass-ification of Assets £000	Purchases at Cost £000	Sales Proceeds £000	Realised Profit / (Loss) £000	Unrealised Profit / (Loss) £000	Value at 31 March 2015 £000
Fixed interest securities	124,547	-	147,449	(72,217)	1,164	16,750	217,693
Equities - quoted	715,872	-	438,124	(536,273)	72,446	(6,932)	683,237
Index-linked securities	48,560	-	471,987	(443,186)	7,508	2,181	87,050
Pooled investment vehicles	846,696	-	233,820	(221,620)	62,409	61,934	983,239
Unit Trusts - property funds	146,290	-	16,483	(18,871)	(3,002)	19,174	160,074
Derivative contracts	145	-	2,206	(3,659)	1,453	461	606
Cash deposits	31,956	-	-	17,775	-	466	50,197
	1,914,066	**-**	**1,310,069**	**(1,278,051)**	**141,978**	**94,034**	**2,182,096**
Investment income due	5,003						6,453
	1,919,069						**2,188,549**

Investments (All values are shown £000)	Value at 31 March 2013 £000	Reclass-ification of Assets £000	Purchases at Cost £000	Sales Proceeds £000	Realised Profit / (Loss) £000	Unrealised Profit / (Loss) £000	Value at 31 March 2014 £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**

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. Indirect costs are incurred through the bid-offer spread on investments within pooled investments.

The Fund does not participate in a stock lending programme.

On 31 March 2015 assets which exceed 5% of the total value of the net assets of the Fund are a £136.3m investment in Legal & General's All Stocks Index-Linked Gilt Fund (£19.8m as at 31 March 2014) and a £140.9m investment in Legal & General's Europe (ex UK) Equity Index Fund (£197.7m as at 31 March 2014).

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, and so the hedge disclosure is not applicable to this type of investment.

10. Investment Management Arrangements

The value of the Fund with the fund managers as at 31 March 2015 was £2,169m (£1,910m at 31 March 2014). Fund manager fees have been calculated according to the specific mandate and the associated contract agreement as shown in the following table:

Fund Manager	Mandate	Negotiated Fee Basis	Proportion of Fund 31 March 2014	Proportion of Fund 31 March 2015
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	6%	7%
Investec Asset Management	Less constrained global equities	Performance related fee	8%	8%
Legal & General Investment Management	Passive index-tracker	Percentage of fund	27%	28%
Mirabaud Investment Management Limited	UK equities	Performance related fee	9%	6%
Pantheon Private Equity	Private equity	Percentage of Funds Committed & Incentive Fee	6%	6%
Partners Group	Private equity	Percentage of fund	3%	2%
Royal London Asset Management	Core plus bonds	Performance related fee	10%	15%
Schroders	Less constrained UK equities	Performance related fee	7%	7%
Standard Life Investments	Less constrained UK equities	Performance related fee	8%	5%

11. Analysis of the Value of Investments

2013/14 £000	Analysis of the Value of Investments	2014/15 £000
	Fixed Interest Securities	
9,240	UK public sector	21,060
780	Overseas public sector	2,372
114,527	UK other	194,261
-	Overseas other	-
124,547	**Total Fixed Interest Securities**	**217,693**
	Equities	
325,485	UK quoted	230,586
390,387	Overseas quoted	452,651
715,872	**Total Equities**	**683,237**
	Other	
48,560	Index-linked securities public sector	87,050
-	Index-linked securities other	-
846,696	Pooled Investment vehicles	983,239
146,290	Unit Trusts - property funds	160,074
5,003	Investment income due	6,453
145	Derivatives	606
31,956	Cash deposits - sterling and foreign cash	50,197
1,078,650	**Total Other**	**1,287,619**
1,919,069	**Total Value of Investments**	**2,188,549**

12. Financial Instruments

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

31 March 2014 Fair value through profit and loss £000	31 March 2014 Loans And Receivables £000	31 March 2014 Financial Liabilites At amortised cost £000		31 March 2015 Fair value through profit and loss £000	31 March 2015 Loans And Receivables £000	31 March 2015 Financial Liabilites At amortised cost £000
			Financial Assets			
124,547	-	-	Fixed interest securities	217,693	-	-
715,872	-	-	Equities - quoted	683,237	-	-
48,560	-	-	Index-linked securities	87,050	-	-
846,696	-	-	Pooled investment vehicles	983,239	-	-
146,290	-	-	Property – unit trusts	160,074	-	-
145	-	-	Derivatives	606	-	-
5,003	-	-	Dividend income receivable	6,453	-	-
-	31,956	-	Cash deposits	-	50,197	-
-	18,195	-	Current assets	-	14,271	-
1,887,113	**50,151**	**-**		**2,138,352**	**64,468**	**-**
			Financial Liabilities			
-	-	-	Derivatives	-	-	-
-	-	-	Borrowings	-	-	-
-	-	(3,651)	Current liabilities	-	-	(4,333)
-	**-**	**(3,651)**		**-**	**-**	**(4,333)**
1,887,113	**50,151**	**(3,651)**	**Total**	**2,138,352**	**64,468**	**(4,333)**

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

31 March 2014 £000		31 March 2015 £000
	Financial Assets	
142,538	Fair value through profit and loss	266,037
303	Loans and receivables	1,881
-	Financial liabilities measured at amortised cost	-
	Financial Liabilities	
-	Fair value through profit and loss	-
5,762	Loans and receivables	(682)
-	Financial liabilities measured at amortised cost	-
148,603	**Total**	**267,236**

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, and 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 2015	Quoted Market Price	Using Observable Inputs	With Significant Unobservable Outputs	
	Level 1	Level 2	Level 3	Total
	£000	£000	£000	£000
Fixed interest securities	-	217,693	-	217,693
UK equities - quoted	230,586	-	-	230,586
Overseas equities - quoted	452,651	-	-	452,651
Index-linked securities	-	87,050	-	87,050
Pooled investment vehicles	-	-	983,239	983,239
Property – unit trusts	-	-	160,074	160,074
Derivatives	-	606	-	606
Dividend income receivable	6,453	-	-	6,453
Cash deposits	50,197	-	-	50,197
Borrowings	-	-	-	-
Current assets	14,271	-	-	14,271
Current liabilities	(4,333)	-	-	(4,333)
Total	**749,825**	**305,349**	**1,143,313**	**2,198,487**

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**

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, such as Securities, Options, Futures are valued using prices quoted on the relevant exchanges. Forward currency contracts are valued at the current forward market prices obtained from brokers. Total return swaps are valued using the last reported public closing price of the underlying index.

Partners Group – Private Equity
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).

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. All holdings of the appropriate Pooled Fund 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").

Aviva – Property Fund
Aviva rely on the NAV provided by each fund manager, computed in accordance with appropriate local standards, incorporating independent valuations conducted from suitably qualified external providers. These external NAVs are subject to review by Aviva Investors Real Estate Multi Manager (REMM) team.

They also 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.

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, managers are asked to provide the building blocks to create this analysis. They then work with Langham Hall, to reconcile back to the NAV provided in the fund's normal accounting standards.

Pantheon – Private Equity
Investments are valued using the most relevant of methods listed below:

- Cost/recent round of financing/price of recent investment where recent transactions may be the most reflective of fair value.
- Comparable Private Company Transactions used for companies with low enterprise value or low EBITDA which means it is not appropriate to use earnings multiples of similar publicly listed companies.
- Earnings/Earnings Multiples /Performance Multiples 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, price and earnings (The most widely used of the valuation methodologies, especially for buyout or other businesses that have comparable characteristics to companies in the public markets).
- Underlying value of Net Assets.
- Discounted Cash flows (DCF) where there are predictable cash flows visible over a given time horizon.
- Industry Benchmarks are normally based on the assumption that investors are willing to pay for market share, and that profitability of the business in the does not vary greatly.
- Unrestricted Publicly traded securities are valued at the closing public market price on the valuation date.

These methods are 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.

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

Asset Type	31 March 2015 £000	Percentage Change %	Value on increase £000	Value on decrease £000
Fixed interest securities	217,693	5.79	230,297	205,089
UK equities – quoted	230,586	10.12	253,921	207,251
Overseas equities – quoted	452,651	9.80	497,011	408,291
Index-linked securities	87,050	8.45	94,406	79,694
Pooled investment vehicles	627,859	11.11	697,614	558,104
Property - unit trusts	160,074	3.02	164,908	155,240
Alternatives	355,380	2.64	364,762	345,998
Derivative contracts	606	2.64	622	590
Cash deposits	50,197	0.01	50,202	50,192
Investment income due	6,453	11.11	7,170	5,736
Total	**2,188,549**		**2,360,913**	**2,016,185**

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

Asset Type	31 March 2014 £000	Percentage Change %	Value on increase £000	Value on decrease £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**

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.

Interest Rate – Sensitivity Analysis
The Pension Fund recognises that interest rates vary and can impact income to the fund and 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.

Asset Type	**Value**	**Change for the year in net assets available to pay benefits**	
		1%	**-1%**
As at 31 March 2015	**£000**	**£000**	**£000**
Cash deposits	50,197	-	-
Cash balances (not forming part of the investment assets)	13,466	-	-
Fixed interest securities	217,693	2,177	(2,177)
Total	**281,356**	**2,177**	**(2,177)**

Asset Type	**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	-	-
Cash balances (not forming part of the investment assets)	17,446	-	-
Fixed interest securities	124,547	1,245	(1,245)
Total	**173,949**	**1,245**	**(1,245)**

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

Income Source	**Value**	**Change for the year on income values**	
		1%	**-1%**
As at 31 March 2015	**£000**	**£000**	**£000**
Cash deposits / cash and cash equivalents	69	7	(7)
Fixed interest securities	9,392	-	-
Total	**9,461**	**7**	**(7)**

Income Source	**Value**	**Change for the year on income values**	
		1%	**-1%**
As at 31 March 2014	**£000**	**£000**	**£000**
Cash deposits / cash and cash equivalents	157	16	(16)
Fixed interest securities	6,774	-	-
Total	**6,931**	**16**	**(16)**

Changes in interest rates do not impact on the value of cash / cash equivalent balances but they will affect the interest income received on those balances. Changes to both the fair value of assets and the income received from investments impact on the net assets available to pay benefits.

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.

Currency Risk – Sensitivity Analysis

The sensitivity of the Fund's investments to changes in foreign currency rates have been analysed using a 6.11% movement in exchange rates in either direction for 31 March 2015. 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 6.11% fluctuation is considered reasonable.

A 6.11% strengthening or weakening of Sterling against the various currencies at 31 March 2015 would have increased or decreased the net assets by the amount shown in the following table.

Currency Exposure by Asset Type	31 March 2015	Value on increase	Value on decrease
	£000	£000	£000
		+6.11%	-6.11%
Fixed interest securities	-	-	-
Equities – quoted	435,060	461,642	408,478
Index-linked securities	5,749	6,100	5,398
Pooled investment vehicles	183,348	194,551	172,145
Property - unit trusts	7,802	8,279	7,325
Cash deposits	8,692	9,223	8,161
Total	**640,651**	**679,795**	**601,507**

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 in the currency 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 below.

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**

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.

Currency Exposure by Significant Currency

The Fund's most significant currency exposures are to US Dollars and EUROs, data on currency risk of 7.78% for the US Dollar and 6.15% for the EURO was provided by State Street Investment Analytics. Strengthening or weakening of Sterling against US Dollars and EUROs at 31 March 2015 would have increased or decreased the net assets by the amounts shown in the following table.

Asset Type	31 March 2015	Percentage Change	Value on increase	Value on decrease
	£000	%	£000	£000
US Dollars	385,577	7.78	415,575	355,579
EUROs	134,565	6.15	142,841	126,289
Total	**520,142**		**558,416**	**481,868**

Data on currency risk of 8.07% for the US Dollar and 6.31% for the EURO was provided by State Street Investment Analytics. Strengthening or weakening of Sterling against US Dollars and EUROs at 31 March 2014 would have increased or decreased the net assets by the amounts shown in the following table.

Asset Type	31 March 2014	Percentage Change	Value on increase	Value on decrease
	£000	%	£000	£000
US Dollars	294,242	8.07	317,987	270,497
EUROs	140,062	6.31	148,900	131,224
Total	**434,304**		**466,887**	**401,721**

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 2015 was £9.067m in an instant access Lloyds TSB account and £4.507m in an instant access Federated Short-Term Sterling Prime Fund, a AAA rated money market fund. (On 31 March 2014 £9.293m was invested in an instant access Lloyds TSB account and £8.195m in an instant access Federated Short-Term Sterling Prime Fund.) 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 2014		31 March 2015
£000		**£000**
146,506	Aviva	169,885
74,606	Blackstone	79,693
123,618	Pantheon Private Equity	140,206
45,306	Partners Group	46,203
343	Hg Capital	487
390,379		**436,474**

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 £1.3m (£1.7m in 2013/14) for administration costs incurred by the County Council on behalf of the Pension Fund. The County Council is also the single largest employer of members of the Pension Fund and contributed £31.7m to the Fund in 2014/15 (£32.1m in 2013/14).

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 2015, the Fund had an average investment balance of £11.4m (£9.1m 2013/14), earning interest of £75k (£61k 2013/14).

There are two 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 £50,000, the value required for further detailed disclosure. No exit package has been agreed during the year in respect of these officers.

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 2014 £000	Current Assets and Liabilities	31 March 2015 £000
	Current Assets	
7,494	Contributions due from employers 31 March	8,084
17,446	Cash balances (not forming part of the investment assets)	13,466
2,320	Other current assets	805
27,260	**Total Current Assets**	**22,355**
	Current Liabilities	
(956)	Management charges	(640)
(872)	HM Revenue and Customs	(813)
(760)	Unpaid benefits	(485)
(1,935)	Other current liabilities	(3,208)
(4,523)	**Total Current Liabilities**	**(5,146)**
22,737	**Net Current Assets**	**17,209**

31 March 2014 £000	Current Assets and Liabilities	31 March 2015 £000
	Current Assets	
2,434	Central government bodies	2,365
5,413	Other local authorities	4,910
6	NHS bodies	6
17,583	Public corporations and trading funds	13,527
1,824	All other bodies	1,547
27,260	**Total Current Assets**	**22,355**
	Current Liabilities	
(872)	Central government bodies	(813)
(296)	Other local authorities	(1,907)
-	NHS bodies	-
(2,243)	Public corporations and trading funds	(1,774)
(1,112)	All other bodies	(652)
(4,523)	**Total Current Liabilities**	**(5,146)**
22,737	**Net Current Assets**	**17,209**

16. Taxes on Income

2013/14 £000	Taxes on Income	2014/15 £000
-	Witholding tax - fixed interest securities	-
1,540	Witholding tax - equities	1,310
1,540	**Total Taxes on Income**	**1,310**

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 Finance Act 2004 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 2015 is £1,581m (31 March 2014 £1,175m), but 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 from 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 2014 £000		31 March 2015 £000
3,084,572	Present value of funded obligation	3,750,269
1,909,599	Fair value of scheme assets	2,169,097
1,174,973	**Net Liability**	**1,581,172**

The Present Value of Funded Obligation consists of £3,581m (£2,698m at 31 March 2014) in respect of Vested Obligation and £169m (£386m at 31 March 2014) 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 2014		31 March 2015
3.6%	RPI increases	3.2%
2.8%	CPI increases	2.4%
4.6%	Salary increases	4.2%
2.8%	Pension increases	2.4%
4.5%	Discount rate	3.3%

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 yield 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 market implied inflation curve. The RPI assumption is therefore 3.2% per annum. This is consistent with the approach used at the last accounting date.

As future pension increases are expected to be based on CPI rather than RPI, the Actuary has made a further assumption about CPI which is that it will be 0.8% below RPI i.e. 2.4%.

Salaries are then assumed to increase at 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 2015 are:

Contractual Commitments	**Amount Paid as at 31 March 2014**	**Amount Paid as at 31 March 2015**	**Total Contractual Commitment**
	$000	**$000**	**$000**
Pantheon Asia Fund V LP	21,000	21,425	25,000
Pantheon Asia Fund VI LP	13,395	19,035	47,000
Pantheon USA Fund VII Limited	17,999	18,318	21,250
Pantheon USA Fund VIII Feeder LP	50,325	55,575	75,000
Pantheon Global Secondary Fund IV Feeder LP	10,440	9,975	15,000
Partners Group Global Resources 2009, LP	29,316	27,237	35,000
	142,475	**151,565**	**218,250**
	€000	**€000**	**€000**
Pantheon Europe Fund V "A" LP	15,497	15,497	18,125
Pantheon Europe Fund VI LP	39,975	49,010	65,000
Partners Group Global Real Estate 2008 SICAR	22,447	22,996	25,000
Partners Group Global Infrastructure 2009 SICAR	18,901	20,087	25,000
	96,820	**107,590**	**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 2015 is the same as the total contractual commitment at 31 March 2014.

On 31 March 2015 there were 5 group transfers to the Fund under discussion with other Funds (3 on 31 March 2014), with the value of the transfers being negotiated between the Funds' actuaries. On 31 March 2015 there were 2 group transfers from the Fund under discussion with other Funds (0 on 31 March 2014), with the value of the transfers 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. Prudential's contributions, investment income and benefits paid data was not available when these accounts were drafted, the total value of these transactions for 2014/15 are assumed to be similar to the values in 2013/14. These amounts are not included in the Pension Fund Net Assets Statement in accordance with regulation 5(2)c of the Pension Scheme (Management and Investment of Funds) Regulations 1998 (SI 1998 No 1831).

2013/14	Prudential	2014/15
£000		£000
4,973	Value of AVC fund at beginning of year	5,207
755	Employees' contributions and transfers in	755
308	Investment income	308
(829)	Benefits paid and transfers out	(829)
5,207	**Value of AVC fund at year end**	**5,441**

1.11.2013 - 31.10.2014	Clerical Medical	1.11.2014 - 31.10.2015
£000		£000
3,524	Value of AVC fund at beginning of year	3,913
267	Employees' contributions	198
469	Investment income	197
(347)	Benefits paid and transfers out	(520)
3,913	**Value of AVC fund at year end**	**3,788**

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
Aylesbury Town Council
Bletchley & Fenny Stratford Town Council
Buckingham Town Council
Buckinghamshire Care
Buckinghamshire Support
Burnham Parish Council
Campbell Park Parish Council
Chalfont St Giles Parish Council
Chalfont St Peter Parish Council
Chepping Wycombe Parish Council
Chesham Town Council
Chiltern Crematorium
Chilterns Conservation Board
Coldharbour 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
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
Bourne End Academy
Brill CofE School
Bourton Meadow Academy
Bridge 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
George Grenville Academy
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
Kents Hill School
Lord Grey School
Loudwater Combined School
Loughton School
Middleton Primary
Milton Keynes Academy
Milton Keynes College
Milton Keynes Development Partnership
Milton Keynes Service Partnership
New Bradwell Combined School
New Chapter Primary School
Oakgrove School
Olney Infant School
Orchard Academy
Ousedale School
Overstone Combined School
Oxley Park Academy
PCC for Thames Valley
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
Wyvern 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

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.

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.

Current Assets

These are short-term assets which are constantly changing in value, such as stocks, trade receivables 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.

Dedicated Schools Grant (DSG)

A specific grant that is issued by the Department for Education and pass ported directly to Schools by means of a funding formula.

Deferred Benefits

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

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.

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.

Non – Current 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.

Trade and Other Payables

This is someone who is owed money.

Trade and Other Receivables

This is someone who owes money.

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 trade receivables 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 trade payables 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 trade receivables 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.

The Audit Findings Report for Buckinghamshire County Council

Year ended 31 March 2015

14 September 2015

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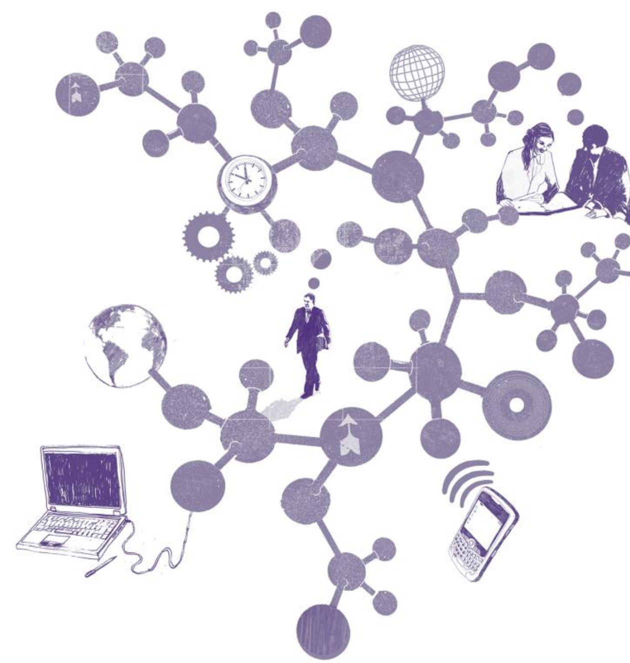

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14 September 2015

Dear Richard

Audit Findings for Buckinghamshire County Council for the year ending 31 March 2015

This Audit Findings report highlights the significant findings arising from the audit for the benefit of those charged with governance (in the case of Buckinghamshire County Council, the Regulatory and Audit Committee) , as required by International Standard on Auditing (UK & Ireland) 260. Its contents have been discussed with the Director of Assurance.

As auditors we are responsible for performing the audit, in accordance with International Standards on Auditing (UK & Ireland), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

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.

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

Yours sincerely

Paul Grady
Engagement Lead

Contents

Section 1: Executive summary

Executive summary

Purpose of this report

This report highlights the key matters arising from our audit of Buckinghamshire County Council's (your) financial statements for the year ended 31 March 2015. 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 260 (ISA UK&I).

Under the Audit Commission's Code of Audit Practice we are required to report whether, in our opinion, your financial statements present a true and fair view of the financial position and expenditure and income for the year and whether they have been properly prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting. We are also required to reach a formal conclusion on whether you have put in place proper arrangements to secure economy, efficiency and effectiveness in your use of resources (the Value for Money conclusion).

Introduction

In the conduct of our audit we have not made any changes from our planned audit approach, which we communicated to you in our Audit Plan dated 15 April 2015.

Our audit is substantially complete, subject to the finalisation of our work in the following areas:

- review of the final version of the financial statements
- receipt and review of the final management letter of representation
- updating our post balance sheet events review, to the date of signing the opinion
- senior manager and quality reviews
- completion of Whole of Government Accounts review

We received draft financial statements and the majority of accompanying working papers at the start of our audit, in accordance with the agreed timetable.

Key issues arising from our audit

Financial statements opinion

We anticipate providing an unqualified opinion in respect of the financial statements.

The key messages arising from our audit of your financial statements are:

- working papers provided were generally of a good quality standard
- some delays were experienced in response to our audit queries and in the provision of support to evidence key judgements and balances.

From 2017/18, you will be required to produce draft accounts by 31 May, and secure an audit opinion by 31 July. Achieving these earlier deadlines will require redesign of some of your closedown processes, arrangements and internal business processes. The audit process is also an important part of this. We have worked with many large clients to successfully implement faster close and will work with you during the coming year to support you in achieving the earlier deadlines, two years before the statutory deadlines are brought forward.

We have identified two adjustments which management has agreed to correct in the final financial statements. One of these adjustments affects your reported financial position, and relates to adjustments to the pension charge for the year. The draft financial statements for the year ended 31 March 2015 recorded net expenditure of £814,796k . This will be amended to £812,789k in the amended, audited financial statements.

We identified two unadjusted misstatements which have not been made to the accounts relating to the annual depreciation charge and the carrying value of the long term Adult Social Care re-provisioning receivable. We have also identified a number of adjustments to improve the disclosures and presentation of the financial statements.

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

Value for Money conclusion

In seeking to satisfy ourselves that you have made proper arrangements for securing economy, efficiency and effectiveness in your use of resources, we have considered reports issued by regulators. During the year of audit, in August 2014, a report on the Inspection of services for children in need of help and protection, looked after children and care leavers, and review of effectiveness of the Local Safeguarding Children Board concluded that, overall, children's services in Buckinghamshire County Council were judged to be inadequate. You have been responsive to the issues identified by the inspection and undertaken a series of actions, as part of a two year strategy, to improve children's services. You are one year into this improvement strategy and, whilst progress appears on track and in line with trajectory, full completion of the improvement programme is not due to be achieved until later in 2016.

Based on our review, with the exception of the matter set out above, we are satisfied that in all significant respects you have put in place proper arrangements to secure economy, efficiency and effectiveness in your use of resources for the year ended 31 March 2015.

Further detail of our work on Value for Money is set out in section three of this report.

Whole of Government Accounts (WGA)

We will complete our work in respect of the Whole of Government Accounts in accordance with the national timetable.

Controls

Roles and responsibilities

Management is responsible for the identification, assessment, management and monitoring of risk, and for developing, operating and monitoring the system of internal control.

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 report these to you.

Findings

We draw your attention in particular to control issues identified in relation to the following:

- A control issue was identified in relation to the monitoring of infrastructure assets on the fixed assets system.
- A controls issue was identified in respect of schools bank reconciliations
- 7 IT control issues were identified in relation to segregation of duties for SAP users. These are not individually significant and have been communicated separately to your IT team for action.

Further details are provided within section two of this report.

The way forward

Matters arising from the financial statements audit and review of your arrangements for securing economy, efficiency and effectiveness in your use of resources have been discussed with the Director of Assurance.

We have made a number of recommendations, which are set out in the action plan in Appendix A. Recommendations have been discussed and agreed with the Director of Assurance, the finance team and the SAP service manager.

Acknowledgment

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

Grant Thornton UK LLP
14 September 2015

Section 2: Audit findings

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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 the 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 15 April 2015. We also set out the adjustments to the financial statements arising from our audit work and our findings in respect of internal controls.

Key messages arising from the audit

You should be commended for the overall clarity and transparency of the format in which the financial statements are presented, which is understandable and accessible to the lay-reader. The financial statements were prepared three weeks earlier in 2014/15 than in previous periods. However, there was an increase in casting and other quality and presentation errors, in part due to the new accounting requirements around schools assets. Further revisions to your project planning and timetabling should be undertaken to ensure that adequate time is available for quality review procedures to be carried out over the draft accounts before they are submitted for audit.

We have engaged with you throughout the year in relation to a number of challenging technical issues and judgement, including consideration of the need for group accounts, changes to the accounting policy for recognition of school assets and the accounting treatment for de-recognition of schools on transfer to Academy status.

You have made progress during the year in relation to the provision of timely and comprehensive working papers. However delays were still experienced in relation to providing evidence to support samples and key judgements and in response to audit queries.

In particular, delays were experienced in the provision of audit evidence for payroll, creditors and property, plant and equipment, the three most significant areas of account in your financial statements. Significant delays were experienced in our testing of payroll expenditure for schools using Strictly Education as a payroll provider, and a transaction listing for the year was not provided until mid-July, 6 months later than it was first requested (in January) and 3 months later than the revised agreed date of provision (in April). These delays prolong the audit process and risk incurring additional costs to the Council and, ultimately, the taxpayer. They also increase the risk that you will not be able to implement the faster close deadlines which will become a statutory requirement in future years. We will work with you during the coming year to support you in achieving the earlier deadlines, sharing our experience of best practice and lessons learnt from others who have already undertaken this journey with whom we have worked.

Notwithstanding the above issues, relationships between the audit team and finance department have remained strong, with a shared understanding of issues and underlying causes and drivers. Both teams have continued to work closely, and in partnership, to limit the impact of this situation and resolve the issues. Management has taken ownership of the issues and is committed to improvement. Furthermore, whilst the process of preparation for the audit should be strengthened, management and the finance department are effective in retaining sufficient overall strategic knowledge and experience, such that the significant accounting decisions and material account entries are appropriate and accurate, and the overall quality of the audited financial statements is high.

Changes to Audit Plan

We have not made any changes to our Audit Plan as previously communicated to you on 14 April 2015.

Audit opinion

Our proposed unqualified audit opinion is set out in Appendix B.

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 (UK&I) 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 (UK&I) 240 there is a presumed risk that revenue may be misstated due to improper recognition This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition. Although we have rebutted the significant risk presumption we are still required to perform testing to address the inherent risk of improper revenue recognition.	• review and testing of revenue recognition policies • testing of material revenue streams	We have determined that the risk of fraud arising from revenue recognition could be rebutted. Subject to the satisfactory completion of outstanding work as set out on page 5, our audit work has not identified any issues in respect of revenue recognition.
2.	**Management override of controls** Under ISA (UK&I) 240 there is a presumed risk of management over-ride of controls	• review of accounting estimates, judgements and decisions made by management • testing of journal entries • review of unusual significant transactions	Subject to the satisfactory completion of outstanding work as set out on page 5, 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. We set out later in this section of the report our work and findings on key accounting estimates and judgments.

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. Recommendations, together with management responses, are attached at Appendix A.

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
Operating expenses	Creditors understated or not recorded in the correct period	We have undertaken the following work in relation to this risk: • documented our understanding of processes and key controls over the transaction cycle and undertaken walkthrough of the key controls • Substantive testing of operating expenditure payments for the year • Substantive testing of year end payable balances • Testing f the reconciliation of operating expenditure recorded in the general ledger to subsidiary systems and interfaces • Cut off testing to assess whether transactions are recorded in the correct period and procedures to gain assurance that material goods and services received prior to the year end are correctly accrued for	Subject to the satisfactory completion of outstanding work as set out on page 5, our audit work has not identified any significant issues in relation to the risk identified
Employee remuneration	Employee remuneration and benefit obligations and expenses understated	We have undertaken the following work in relation to this risk: • documented our understanding of processes and key controls over the transaction cycle and undertaken walkthrough of the key controls • Substantive testing of employee remuneration expenditure payments for the year • Testing of the reconciliation of payroll expenditure recorded in the general ledger to subsidiary systems and interfaces • Trend analysis and risk identification for monthly payroll costs • Testing to confirm the completeness of payroll transactions and appropriate cut-off	Subject to the satisfactory completion of outstanding work as set out on page 5, our audit work has not identified any significant issues in relation to the risk identified

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Group audit scope and risk assessment

ISA (UK&I) 600 requires that as Group auditors we obtain sufficient appropriate audit evidence regarding the financial information of the components and the consolidation process to express an opinion on whether the group financial statements are prepared, in all material respects, in accordance with the applicable financial reporting framework.

Component	Nature of entity	Your group assessment	Audit approach	Assurance gained & issues raised
Adventure Learning Foundation	Charity providing outdoor education and sports services	Not under the control of the Council	Reviewed governance arrangements for the charity at year-end to check whether it falls under the Council's control	Our audit work has not identified any issues in respect of the Council's group assessment
Buckinghamshire Care Ltd and Buckinghamshire Support Ltd	Limited companies providing care and support services to older people and adults with a disability	Under the control of the Council – entity not sufficiently material to require consolidation	Reviewed the final reported position for 2014/15 to confirm whether the company is material to the Council's accounts	Our audit work has not identified any issues in respect of the Council's group assessment
Buckinghamshire Law Plus	Limited company providing legal services to not-for-profit and other public sector entities	Under the control of the Council – entity not sufficiently material to require consolidation	Reviewed the final reported position for 2014/15 to confirm whether the company is material to the Council's accounts	Our audit work has not identified any issues in respect of the Council's group assessment
Buckinghamshire Learning Trust	Charity delivering services to schools and early year settings	Not under the control of the Council	Reviewed governance arrangements for the charity at year-end to check whether it falls under the Council's control	Our audit work has not identified any issues in respect of the Council's group assessment
Buckinghamshire Museum Trust	Charity overseeing the running of Buckinghamshire County Museum	Not under the control of the Council	Reviewed governance arrangements for the charity at year-end to check whether it falls under the Council's control	Our audit work has not identified any issues in respect of the Council's group assessment

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 within your financial statements.

Accounting area	Summary of policy	Comments	Assessment
Revenue recognition	You have three principal revenue streams • council tax income, which is recognised in the year that the tax was levied • grant income, which is recognised in accordance with the grant, whether specific or non-specific; • Income from fees and charges in the provision of services, which is recognised when the service has been provided or when title to goods has passed	The revenue recognition policies are appropriate and in accordance with the CIPFA Code and International Financial Reporting Standards (IFRS)	Green

Estimates and judgements	• Significant estimates and judgements include:
	  • group boundaries
	  • useful life of capital equipment
	  • pension fund valuations and settlements
	  • land and building revaluations
	  • expenditure accruals
	  • allowance for doubtful debt
	  • accounting treatment for the Energy from Waste scheme
		On the basis of our findings from our audit procedures performed we have the following comments:
		• The disclosure provided within the draft accounts in relation to the accounting policy adopted for school assets and the judgement that group accounts are not required should be enhanced and shown explicitly as critical judgements. Management has agreed to enhance these judgements in the final financial statements.
		• In all other significant respects judgements and estimates have been disclosed appropriately and adequately in accounting policies
		• No evidence has been identified during our audit to suggest management has not exercised appropriate and reasonable judgement
			Amber

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

Accounting policies, estimates & judgements continued

Accounting area	Summary of policy	Comments	Assessment
Judgements - local authority maintained school premises	You have adopted an accounting policy of recognising foundation school land and building assets on the Balance Sheet and not recognising voluntary-aided and voluntary-controlled school assets, on the basis of a judgement by management with regard to the degree of control that the Council has over the use of school assets.	• We have reviewed the appropriateness of the accounting policy adopted in respect of schools land and building assets and have confirmed it to be appropriate and backed by reasonable judgement and evidence	● Green
Judgements – local authority maintained school academy transfers	You have applied an accounting policy of reversing out of the general fund all charges recognised in respect of the loss arising on the de-recognition of schools on transfer to academy status. This treatment is supported by CIPFA's supplementary commentary to LAAP bulletin 103. Background During the year three schools recognised on your balance sheet transferred to academy status, of which one, Beaconsfield High School, was owned by the school governing body and was only recognised in the accounts by virtue of the Council's control of the school as an entity. As a result of amendments to the Code for 2014/15, it was initially unclear whether the Capital Regulations permit losses relating to de-recognition assets controlled by other group entities to be reversed out of the general fund, however CIPFA have now clarified that this is possible in their supplementary commentary to LAAP bulletin 103.	• You have performed an assessment of the appropriateness of the accounting treatment to adopt in respect of the de-recognition of schools on transfer to academy status • We have reviewed the appropriateness of the accounting policy adopted in respect of the de-recognition of schools on transfer to academy status and conclude it to be appropriate and backed by reasonable judgement	● 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

Accounting policies, estimates & judgements continued

Accounting area	Summary of policy	Comments	Assessment
Estimates - depreciation	You have estimated the depreciation charge of the year based upon the opening balance of non-current assets and do not depreciate the re-valued proportion of an asset in its first year following revaluation; under your accounting policy revaluation gains are instead depreciated in the year following revaluation.	• We have reviewed management's assessment of the impact of depreciating based upon the re-valued amount which confirms that the depreciation charge would have been reduced were it based upon the re-valued amount in 2014/15. We accept that the basis of estimation of depreciation adopted is materially appropriate in 2014/15. • There is a risk that applying this basis of estimation of depreciation could result in material misstatement of the depreciation charge recognised in the accounts in future years, for example if there were significant valuation movements	● Amber
Accounting policies – land and building valuations	You apply an accounting policy of revaluating property, plant and equipment land and building assets on a five-year rolling programme.	• As we reported to you within our Audit Findings Report in 2013/14, we do not consider your current approach to performing asset revaluations to be in line with the CIPFA Code. • The CIPFA Code, paragraph 4.1.2.35, which is based upon IAS 16 "Property, Plant and Equipment", requires councils to value all items within a class of property, plant and equipment simultaneously. This paragraph of the Code does permit a class of assets to be re-valued on a rolling basis provided that: - the revaluation of the class of assets is completed within a "short period"; and - the revaluations are kept up to date • In our view, we would normally expect this "short period" to be within a single financial year. This is because the purpose of simultaneous valuations is to "avoid reporting a mixture of costs and values as at different dates". This purpose is not met where the revaluation programme for a class of assets straddles more than one financial year. We understand CIPFA is updating the Code of Practice in 2015/16. We will reassess your policy in 2015/16 in light of any change to the reporting framework. • The approach that you have adopted is similar to many other authorities and you have demonstrated that the carrying amount of property, plant and equipment based upon these valuations does not differ materially from their fair value at 31 March 2015.	● Amber

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

Accounting policies, estimates & judgements continued

Accounting area	Summary of policy	Comments	Assessment
Going concern	The Directors have a reasonable expectation that the services provided will continue for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.	We have reviewed the Directors' assessment and are satisfied with managements' assessment that the going concern basis is appropriate for the 2014/15 financial statements.	● Green
Other accounting policies	We have reviewed your 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	● Green

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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

Other communication requirements

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

	Issue	Commentary
1.	**Matters in relation to fraud**	• We have previously discussed the risk of fraud with the Regulatory and Audit Committee and been made aware of low-level frauds identified and investigated by your internal auditors. We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit.
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 letter of representation has been requested from you.
4.	**Disclosures**	• Our review found that your disclosures in relation to the judgements regarding group accounts, recognition of school land and buildings, and de-recognition of school land and building assets on transfer to Academy status, provided in the draft financial statements, should be enhanced and disclosed explicitly as critical judgements. Management have agreed to enhance these disclosures in the final version of the financial statements. • Our review also identified that additional disclosure was required to show a breakdown of items included within the "Adjustments to net surplus on deficit on the provision of services for non-cash movements" and "Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities" lines in the cash flow statement. • These and other disclosure and misclassification amendments are detailed on page 22.
5.	**Matters in relation to related parties**	• We are not aware of any related party transactions which have not been disclosed
6.	**Confirmation requests from third parties**	• We obtained direct confirmations from Dexia Crédit Local, Europäische Pfandbrief, Greater Manchester Pension Fund and the Public Works Loans Board for loans and requested from management permission to send confirmation requests to counterparties for bank and investment balances . This permission was granted and the requests were sent. All of these requests were returned with positive confirmation.

Internal controls

The purpose of an audit is to express an opinion on the financial statements. Our audit included consideration of internal controls relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. We considered and walked through the internal controls for Employee Remuneration and Operating Expenses as set out on page 10 above. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards, as set out in the table below. These and other recommendations, together with management responses, are included in the action plan attached at Appendix A.

	Assessment	Issue and risk	Recommendations
1.	● Deficiency	• We have noted that you do not separately show individual transport infrastructure assets on the fixed asset system, but rather record a single cumulative total for the year. • This means that in the event of significant impairments of transport infrastructure assets occurring it would be difficult to establish the proportion of the carrying value of infrastructure assets that had become impaired	• Separately identify transport infrastructure assets on the fixed asset system
2.	● Deficiency	• We have identified errors on two school bank reconciliations whereby payroll expenditure for the schools in question for a portion of the year was not posted to the schools' cash accounts. In both cases this error related to schools that previously used the external payroll provider Strictly Education that have transferred back to your main payroll. This was also an issue in 2013/14 (see page 19)	• Ensure further progress is made to resolve the issues identified around school bank reconciliations
3.	● Deficiency	• We have identified 7 separate control weakness in relation to segregation of duties and user access rights on SAP. These are not individually significant and we have communicated these issues to your IT team	• Resolve the segregation of duties and user access rights issues identified on SAP

Assessment

● Significant deficiency – risk of significant misstatement

● Deficiency – risk of inconsequential misstatement

Internal controls – review of issues raised in prior year

	Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
1.	✓	• We identified that dummy journals were posted in order to activate ledger codes. We recommended that this practice should be discontinued as it increases the risk of an incorrect journal being posted which could materially alter the financial statements or be used to conceal fraudulent activity	• Management has confirmed that officers have ceased the practice of posting such journals • We have performed risk-based testing of journal entries and have not noted evidence of any such journal entries for 2014/15
2.	✓	• We identified that supporting documentation was not held on SAP for 7 manual journals that we selected for testing. We recommended that supporting documentation should be maintained for all manual journal postings	• We have confirmed that you have taken steps to ensure that supporting documentation is held on SAP in relation to all manual journal postings • We have performed risk-based testing of journal entries and have obtained appropriate supporting evidence for all journal entries in our sample
3.	✓	• We identified that there had been incorrect coding of recharges on the ledger as if they were genuine income and expenditure transactions. You identified and removed all material recharges from all County income and expenditure codes and we recommended that you undertake an exercise to address recharge mispostings on school income and expenditure codes	• We have confirmed that you have identified and removed all material recharges from all County income and expenditure codes and that you have corrected all significant recharge mispostings on school income and expenditure codes.
4.	✓	• During our work on your creditor balances we found a number of very old creditors and also debit balances. We recommended that you analyse your creditor balance to remove any debit balances and / or aged balances which are no longer relevant	• We have substantively tested year end creditor balances and have not noted any concerns in relation to old creditors and debit balances within creditors.

Assessment
✓ Action completed
X Not yet addressed

Internal controls – review of issues raised in prior year

	Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
5.	✓	• We noted during testing that there is no way to obtain a listing of school employee leaver forms from outside the HR system, which makes it difficult to gain assurance over the completeness of school leavers, heightening the risk that an employee continues to be paid after leaving employment beyond their contract. We recommended that you implement a system to provide assurance that all school leavers are processed on the HR system	• Management have confirmed that a new system for processing school leaver forms has been implemented during the year • We have tested payroll expenditure for the year inclusive of employee remuneration expenditure for leavers and have identified no instances of remuneration for leavers having been calculated incorrectly
6.	X	• We identified a number of issues with school three-way bank reconciliations: some were only a two-way reconciliation, not all were performed on the 31st March, some bank figures used did not agree to the bank statements, and some contained old reconciling items which have not been cleared. We recommended that you take steps to ensure that school bank reconciliations are prepared appropriately and consistently	• Though we have noted that the quality of school three-way bank reconciliations has improved compared to 2013/14, we have identified errors on two school bank reconciliations whereby payroll expenditure for the schools in question for a portion of the year was not posted to the schools' cash accounts • Further progress is required in order resolve the issues identified around school bank reconciliations

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Assessment
✓ Action completed
X Not yet addressed

Adjusted misstatements

A number of required adjustments to the draft financial statements have been identified during the audit process. We are required to report all non-trivial misstatements to those charged with governance, whether or not the financial statements have been adjusted by management. The table below summarises the adjustments arising from the audit which management has agreed to amend in the final financial statements.

Impact of adjusted misstatements

All adjusted misstatements are set out below along with the impact on the primary statements and the reported financial position.

	Detail	Comprehensive Income and Expenditure Account £'000	Balance Sheet £'000	Impact on total net expenditure £000
1	Adjustment to defined benefit pension scheme charges for the year due an error in apportioning the element that relates to Buckinghamshire Care	(2,007)	2,007	(2,007)
2	Adjustment in relation to gains from increases in fair value of Available for Sale Financial Assets *	(625)	625	–
	Overall impact	**(2,632)**	**2,632**	**(2,007)**

* This figure affects the Total Comprehensive income and expenditure, but not Net Expenditure

Unadjusted misstatements

The table below provides details of adjustments identified which we request be processed but which have not been made within the final set of financial statements. The Regulatory and Audit Committee is required to approve management's proposed treatment of all items recorded within the table below:

	Detail	Comprehensive Income and Expenditure Account £'000	Balance Sheet £'000	Reason for not adjusting
1	The re-valued portion of assets as at 1st April 2014 have not been depreciated in the year of revaluation (2014/15). Depreciating these re-valued assets would decrease your depreciation charge by £1.193m. In this scenario your impairment figure would rise to arrive at the same net book value of your revalued assets, meaning that there would be no net impact on your balance sheet. A portion (£224k) of the increased impairment charge to the CI&E account would be offset by past revaluations by a transfer from the revaluation reserve, so the net impact on the CI&E would be to reduce expenditure by £224k.	(1.193) depn charge 1.193 impairment charge (224) revaluation reserve	1.193 depn charge (1.193) impairment charge	The calculation of depreciation is based on a number of accounting estimates. The Council's policy (as stated within the Accounting Policies and previously agreed by members) is to depreciate based on the opening book value of assets. It would now not be practical to re-open the ledger to alter the depreciation approach for this year, however this could be considered for future years.
2	The original model to support the long-term receivable for re-provisioning of social care cannot be located. A second updated model has been prepared to support the basis of the recognition of the receivable in material terms, but this value has not been used in the accounts. Adjusting the carrying value of the receivable to agree to the new model would reduce the receivable by £1.178m.	1,178	(1,178)	The calculation of the long-term debtor is based on a number of accounting estimates (for example the rate of inflation and the discount rate). The re-provisioning calculation dates back to 2005/06 and although the original model cannot be located, this does not mean that the original values provided an inaccurate estimation of the value of the transfers.
	Overall impact	**(954)**	**(1,178)**	

Misclassifications & disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which management has agreed to correct in the final financial statements.

	Adjustment type	Account balance	Impact on the financial statements
1	Disclosure	Accounting policies	A number of accounting policy disclosures that belong in the main body of the accounts were included within the Explanatory Foreword
2	Disclosure	Comprehensive Income and Expenditure Statement	Court Services was included as a service line within the CIES, this is not in line with the Service Reporting Code of Practice (SeRCOP)
3	Disclosure	Balance Sheet	The comparative "third balance sheet" for 2012/13 was stated as showing the position as at 31st March 2013, not 1st April 2013 as is required
4	Disclosure	Cash Flow Statement	No note disclosure was provided to show breakdowns of items included within the "Adjustments to net surplus or deficit on the provision of services for non-cash movements and "Adjustments for items included in the net surplus or deficit on the provision of services that are investing or financing activities" lines in the Cash Flow Statement
5	Disclosure	Cash Flow Statement	The "Repayments of short and long-term borrowing" line within the Investing Activities section in draft Cash Flow Statement for £(3,065) was incorrect as it showed the net cash movement in relation to borrowings; "Repayments of short and long-term borrowing should instead be £11,935k, with a separate line item "Cash receipts of short and long-term borrowing" for £15,000k included within the Cash Flow Statement
6	Disclosure	Critical Judgements	No disclosure in relation to the judgements regarding group accounts, recognition of school land and buildings and de-recognition of school land and building assets on transfer to Academy status was provided in the critical judgements section. These judgements were disclosed elsewhere in the accounts but they warrant inclusion as critical judgements due to their importance to the financial statements
7	Disclosure	Critical Judgements	Change to Highways infrastructure assets estimate from £3.5bn to £9.1bn. The original figure was for infrastructure only (i.e. excluded the land figure).

Misclassifications & disclosure changes (continued)

	Adjustment type	Account balance	Impact on the financial statements
8	Disclosure	Members' Allowances	Member employers NI and employers pension contributions totalling £100k were included within members' salaries disclosed within Note 8 – the Code requires that members' salaries paid to members be disclosed, not the total cost inclusive of employer on-costs
9	Disclosure	Financial Instruments	The fair value of financial liabilities as at 31st March 2015 was disclosed as £329,696k within Note 20 but should be £331,426k
10	Disclosure	Related Party Transactions	Payments made to Buckinghamshire County Museum Trust and Buckinghamshire Learning Trust were disclosed as £390k and £7,940k within Note 9 but should be £645k and £11,560k respectively
11	Misclassification	Collection Fund Adjustment Account	There was a misclassification of £1,051k between the council tax and business rates adjustments posted to the Collection Fund Adjustment Account disclosed in Note 25
12	Disclosure	Various	A number of casting errors were noted within the draft statement of accounts and have been amended
13	Disclosure	Various	A number of other minor disclosure errors were identified and have been amended

Section 3: Value for Money

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Value for Money

Value for money conclusion

The Code of Audit Practice 2010 (the Code) describes your responsibilities to put 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.

We are required to give our VfM conclusion based on two criteria specified by the Audit Commission which support our reporting responsibilities under the Code.

These criteria are:

You have proper arrangements in place for securing financial resilience – you have robust systems and processes to manage effectively financial risks and opportunities, and to secure a stable financial position that enables you to continue to operate for the foreseeable future.

You have proper arrangements for challenging how you secure economy, efficiency and effectiveness – you are prioritising your resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.

Key findings

Securing financial resilience

We have undertaken a review which considered your arrangements against the three expected characteristics of proper arrangements as defined by the Audit Commission:

- Financial governance;
- Financial planning; and
- Financial control.

Overall our work confirmed that you continue to have proper arrangements in place for securing financial resilience.

Challenging economy, efficiency and effectiveness

We have considered your arrangements to challenge economy, efficiency and effectiveness against the following themes:

- Prioritising resources
- Improving efficiency & productivity

In seeking to satisfy ourselves that you have made proper arrangements for securing economy, efficiency and effectiveness in your use of resources, we have considered reports issued by regulators. During the year of audit, in August 2014, a report on the Inspection of services for children in need of help and protection, looked after children and care leavers, and review of effectiveness of the Local Safeguarding Children Board concluded that, overall, children's services in Buckinghamshire County Council were judged to be inadequate. You have been responsive to the issues identified by the inspection and undertaken a series of actions, as part of a two year strategy, to improve children's services. You are one year into this improvement strategy and, whilst progress appears on track and in line with trajectory, full completion of the improvement programme is not due to be achieved until later in 2016.

Overall VfM conclusion

Based on our review, with the exception of the matter set out above, we are satisfied that in all significant respects you have put in place proper arrangements to secure economy, efficiency and effectiveness in your use of resources for the year ended 31 March 2015.

We set out below our detailed findings against six risk areas which have been used to assess your performance against the Audit Commission's criteria.

The table below and overleaf summarises our overall rating for each of the themes reviewed:

Theme	Summary findings
Key indicators of performance	Your key financial indicators demonstrate a track record of strong performance and a stable financial position. Budgetary control is strong, usable reserves levels are adequate in the short term and the Council has appropriate levels of short term cash and cash equivalents. You finished the financial year with a net overspend of £1.16m on revenue expenditure, of which £1.14m was due to your additional spend on Children's Services. This outturn was achieved after your planned use of £11m of reserves. Continually using reserves at this magnitude is not sustainable and you plan to reduce reserves utilisation to £1.4m for 2015-16 and then lower still in the next two years of the Medium Term Financial Plan.
Strategic financial planning	The Medium Term Financial Plan assumes that efficiencies of £15.1m can be achieved due to staff restructuring and use of new delivery vehicles from Future Shape. You have budgeted for savings of £3m to be achieved in 15-16 from service reductions. The Medium Term Financial Plan also depends on generating £2.8m of additional income in 15-16 via developing commercial income streams and making better use of property assets to generate income. This financial outlook is set against expected reductions in government funding (£25.6m reduction in un-ringfenced grants and NNDR from 2014-15 levels is predicted by 2017-18). Although you face a lot of challenges you have a strong track record of delivering to budget and have clearly identified savings and where you hope to generate additional income to close the budget gap over the next three years.

Theme	Summary findings
Financial governance	You have sound arrangements in place in respect of financial governance. You are examining some of the newer governance structures derived by Future Shape and you are further strengthening your risk management strategy and performance management processes. Council meeting minutes demonstrate a good level of member challenge and engagement.
Financial control	You have a strong recent track record on delivering budgets and savings plans, which is indicative of a robust financial control framework. Internal audit have given a positive opinion on the internal control environment and this has been reflected in our work on the external audit of the financial statements and the value for money conclusion.
Prioritising resources	You are continuing to transform service delivery through implementation of your innovative Future Shape programme and are forecasting transformation savings of £7.1m to be attained annually by 2017/18. You have maintained appropriate governance arrangements around your wholly owned delivery models such as Buckinghamshire Care Ltd and have demonstrated adequate monitoring and oversight of expenditure in all major service lines. You have also undertaken steps towards forming a strategic alliance with surrounding authorities to take on additional responsibilities and funding from central government around transport and planning services as part of the government's devolution agenda.
Improving efficiency & productivity	You have been responsive to the findings of the Ofsted report. You have worked to change your strategic and operational structures to overcome the challenges faced by the service, and worked to implement the recommendations put forward by RedQuadrant (the improvement partner appointed by the Department for Education). You have an improvement plan and scorecard in place. You have set up an Improvement Board with an independent Chair which meets every month to focus on seven improvement work-streams. You have involved external partners in the improvement process and circulate minutes to the One Council Board, Education & Social Care Select Committee and Cabinet. Some of your successes have been to implement a more robust structure within the service, develop a more consistent method of assessing case files, reduce the backlog of cases and reduce the reliance on agency staffing. You are making good progress with your plan to make sure practice meets the 'good' standard set out by the Ofsted framework by January 2016, but there are a number of areas where the service is still falling short of national targets. Progress appears on track and in line with your trajectory, and a significant amount of work has been undertaken. However, you recognise you are at present only part way through the improvement journey in ensuring the service is fit for purpose in all respects.

Section 4: Fees, non-audit services and independence

Fees, non-audit services and independence

We confirm below our final fees charged for the audit and provision of non-audit services.

Fees

	Per Audit plan £	Actual fees £
Council audit	117,450	117,450
Buckinghamshire Care Group	18,000	TBC
Total audit fees	**135,450**	**TBC**

Fees for other services {include all fees non audit fees for subsidiaries}

Service	Fees £
Audit related services	
Certification of Teachers' Pension Return	7,000
Non audit related services	
Tax services for Buckinghamshire Care and Buckinghamshire Support	20,000

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 Financial Reporting Council'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.

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Section 5: Communication of audit matters

Communication of audit matters to those charged with governance

International Standard on Auditing ISA (UK&) 260, as well as other (UK&I) 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 your 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 Council's key risks when reaching our conclusions under the Code.

It is your responsibility 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 you are 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		✓

Appendices

Appendix A: Action plan

Rec No.	Recommendation	Priority	Management response	Implementation date & responsibility
1	Resolve the segregation of duties and user access rights issues identified in SAP	Medium	We have been progressing the recommendations and currently 3 out of 7 are fully complete. The remaining recommendations are in progress.	31 December 2015 Adrian Clarke
2	Separately identify transport infrastructure assets on the fixed asset system	Medium	We have initiated a project to implement the changes required by the 2016/17 Code of Practice for Transport Infrastructure Assets. This will include separate identification of appropriate groups of assets on SAP for the 2016/17 Statement of Accounts.	31 March 2016 Elspeth O'Neill
3	Ensure further progress is made to resolve the issues identified around school bank reconciliations	Medium	We are reviewing the current issues and will update procedures and monitoring as a result.	30 November 2015 Clare Bradshaw

Priority
High, Medium or Low

Appendix B: Audit opinion

We anticipate we will provide you with a modified audit report

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

We have audited the financial statements of Buckinghamshire County Council for the year ended 31 March 2015 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow 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 2014/15.

This report is made solely to the members of Buckinghamshire County Council, as a body, in accordance with Part II of the Audit Commission Act 1998 and as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. Our audit work has been undertaken so that we might state to the members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the 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 Assurance and auditor

As explained more fully in the Statement of the Director of Assurance's Responsibilities, the Director of Assurance 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 2014/15, 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 also 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's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Director of Assurance 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 2015 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 2014/15 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.

Matters on which we report by exception

We are required to 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; or
- we issue a report in the public interest under section 8 of the Audit Commission Act 1998; or
- we designate under section 11 of the Audit Commission Act 1998 a 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 in October 2014.

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

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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2014, as to whether the Authority has proper arrangements for:

- securing financial resilience; and
- 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 2015.

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.

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 arrangements for ensuring the effectiveness of Children's Services at the Council and the Local Safeguarding Children's Board in the Buckinghamshire area were judged to be 'inadequate'. This judgement is evidence of weaknesses in the arrangements for improving efficiency and productivity.

Qualified Conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2014, 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 2015.

Certificate

We certify that we have completed the audit of the financial statements of Buckinghamshire County Council in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Paul Grady

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

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September 2015

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Buckinghamshire County Council
County Hall, Walton Street
Aylesbury, Buckinghamshire HP20 1UA

Director of Assurance:
Richard Ambrose

Telephone 0845 3708090
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Grant Thornton UK LLP
Grant Thornton House
Melton Street
Euston Square
London
NW1 2EP

Dear Sirs

Buckinghamshire County Council
Financial Statements for the year ended 31 March 2015

This representation letter is provided in connection with the audit of the financial statements of Buckinghamshire County Council for the year ended 31 March 2015 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 and applicable law.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Financial Statements

We have fulfilled our responsibilities for the preparation of 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 2014/15 ("the Code"); which give a true and fair view in accordance therewith.

We have complied with the requirements of all statutory directions affecting the Council and these matters have been appropriately reflected and disclosed in the financial statements.

The Council has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.

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

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

We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. There are no other material judgements that need to be disclosed.

Except as disclosed in the financial statements:

- there are no unrecorded liabilities, actual or contingent
- none of the assets of the Council has been assigned, pledged or mortgaged
- there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.

We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.

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

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

Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of the Code.

We have considered the adjusted misstatements, and misclassification and disclosures changes schedules included in your Audit Findings Report.

We have considered the unadjusted misstatements schedule included in your Audit Findings Report and attached. We have not adjusted the financial statements for these misstatements brought to our attention as they are immaterial to the results of the Council and its financial position at the year-end

The financial statements are free of material misstatements, including omissions.

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

We believe that the Council’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 Council’s needs. We believe that no further disclosures relating to the Council's ability to continue as a going concern need to be made in the financial statements.

Information Provided

We have provided you with:

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

We have communicated to you all deficiencies in internal control of which management is aware.

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

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.

We have disclosed to you all our knowledge of fraud or suspected fraud affecting the Council involving:

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

We have disclosed to you all our knowledge of any allegations of fraud, or suspected fraud, affecting the Council’s financial statements communicated by employees, former employees, regulators or others.

We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.

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

We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

We are satisfied that the application of our accounting policy to reverse all charges recognised in respect of the loss arising on the de-recognition of schools on transfer to academy status out of the general fund is appropriate.

Annual Governance Statement
We are satisfied that the Annual Governance Statement (AGS) fairly reflects the Council's risk assurance and governance framework and we confirm that we are not aware of any significant risks that are not disclosed within the AGS.

Approval
The approval of this letter of representation was minuted by the Council's Audit Committee at its meeting on 23 September 2015.

Yours faithfully

Signed	…………………………	Signed	…………………………
Name	Richard Ambrose	Name	Richard Scott
Position	Director of Assurance	Position	Chairman of Regulatory & Audit Committee
Date	…………………………	Date	………………………

Signed on behalf of the Council

Grant Thornton

The Audit Findings for Buckinghamshire County Council Pension Fund

Year ended 31 March 2015

23 September 2015

Darren Wells
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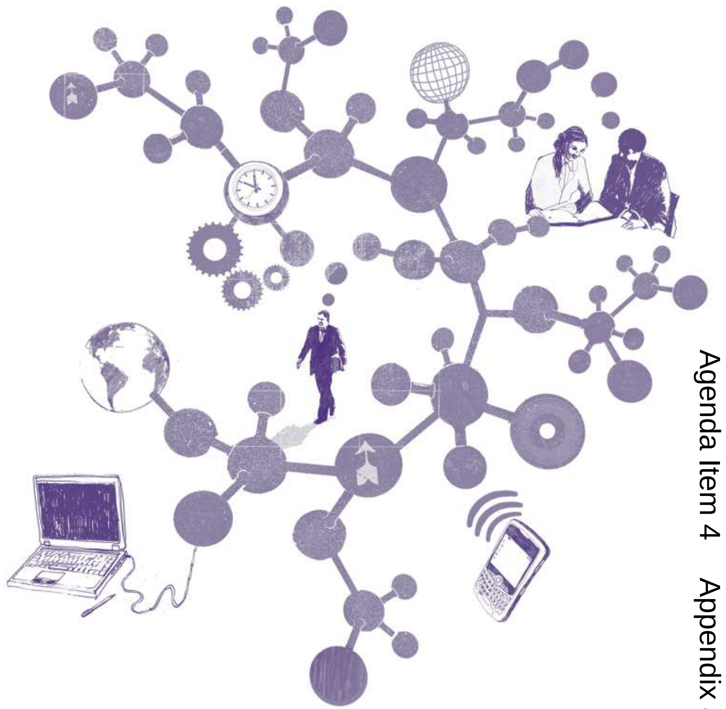

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23 September 2015

Dear Members of the Regulatory and Audit Committee

Audit Findings for Buckinghamshire County Council Pension Fund for the year ending 31 March 2015

This Audit Findings report highlights the significant findings arising from the audit for the benefit of those charged with governance (in the case of Buckinghamshire County Council Pension Fund, the Regulatory and Audit Committee) , as required by International Standard on Auditing (UK & Ireland) 260. Its contents will be discussed with the Regulatory and Audit Committee.

As auditors we are responsible for performing the audit, in accordance with International Standards on Auditing (UK & Ireland), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

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.

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

Yours sincerely

Darren Wells

Engagement Lead

Contents

Section 1: Executive summary

Executive summary

Purpose of this report

This report highlights the key matters arising from our audit of Buckinghamshire County Council Pension Fund's (the Fund) financial statements for the year ended 31 March 2015. 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 260 (ISA UK&I).

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 and expenditure and income for the year and whether they have been properly prepared in accordance with the CIPFA 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 15 April 2015.

We received draft financial statements, Pension Fund Annual Report and accompanying working papers at the start of our audit, in accordance with the agreed timetable.

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

- review of the final adjusted Statements of Accounts and Pension Fund Annual Report
- receipt and review of letter of representation from Chair of the Regulatory and Audit Committee
- updating our post balance sheet events review, to the date of signing the opinion.

Key messages arising from our audit

Financial statements opinion

The key messages arising from our audit of the Pension Fund statements are:

- subject to the satisfactory completion of outstanding audit work outlined above, we anticipate providing an unqualified opinion in respect of the Fund's financial statements
- the Fund's 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's statements
- a small number of minor disclosure amendments were made to the notes to the Fund's statements
- the draft financial statements recorded net assets as at 31 March 2015 of £2,205,758k and the post audit position is unchanged.

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

Controls

Roles and responsibilities

The Council's management is responsible for the identification, assessment, management and monitoring of risk, and for developing, operating and monitoring the system of internal control.

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 report these to the Council as the administering authority.

Findings

Our work has not identified any control weaknesses which we wish to highlight for your attention.

The way forward

Matters arising from the financial statements audit have been discussed with the Director of Assurance and the Fund's finance team.

Acknowledgment

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

Grant Thornton UK LLP
September 2015

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 the findings arising from our work in respect of the audit risks we identified in our Audit Plan presented to the Regulatory and Audit Committee. We also set out the adjustments to the financial statements arising 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 on 15 April 2015.

Audit opinion

We provide two opinions on the Pension Fund, as follows:

- an audit opinion on the Pension Fund financial statements included in the Council's Statement of Accounts
- an opinion on the Pension Fund financial statements included in the Pension Fund Annual Report, which confirms if these financial statements are consistent with the financial statements in the Statement of Accounts.

Our proposed audit opinion on the Pension Fund financial statements in the Statement of Accounts is set out in Appendix A.

We propose to give an unqualified consistency with opinion on the financial statements in the Pension Fund Annual Report.

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 (UK&I) 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 (UK&I) 240 there is a presumed risk that revenue may be misstated due to improper recognition	We rebutted this presumption during the interim phase of the audit, and this was communicated to members as part of the Audit Plan.	Our audit work has not identified any issues in respect of revenue recognition.
2.	**Management override of controls** Under ISA (UK&I) 240 there is a presumed risk of management over-ride of controls	We have undertaken the following work in relation to this risk: • review of accounting estimates, judgements and decisions made by management • walkthrough testing of controls • testing of journal 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. We have not been made aware of nor identified any unusual significant journal transactions. We set out later in this section of the report our work and findings on key accounting estimates and judgments.
3.	**Level 3 Investments** Valuation is incorrect - Level 3 investments by their very nature require a significant degree of judgement to reach an appropriate valuation at year end.	We have undertaken the following work in relation to this risk:: • walkthrough tests of controls on investments • test a sample of valuations by obtaining and reviewing audited accounts at latest date for individual investments and agreeing these to the fund manager reports at that date. Reconciliation of those values to the values at 31st March with reference to known movements in the intervening period. • review the nature and basis of estimated values.	Our audit work has not identified any issues in respect of level 3 investments. .

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	Investment activity not valid. Fair value measurement priced using inputs (other than quoted prices from active markets for identical investments) that are not observable either directly or indirectly not correct. Fair value measurement priced using inputs not based on observable market data (using models or similar techniques) not correct..	We have undertaken the following work in relation to this risk: • documented and confirmed the operation of controls around investment activities • reviewed the reconciliation of information provided by the fund managers, the custodian and the Pension Fund's own records and seek explanations for variances • tested a sample of purchases and sales during the year back to detailed information provided by the fund managers and custodian. • as sufficient assurance was obtained from the work performed above, we did not need to complete the planned predictive analytical review for different types of investments.	Our work is complete and there are no significant issues to bring to your attention.
Contributions	Recorded contributions not correct.	We have undertaken the following work in relation to this risk: • documented our understanding of processes and key controls over the transaction cycle • undertaken walkthrough of the key controls to assess whether those controls were in line with our documented understanding • carried out analytical review of employee and employer contributions • undertaken substantive testing on a sample of contributions received during the year to ensure they were deducted at the correct rate given the changes that have occurred following the introduction of LGPS 2014.	Our work is complete and there are no significant issues to bring to your attention.

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Audit findings against other risks continued

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Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
Benefit payments	Benefits improperly calculated/claims liability understated.	We have undertaken the following work in relation to this risk: • confirmed the existence of controls operated by the Fund to ensure that all benefits are correctly calculated and that the appropriate payments are generated and recorded • rationalised pensions paid with reference to changes in pensioner numbers and increases applied during the year to ensure that any unusual trends were explained. • tested a sample of individual pensions, lump sums and commutations in payment by reference to member files but we did not re-perform any benefit calculations.	Our work is complete and there are no significant issues to bring to your attention.
Member data	Member data not correct.	We have undertaken the following work in relation to this risk: • 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 • also performed sample testing of changes to member data during the year, including the consideration of new starters within this exercise.	Our work is complete and there are no significant issues to bring to your attention. However, we note the report from Altair used to produce the disclosure for contributors, pensioners and deferred pensioners was based on data from May 2015 rather then at year end. The Altair system is a live system and it isn't possible to retrospectively run a member data report. We undertook alternative procedures to assure ourselves that the May 2015 member data report was not materially over stated.

DRAFT

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 Council'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) is 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
Estimates and judgements	• 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.	● Green

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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

Other communication requirements

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

	Issue	Commentary
1.	**Matters in relation to fraud**	• We have previously discussed the risk of fraud with Regulatory and Audit Committee. We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit.
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 has been requested from the Fund.
4.	**Disclosures**	• Our review found no non-trivial 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.	**Confirmation requests from third parties**	• We requested from management permission to seek confirmation of your year end bank and investment balances. This permission was granted and the requests were sent. We are currently awaiting confirmation from your bankers.
7.	**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.

Internal controls

The purpose of an audit is to express an opinion on the financial statements.

Our audit included consideration of internal controls relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. We considered and walked through the internal controls for investments; benefits; contributions membership data and as set out on page 10 and 11 above.

The controls were found to be operating effectively and we have no matters to report to the Regulatory and Audit Committee.

Disclosure changes

A small number of minor amendments were made to the disclosures in the Fund accounts to improve consistency and accuracy.

Section 3: Fees, non-audit services and independence

Fees, non-audit services and independence

We confirm below our final fees charged for the audit.

Fees

	Per Audit plan £	Actual fees £
Total audit fees (excluding VAT)	25,033	25,033

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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 Financial Reporting Council'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: Communication of audit matters

Communication of audit matters to those charged with governance

International Standard on Auditing ISA (UK&) 260, as well as other (UK&I) 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 Council'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 Council 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 Council 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		✓

Appendices

Appendix A: Audit opinion

We anticipate we will provide the Council with an unqualified audit report on the Pension Fund

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

We have audited the Pension Fund financial statements of the Buckinghamshire County Council for the year ended 31 March 2015 under the Audit Commission Act 1998. The Pension Fund financial statements comprise the Pension 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 2014/15.

This report is made solely to the members of the Buckinghamshire County Council, as a body, in accordance with Part II of the Audit Commission Act 1998 and as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. Our audit work has been undertaken so that we might state to the members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the 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 Assurance and auditor

As explained more fully in the Statement of the Director of Finance's Responsibilities, the Director of Assurance is responsible for the preparation of the Authority's Statement of Accounts, which include 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 2014/15, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the pension fund financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards also 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 pension fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Director of Assurance; and the overall presentation of the Pension Fund financial statements.

In addition, we read all the financial and non-financial information in the Explanatory Foreword to identify material inconsistencies with the audited Pension Fund 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 financial statements:

- give a true and fair view of the financial transactions of the Pension Fund during the year ended 31 March 2015 and of the amount and disposition of the fund's assets and liabilities as at 31 March 2015, and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 and applicable law.

Opinion on other matters

In our opinion, the information given in the Explanatory Foreword for the financial year for which the Pension Fund financial statements are prepared is consistent with the Pension Fund financial statements.

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

Grant Thornton UK LLP
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September 2015

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Director of Assurance:
Richard Ambrose

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London NW1 2EP

Dear Sirs

Buckinghamshire County Council Pension Fund – Financial Statements for the year ended 31 March 2015

This representation letter is provided in connection with your audit of the financial statements of Buckinghamshire County Council Pension Fund ('the Fund') for the year ended 31 March 2015 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 2015, and of the amount and disposition at that date of its assets and liabilities in accordance with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 ('the Code').
We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Financial Statements
We have fulfilled our responsibilities for the preparation of the financial statements in accordance with proper practices as set out in the Code; which give a true and fair view in accordance therewith, and for keeping records in respect of contributions received in respect of active members.

We have complied with the requirements of all statutory directions affecting the Fund and these matters have been appropriately reflected and disclosed in the financial statements.

The Council has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.

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

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

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 Fund's particular circumstances for the purpose of giving a true and fair view. Those estimates reflect our judgement 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.

We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. There are no other material judgements that need to be disclosed.

Except as disclosed in the financial statements:
- there are no unrecorded liabilities, actual or contingent
- none of the assets of the Fund have been assigned, pledged or mortgaged
- there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.

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

Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of the Code.

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

The financial statements are free of material misstatements, including omissions.

We believe that the Fund'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 Fund's needs. We believe that no further disclosures relating to the Fund's ability to continue as a going concern need to be made in the financial statements.

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

Information Provided
We have provided you with:

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

We have communicated to you all deficiencies in internal control of which management is aware.

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.

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

We have disclosed to you all our knowledge of fraud or suspected fraud affecting the Fund involving:
- management;
- employees who have significant roles in internal control; or
- others where the fraud could have a material effect on the financial statements.

We have disclosed to you all our knowledge of any allegations of fraud, or suspected fraud, affecting the Fund's financial statements communicated by employees, former employees, analysts, regulators or others.

We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.

There have been no communications with The Pensions Regulator or other regulatory bodies during the year or subsequently concerning matters of non-compliance with any legal duty.

We are not aware of any reports having been made to The Pensions Regulator by any of our advisors.

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

We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

Approval
The approval of this letter of representation was minuted by the Regulatory and Audit Committee at its meeting on 23 September 2015.

Yours faithfully

Signed	…………………………	Signed	…………………………
Name	Richard Ambrose	Name	Richard Scott
Position	Director of Assurance	Position	Chairman of Regulatory & Audit Committee
Date	…………………………	Date	………………………

Signed on behalf of Buckinghamshire County Council as administering body of the Pension Fund

Regulatory And Audit Committee

Title: **INTERNAL AUDIT PROGRESS REPORT 2015/16**

Date: September 2015

Author: Ian Dyson, Chief Auditor

Contact officer: Ian Dyson, Chief Auditor

Local members affected:

For press enquiries concerning this report, please contact the media office on 01296 382444

Introduction

1. The Internal Audit Plan is attached as Appendix 1 to this report, and includes a progress status on the previously reported planned activity.

Resources

2. The Audit Manager has been appointed and joined the Business Assurance Team on 1 September 2015. We have also appointed a Senior Risk Officer who will start in post on 1 October 2015.

   We currently have a CIPFA Trainee on secondment until the end of the financial year, and have submitted a proposal to secure additional resource through the Graduate Placement Scheme who will assist with the delivery of the key financial audits.

Summary of Audit Activity

3. There have been four audits completed since the last report, and two that are currently at draft report stage:

Service	Audit	Opinion
CSC&L	Buckinghamshire Learning Trust Governance	Limited
CSC&L	Families First	N/A (Management Letter)
TEE	ADEPT Accounts	N/A (Management Letter)

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Service	Audit	Opinion
TEE	Joint Waste Committee	N/A (Management Letter)
CSC&L	AMEY Contract – Follow Up Audit	Draft management letter
CSC&L	Client Transport Safeguarding	Draft report

Note:
BSP – Business Services Plus
CH & ASC – Communities, Health and Adult Social Care
CSC & L – Children Social Care and Learning
TEE – Transport, Environment and Economy

The three audits relating to Families First; ADEPT Accounts; and, Joint Waste Committee are all verification audits, checking the accuracy and completeness of grant claims and statement of accounts. There were no significant issues arising from these audits. A summary of the Bucks Learning Trust Governance Audit is attached as appendix 2 to this report.

Performance Indicators

Performance Measure	Target	% Performance Achieved	Comments
Elapsed Time between issue of the final terms of reference and completion of audit work (exit meeting).	3 x day allocation	100%	
Elapsed Time for completion of audit work (exit meeting) to issue of draft report.	15 days	100%	
Elapsed Time between issue of Draft report and issue of Final Report.	15 days	100%	

Counter-Fraud Update - **Investigations**

4. There have been a number of irregularities reported to Internal Audit, under the Anti-Fraud and Corruption strategy, that have required investigation and management review. Internal Audit are either involved in the investigation, or overseeing the management activity:

5. Internal Audit received an allegation relating to a member of staff being in receipt of a monthly travel payment that they were not eligible to receive. Following a short investigation the payment was stopped and the employee has agreed to repay the two travel payments already received.

6. A recent theft and subsequent fraudulent use of a purchasing card from the Youth Offending Service office was report to Internal Audit. The matter has been referred to the Police for further investigation and a management letter has been issued as a reminder of the controls that must be exercised over purchasing cards.

7. Internal Audit are investigating a report of financial irregularity in CSC & L following receipt of information from a neighbouring authority.

8. The Monitoring Officer referred a whistleblowing allegation to Internal Audit for investigation within CSC&L regarding decision making and following agreed policies and procedures. This investigation work is on-going.

9. Internal Audit are, in conjunction with Managers in CSC&L, conducting an investigation into financial irregularity within a specific service area relating to contractor payments. The irregularities were identified by the manager of the service, through their internal check processes. They highlighted weaknesses in the control process which the Manager has taken immediate corrective action to address. The investigation is on-going.

10. Internal Audit are currently working with managers in CHA&SC to consider the fraud risk within the Direct Payments system, and the effectiveness of the controls to mitigate that risk. The work includes reviewing a small number of cases identified by management.

Business Assurance Update

11. The Business Assurance Manager has been working with the One Council Board (OCB) to review and refresh the Strategic Risk Register. Individual meetings will now be held with each of the Managing Directors to update the scores and action plans ahead of reporting to the next meeting of the Risk Management Group (RMG).

12. The Business Assurance Manager attended the HQ Board to discuss and facilitate development of the HQ Risk Register, and to agree future reporting. The HQ risk register will also be presented to the next meeting of the RMG.

13. The Business Assurance Team have been working with TEE and BSP to develop the first draft of their Assurance Frameworks. The assurance mapping exercise details the critical activities within the Business Unit, and the sources of assurance which provide management with confidence that what is needed is being done. This will provide the 1st line of assurance - management controls.

14. Professional Leads have been identified for each of the key corporate processes detailed within the Operating Framework, and each of the leads are developing an Assurance Framework to document how well operations are being carried out across the organisation in line with corporate policies. This provides the 2nd line of assurance.

Background Papers
Appendix 1; Regulatory and Audit Committee 23 Sept 15 - Progress against 2014/15 plan
Appendix 2; Summary of completed audits

APPENDIX 1 Regulatory & Audit Committee 23 September 2015 - Progress against 2014/15 Plan

Business Unit	Qtr Start	Audit	Progress as at 23 September 2015 (Bold = complete)
HQ	1	**Annual Governance Statement** This work will involve collating and analysing the self-assessment Annual Governance Statement questionnaires returned from Managing Directors. This will form key evidence for the production of the Annual Governance Statement. The Chief Internal Auditor will also be liaising with the Professional Leads on the key control processes in compiling the AGS.	**Complete**
HQ	2	**Governance & Financial Management** This audit will focus on reviewing key control processes within the AGS across HQ, specifically: - Performance Monitoring; - Budget Monitoring (incl. General Financial Management and Budget Setting); - Scheme of Financial Delegation (incl. any changes); and - Relationship between HQ and Bus	Planning
HQ	3	**Compliance with Operating Framework** The audit will review the compliance with the Council's Operating Framework, including reporting and escalation processes within the BUs and to HQ	Planning
HQ	3	**Contract Management Application** This audit will follow up on the progress of actions raised in the 2014/15 Internal Audit Report.	Planning

Business Unit	Qtr Start	Audit	Progress as at 23 September 2015 (Bold = complete)
HQ	4	**ICT Audits** Areas to be confirmed	Planning
BSP	3	**Financial Management** The audit will review the financial management arrangements in place within the newly set up business units to ensure that systems and processes are in place which are compliant with agreed Council policies and support the delivery of the business unit's objectives.	Planning
BSP	3	**Payroll** The Payroll process from starter to leaver is managed by HR and the 'Reward' and 'Employee Lifecycle' Teams which are part of the BSP Business Unit. Payroll services are also provided by Bucks County Council to external organisations and some academy schools. The audit will review the processes for delivering payroll services to ensure that employees are paid correct amounts on a timely basis.	Planning
BSP	3	**Pensions** This audit will review the Council's processes for managing the Pension Fund, as well as the processes for administering members of the scheme.	Planning
BSP	4	**General Ledger (incl. interfaces)** The audit will review the internal controls in place for managing and monitoring the Council's General Ledger, to ensure they are adequate and effective.	Planning
BSP	3	**Accounts Receivable (incl. Cash Receipting)** This review will focus on the effectiveness of the processes and controls adopted by the Council for administering income due and managing its debts.	Planning

Business Unit	Qtr Start	Audit	Progress as at 23 September 2015 (Bold = complete)
		The audit will also include a review of the Council's cash receipting processes.	
BSP	4	**Accounts Payable** The audit will review the Council's process for raising orders and paying invoices, to ensure only authorised goods are paid for.	Planning
BSP	3	**Bucks Law Plus** This audit will look at the governance arrangements in place and the effectiveness of key management controls within BLP.	Planning
TEE	1	**Joint Waste Committee Return** This work is an audit of the Annual Return 2014/15 for the Buckinghamshire Joint Committee on Waste.	**Complete**
TEE	2	**ADEPT Accounts** This work is an audit of the Association of Directors of Environment, Economy, Planning & Transportation accounts, of which the Strategic Director, Communities and Built Environment, is the Honorary Secretary & Treasurer.	**Complete**
TEE	3	**TfB Contract** This review will focus on the contract management arrangements in place over the TfB contract, including financial management.	Planning
TEE	4	**Bucks Local Enterprise Partnership** Whilst the Bucks LEP is independent from Buckinghamshire County Council, the S151 Officer has accountability for ensuring there are adequate and effective accounting systems in place. This audit will review the financial systems and procedures, reporting to both the S151 Officer, and the Bucks LEP	Planning

Business Unit	Qtr Start	Audit	Progress as at 23 September 2015 (Bold = complete)
		Board.	
CSC&L	1	**Client Transport – Safeguarding** This audit covered the governance arrangements currently in place in relation to client transport safeguarding both under the AMEY contract and through other providers.	**Complete (draft report)**
CSC&L	1	**Families First Grant** This work involves a review of the governance arrangements and data control processes in place in order to verify and sign off the grant claim for the government's Troubled Families results-based payments claim.	**Complete**
CSC&L	2	**AMEY Contract – Follow Up** The audit will follow up on the 13/14 "limited" assurance AMEY Contract audit and review progress in actioning any improvements required.	**Complete (draft report)**
CSC&L	2	**CYP Safeguarding – Follow Up Audit** A detailed follow up audit will be undertaken to confirm the status of the management actions agreed during the 2013/14 CYP Safeguarding audit (limited assurance).	Fieldwork in progress
CSC&L	2	**BLT Governance** The audit will focus on the adequacy and effectiveness of the system of internal controls and governance arrangements that are in place at BCC to enable robust management of the service agreement with the BLT; including due diligence over their operations and financial management.	**Complete**

Business Unit	Qtr Start	Audit	Progress as at 23 September 2015 (Bold = complete)
CSC&L	3	**Financial Management** The audit will review the financial management arrangements in place within the newly set up business units to ensure that systems and processes are in place which are compliant with agreed Council policies and support the delivery of the business unit's objectives.	Planning
CSC&L	3	**Schools S151 Assurance Processes** The S151 Officers financial management assurance framework for Schools has been under development, with roles and responsibilities and management reporting being designed and established. This audit will review the effectiveness of the framework.	Planning
CSC&L	4	**DSG** The audit will review the process for allocating the Dedicated Schools Grant. This will include the approval and application of the grant formula and tracing through a sample of transactions to ensure compliance with the formula.	Planning
CSC&L	2 - 4	**School Audits** Four school audits will be undertaken as part of the 2015/16 Internal Audit plan. Testing will focus on the adequacy and effectiveness of the system of internal control that is in place to manage and mitigate financial and non-financial risks.	School 1 – fieldwork in progress
CH & ASC	3	**Financial Management** The audit will review the financial management arrangements in place within the newly set up business units to ensure that systems and processes are in place which are compliant with agreed Council policies and support the delivery of the business unit's objectives.	Planning

Business Unit	Qtr Start	Audit	Progress as at 23 September 2015 (Bold = complete)
CH & ASC	3	**ASC Payments to Providers – Follow Up Audit** A detailed follow up audit will be undertaken to confirm the status of the management actions agreed during the 2014/15 AFW Payments to Providers audit (limited assurance).	Planning
CH & ASC	3	**Client Charging** The audit will review the system of control designed to ensure that policies, systems and procedures in relation to charging for adult social care services, are being properly applied and maintained, including financial assessments.	Planning
CH & ASC	4	**AFW Safeguarding - Follow Up Audit** A further detailed follow up audit will be undertaken to confirm the status of the management actions agreed during the 2013/14 AFW Safeguarding audit (limited assurance).	Planning
CH & ASC	4	**Direct Payments**	Planning
CH & ASC	4	**Better Care Fund**	Planning
Public Health	3	**Financial Management** The audit will review the financial management arrangements in place within the newly set up business units to ensure that systems and processes are in place which are compliant with agreed Council policies and support the delivery of the business unit's objectives.	Planning
Public Health	3	**Contract and Commissioning** This review will evaluate the contract monitoring and commissioning arrangements in place within Public Health.	Planning

APPENDIX 2 Summary of completed audits

Note for information:

We categorise our management actions according to their level of priority:

High	Major issue or exposure to a significant risk that requires immediate action or the attention of Senior Management.
Medium	Significant issue that requires prompt action and improvement by the local manager.

CSC & L – BUCKINGHAMSHIRE LEARNING TRUST (BLT) GOVERNANCE

The (BLT) is an educational charity that delivers, on behalf of Buckinghamshire County Council (BCC), a range of services to schools and early years settings, including school and early years improvement, specialist teaching, continuing professional development and other key support services. As well as supporting schools and early years settings directly, the Trust works with Buckinghamshire County Council to fulfil its statutory duties for raising attainment and securing the best possible future for children and young people. The BLT is governed by a board of Trustees, made up of key stakeholder groups, including Local Authority (LA) elected trustees.

The audit activity focussed on the following key risk areas identified in the current governance arrangements in place:

1: Framework

- If there is no formal agreement with defined roles, responsibilities and decision making powers there is a risk that the BLT is not delivering to BCC requirements.
- Risks relating to the use of BLT to deliver services on behalf of BCC have not been assessed or mitigating actions are not in place.

2: Performance Measures

- Insufficient arrangements are in place for the monitoring of performance that may result in poor performance not being identified and addressed.

3: Service Delivery

- The grant terms and conditions are not adhered to that may result in the required services not being delivered.
- BCC are not promptly made aware of issues that can affect the service delivery.

The overall conclusion for BLT Governance is **Limited Assurance**. This is based on the adequacy of risk management techniques, the existing control framework and compliance with the existing framework. There have been 13 high priority, and 8 medium priority actions agreed with Senior CSC&L Managers. The key issues identified during the audit are:

- The LA only has one out of a possible four trustees on the Board. There is currently no formal mechanism to approve the appointment of members to outside bodies. There are no guidelines to assist members in their role on outside bodies. BCC are not informed of the frequency and attendance by trustees at BLT Board meetings as required in the Funding Agreement. Internal Audit is aware of the development of a BLT Governance Proposal by the Monitoring Officer which should address some of the governance weaknesses. In addition it is noted that there is no formal documented escalation process within BCC to ensure that BCC senior management are kept informed of any emerging issues.
- There are several important documents that are still in the draft stage and have not yet been fully reviewed and approved. These include the Exit Plan, Business Continuity Plan, Risk Register and Complaints Procedure.
- The Contract Management Application (CMA) is used as a single repository for all BCC contracts and grant arrangements. The BLT Grant is recorded on the CMA system and is categorised as Platinum as it is over £1million and a critical contract. The CMA records specific tasks for the contract and documents are uploaded to the system. At the time of the audit the Platinum Contract Best Practice Assessment was partly completed, and the S11 Audit review by BLT was outstanding.
- Key Performance Indicators (KPIs) are documented in the BLT Funding Agreement, they are reviewed and agreed each year along with the Annual Activity Plan. KPIs are on each Termly Monitoring Meeting agenda. However the minutes for the Termly Monitoring Meeting do not indicate a robust challenge to the reported KPIs, nor any evidence that KPI's are reviewed for appropriateness.
- BLT requested an early payment of the 1 April 2015 grant due to cash flow problems. Whilst there is no question over the integrity of the payment, there was no clear audit trail to demonstrate the proper approval process had been followed or the business case for making the early payment. The payment of £2,454,911 was made on 2 March 2015 using an FB60 payment which bypasses workflow authorisation. The Director of Assurance (S151 Officer) and Managing Director, CSC&L have confirmed they were aware a payment in advance was to be made, but were not aware that it was for such a large amount.
- Financial reports from BLT are provided as part of the Termly Monitoring meetings but these do not include a forecast or narrative as required by the Funding Agreement. In addition the first year financial accounts for 2013/14 submitted to the Charities Commission and presented to the BCC Education, Skills And Children's Services Select Committee are for period

ending 30 June 2014. However the grant payments are made 1st August and 1st April therefore it would be expected that the accounting period year end would be 31st July.

- A report was commissioned by BCC from PricewaterhouseCoopers (PWC) which established that the Funding Agreement with BLT is classified as a contract for VAT purposes. This indicates that there is a need for a retrospective review of the procurement rules in relation to the BLT contract to ensure that there has been no breach of legislation.
- The Funding Agreement includes standard agenda items for Annual Review meetings and Termly Monitoring meetings along with standard items for the Annual Report. There has only been one Annual Review meeting so far for academic year 2013/14. At this meeting just one of the 15 standard agenda items detailed within the agreement was included on the agenda. None of the required 14 items were in the Annual Report.
- An example of good practice is that prior to the Termly Monitoring meetings the contact manager reviews in detail the two BLT Directors reports. From this he provides a summary of the report and any queries that should be raised, this is passed to other BCC officers who attend the meeting.

Buckinghamshire County Council

Regulatory and Audit Committee

Title:	**Report of the One Council Board - Bucks Learning Trust Audit**
Date:	15/09/15
Author:	Chris M Williams, Chief Executive
Contact officer:	Sarah Ashmead, Monitoring Officer
Local members affected:	

For press enquiries concerning this report, please contact the media office on 01296 382444

Summary
The One Council Board has considered the draft audit report and the service response. The report raises a series of significant issues which need to be addressed as a matter of priority.

In particular, we support the recommendations in relation to

- Governance framework
- Performance measures
- Service delivery

Additionally, the One Council Board has identified further issues arising from the report that it wishes to review as a priority. These include:

- Future relationship between the County Council and the Trust, including an assessment of whether the current model is fit for purpose
- Evaluation of performance against the contract to date
- Scope of the contract with BLT and whether it is focused on the right issues
- Financial sustainability of the Trust, including an assessment of the delivery of the original business case
- Lessons for the Council's approach to other external delivery vehicles

The Board intends to oversee the development and delivery of an action plan to tackle the issues identified by the audit, together with the areas highlighted above. This will be reported to the Regulatory & Audit Committee.

Buckinghamshire County Council
Visit **democracy.buckscc.gov.uk** for councillor information and email alerts for local meetings

Regulatory and Audit Committee

Title:	**Business Continuity Management update**
Date:	11th Sep 15
Author:	Andrew Fyfe, Resilience Manager, ext 2937
Contact officer:	Andrew Fyfe, Resilience Manager, ext 2937
Local members affected:	All members

For press enquiries concerning this report, please contact the media office on 01296 382444

Summary

Business Continuity Management (BCM) is a statutory requirement, a requirement of Financial Regulations and is the best practice business management process for continuing to deliver critical activities in the event of an internal disruption. It is therefore a key element of Assurance.

The subject matter expertise for BCM in the Authority lies with the Resilience Team, part of the Communities, Health and Adult Social Care (CHASC) Business Unit.

BCM is an ongoing and cyclical process. Both the Internal Audit report and the ongoing monitoring of BCM by the Resilience Team show limited assurance. Although progress has been made on the recommendations from the Internal Audit, completed in March 15, the ***current*** state of BCM in the wider Authority remains assessed as limited.

The responsibility for the delivery of critical activities always remains with the Authority, even when delivered by a contracted service provider. Therefore BCM must also be included within Contract Management.

Direct responsibility for BCM within Services lies with the Service Director, as confirmed in the BCM Policy and Financial Regulations. Service Directors must confirm they have effective BCPs in the Annual Governance Statement.

There is no current formal oversight role for BCM written into the BCM Policy for the Regulatory and Audit Committee.

Recommendations

- **The Regulatory and Audit Committee need to have an oversight role included in the BCM Policy as part of the general Assurance process and to drive BCM from a Member and Assurance perspective.**

- **Business Continuity Management needs to be reported on to the Regulatory and Audit Committee quarterly**.

- **Service Directors have the requirement for BCM to be included on their DSPs as a measure for a mandatory Assurance objective. This should cover their own Service activities and also any contracted out service for which that Director is responsible. Service Directors would need to add similar measures to their direct reports.**

- **Managing Director of Transport, Economy and Environment to be requested to provide an update regarding the state of BCM arrangements in that Business Unit.**

Main Report

Context
BCM is a critical element of Assurance. BCM is not emergency management, contingency planning for specific hazards or Risk Management, though all are related. BCM provides a mechanism for the operational continuation of defined 'Mission Critical Activities' in the event of an internal disruption, the loss of which would have intolerable or significant consequences on the delivery of our services to the Community and in particular, the vulnerable within the Community.

For the Services, BCM is the business management process that defines, what activities are so critical to the organisation (and therefore the Community) that they must be continued, the assessment of those activities to define the resources required, the identification of mitigation strategies for continuing those activities in the event of an internal disruption and the consolidation of this information into effective, operational, Business Continuity Plans (BCPs) that identify specific roles and tasks for specific, identified members of staff, and the resources (including locations) to undertake those roles. These staff members should be trained and exercised. When there are changes to the organisation, Service or Team, plans need to be revisited and revised if necessary. It is an annual, cyclical, process.

The BCM Policy provides the statutory requirement for BCM under the Civil Contingencies Act (2004). The duty is summarised as follows:

"The Civil Contingencies Act (2004) makes it a statutory duty for local authorities to maintain plans to ensure that they can continue to exercise their functions in the event of an emergency so far as is reasonably practicable. The duty relates to all functions, not just their

emergency response functions".

HM Government, 2005. *Emergency Preparedness*. Chapter 6, Summary

The statutory duty also covers all contracted out services or capabilities:

"The duty also requires the authority to ensure that those organisations delivering services on behalf of the local authority (e.g. contracted-out services), or capabilities which underpin service provision (e.g. information technology and telecommunications) can also deliver to the extent required in the event of an emergency. This is because services remain part of an organisation's functions even if they do not directly provide them".

HM Government, 2005. *Emergency Preparedness*. Paragraph 6.5

Furthermore, there is a requirement under the Council's Financial Regulations for Services to have BCPs and there is a requirement under the Annual Governance Statement for Service Directors to confirm they have effective BCPs.

The rationale for BCM is not purely statutory but fundamental to our duty of care to the Community. The Authority's BCM process provides a mechanism for the continuation of prioritised, effective support to the most needy when they are potentially at their most vulnerable while preventing others becoming vulnerable. Effective BCM assists Services and Teams to deliver their most critical functions with minimal disruptions – to carry out their roles under abnormal circumstances. In other words, it is there to help them when the distractions of an incident or emergency make decision-making less than clear.

Other reasons for BCM include:

- BCM is best practice. It is widely recognised by all sectors as a requirement for evidencing assurance and due diligence and is usually included in the Assurance, Risk Management and Internal Audit departments of businesses.
- BCM helps protect the bottom line. It helps make businesses profitable. It provides assurance of a business's own supply chain. It shows to prospective clients that it is resilient and therefore increases the likelihood of receiving contracts.
- Profitable businesses mean successful Communities. Successful Communities means more money in the Community to be spent on the Community.
- By ensuring our Service Providers have BCM arrangements, not only are our Services protected, but also those Service Providers become better equipped to get more contracts and become more profitable.
- BCC also has a statutory duty to advise and assist local businesses and voluntary organisations with regards to BCM – another aspect of Community Resilience. Not having BCM is hypocritical and contradictory.
- A business with BCM arrangements is more likely to survive an internal disruption or emergency. This protects the workers (potentially our residents) and provides an

opportunity to pick up contracts where others didn't survive or, again, prove to prospective clients that, being a resilient business, their custom is safe with them.

BCM Monitoring in BCC

The Internal Audit report dated 4th Jun 15 provided an external opinion on the state of BCM within the Authority. Specific comments on the progress of actioning the Internal Audit report are included at Appendix 1. The one area where there is no updated progress (as at 11 Sep) is from Transport, Economy and Environment.

The Resilience Team monitor the Service / Team BCM arrangements throughout the Financial Year and particularly at the end. This monitoring provides an almost 100% check on how Service Directors are delivering their BCM arrangements and undertaking their roles in respect of the BCM Policy and Financial Regulations.

From both the Internal Audit report's snapshot of BCM as at March 15, and from the Resilience Team's ongoing monitoring, significant questions remain regarding the limited nature of Assurance in relation to BCM on an ongoing basis.

It should also be noted that, if the Services / Teams have limited Assurance for the continuation of their Mission Critical Activities, then it is possible that the Services Providers of contracted-out services also have limited Assurance. The importance of this should not be disregarded as the Authority moves further down the line as a commissioner of services and, under the Care Act, a statutory role as '*provider of last resort'* – i.e. if a service provider fails, the responsibility lies with the Authority to continue to deliver that critical activity.

It should be noted that regardless of the progress on the Internal Audit report, BCM must be seen as a key means of providing ongoing Assurance on the capability of the organisation to continue to deliver its critical activities and therefore must be followed up regularly throughout a Financial Year.

Way forward

- Governance of BCM is detailed in the BCM Policy. Responsibility for effective BCM documentation lies with the Service Directors and above them, the CEO. Currently there is no oversight role for the Regulatory and Audit Committee.

Recommendations:

  - **The Regulatory and Audit Committee need to have an oversight role included in the BCM Policy as part of the general Assurance process and to drive BCM from a Member and Assurance perspective.**
  - **Business Continuity Management needs to be reported on to the Regulatory and Audit Committee quarterly**.

- Services / Teams must comply with the requirements of the BCM Policy, Programme and the Financial Regulations by ensuring they have effective BCM arrangements in place, not least to have effective BCPs.

Recommendations:

- **Service Directors have the requirement for BCM to be included on their DSPs as a measure for a mandatory Assurance objective. This should cover their own Service activities and also any contracted out service for which that Director is responsible. Service Directors would need to add similar measures to their direct reports.**
- **Managing Director of Transport, Economy and Environment to be requested to provide an update regarding state of BCM arrangements in that Business Unit.**

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

Resource implications

There are no new resource requirements – the statutory duty has been in existence since 2005 and the first BCM Policy was agreed in 2007. The difference is to what extent Services have complied with the requirements and allocated staff to the job. Where this has been lacking, there will appear to be a new resource requirement.

The main subject matter expertise for BCM is held by the Resilience Team, part of the Communities, Health and Adult Social Care (CHASC) Business Unit. The Team has been reduced in size from six to three since August 2014, whilst the statutory workload (Integrated Emergency Management, Business Continuity Management, Safety at Sports Grounds) is retained and increases. However, there has had to be a reduction in the aspirations towards the delivery of the non-statutory activity of Community Resilience.

Delivering BCM across the Authority whilst providing appropriate and competent Assurance of contracted-out services would realistically require at least 1 x FTE. This is currently unrealistic with the current level of staffing. However, as the Business Unit will be undergoing a consultation process as part of the CHASC Business Unit, the Committee may see fit to endorse the importance of maintaining sufficient resources to deliver effective BCM for the organisation.

Legal implications

The statutory duty is covered under the Civil Contingencies Act (2004). Financial Regulations also apply.

Other implications/issues

Nil

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

Nil

Appendix 1
Specific Comments on the Report – Outstanding Issues

The following includes comments on those areas of the Audit report that have not been declared as complete.

Note that the Audit report was a snapshot of the status of BCM arrangements across parts of the organisation prior to the end of the Financial Year – the cut-off date for BCM documentation. A clearer reflection of the ongoing status of BCM can be taken from the Resilience Team's ongoing monitoring of BCM arrangements.

Report Ref No.	Comments
1a	Awaiting resolution of Ref 1b (below) prior to submission for Cabinet Member decision to accept the Policy revisions.
1b	Awaiting decision by Regulatory and Audit Committee regarding its role in delivering oversight of BCM (see Recommendations).
1c	Submission to Director Assurance with regards to DSPs for Service Directors. Agreement by Regulatory and Audit Committee may help drive this, including across the Assurance framework as a whole.
2d	No update received. The only BCP received by the Resilience Team is for TfB.
4b	Update suggests completed (marked 'in progress').
5a	Trading Standards had a BCP in place for 31 March, however 1st April they merged with Surrey CC. They are currently working on a revision by the end of September and subsequently training and an exercise. Manager will attend the BCC BCM exercise on 5th November.
5b	Update suggests completed (marked 'in progress')..
5c	No update from action owner.
5e	No update received. No TEE BCPs received by Resilience Team except TfB. All are invited to participate in the 5th Nov exercise.
6a	Completed
6c	No update received. There is a Contact Centre BCP.
6b	Update suggests completed. Note Resilience Team records have some discrepancies with update – following up.

	Audit Finding, risk exposure and potential impact	Priority	Management Action	Update
1	**<u>Debt Management Strategy</u> – Use of Credit Protection Agency** The Debt Management Strategy dated April 2014 documents the processes to ensure that unpaid service user contributions are collected as quickly as possible. The Strategy notes the use of the Credit Protection Agency (CPA) to aid debt recovery as they send three reminder letters to service users, if there is no response then a decision is made whether to refer the matter to Legal. At the time of the audit the use of Credit Protection Agency has been suspended. Audit was informed that this was because using CPA takes a substantial amount of Financial Assessment Officer's time and the officers are now sending their BCC reminder letters to the client. The Service Director, Service Provision was unaware that the contract with CPA was not being utilised. This decision should have been escalated to AFW senior management Board. The contract with CPA was for 750 units which was paid for up front by AFW at a cost of £7,425. The contract with CPA has now expired. There is a risk that the correct decision making process was not followed and that senior management do not have visibility of any key decisions being made.	M	**a) <u>Evidence for Discontinued Use of Credit Protection Agency</u>** *Evidence will be provided to Service Director, Service Provision that the current system of Direct Services issuing letters is more effective than using CPA to issue letters.* **Officer responsible:** ***Direct Services Team Manager*** **Date to be implemented by:** *30 June 2015*	**In progress.** **Completion date end of Sept 15**
		M	**b) <u>Approval of Discontinued Use of Credit Protection Agency</u>** *Once evidence has been provided that the discontinuation of using CPA is effective then the Debt Management Strategy will be updated and taken to the Board for approval.* **Officer responsible:** *Finance Director, Communities, Health and Adult Social Care* **Date to be implemented by:** *30 September 2015*	
2	**<u>Dunning Codes and Status of Debt</u>** Dunning codes/blocks are applied to an invoice to indicate the status of the debt. If no dunning code has been applied the debt is recorded on SAP under the default 'Freed for Recovery Action'. Only certain officers can use the SAP transaction that applies a dunning code. Dunning codes are used to record certain stages of debt collection: when the debt has been passed to Legal; debt secured by property, etc. However these are not used to record the initial steps of debt collection process for unsecured debt i.e. 1st letter	H	**<u>Dunning Codes and Status of Debt</u>** *The current spreadsheet that records the letters issued will be reviewed to ensure it shows current status and is fit for purpose. The Direct Services Team currently update the profile notes on Swift to indicate the letters issued.* **Officer responsible:**	**Completed:** **14/08/2015 11:01 [Sue Hyland]: This action has been completed. In addition, monthly updates are being sent to the CHASC Finance Director**

	Audit Finding, risk exposure and potential impact	Priority	Management Action	Update
	sent, 2nd letter sent. These steps are recorded on a spreadsheet that is maintained by Financial Assessments Team. This means SAP is not utilised to its full potential and reporting to AFW managers on the detailed status of each debt is manually driven and onerous. There is a risk that aged debt reports do not indicate the correct status of debt recovery if dunning codes are not applied consistently. If SAP does not record all steps in the process then reports cannot be provided to AFW senior management team that include the numbers and amounts of debt at each stage of the debt recovery process.		***Direct Services Team Manager*** **Date to be implemented by:** *30 June 2015*	
		H	**Dunning Codes and Status of Debt** *The spreadsheet recording current status of client debt will be shared with AFW senior managers.* **Officer responsible:** ***Direct Services Team Manager*** **Date to be implemented by:** *30 June 2015*	**Completed:** **14/08/2015 11:02 [Sue Hyland]: This action has been completed. In addition, monthly updates are being sent to the CHASC Finance Director**
3	**Customer Types and Sales References - Residential Care Unsecured and Secured Debt** When new Residential Care non-property customers are set up on SAP they should be assigned customer type 'ZRES – residential care'. When new Residential Care secured by property customers are set up on SAP they should be assigned customer type 'ZPRO - Property Cases'. When customer invoices are raised on SAP the officer selects the relevant sales reference based on Sales Office and Sales Group. Residential Care invoices that are not secured by property would have Sales Office AY and Sales Group AY. Residential Care invoices that are secured by property would have Sales Office AY and Sales Group AT. SAP aged debt reports were run to ascertain the level of Residential Care debt secured and unsecured. However Audit was unable to establish these as there were a number of anomalies within Customer Types and Sales References. These are documented below: • There are 16 customers that have two Sales References AYAY (Residential care not secured) and AYAT (Residential care secured) and this indicates that invoices have not been assigned Sales References consistently.	H	**a) Sales References - Communication** *Direct Services Team will be reminded of the correct Sales References when raising invoices.* **Officer responsible:** ***Direct Services Team Manager*** **Date to be implemented by:** *31 May 2015*	**Completed** **14/08/2015 11:03 [Sue Hyland]: This has been written into work procedures - reminders will be sent on a quarterly basis**
		H	**b) Sales References – Housekeeping Exercise** *A housekeeping exercise will be carried out to ensure that customer types and sales references are appropriate and consistent according to the type of debt.* *Going forward there will be an annual review of Sales References to ensure they*	**In Progress:** **21/08/2015 15:36 [Sue Hyland]: Housekeeping exercise in progress. When completed and going forward, by default, reviews will be done at least 6 monthly**

	Audit Finding, risk exposure and potential impact	Priority	Management Action	Update
	• Customer invoices with Sales Reference AYAY (Residential care not secured) are assigned to customer types ZRES (residential care), ZIND (individuals) and ZPRO (property cases) when they should be customer type ZRES only. • Five customers with customer type ZRES have dunning blocks 'X With Legal - Property Debt', 'S With Legal - Secured Debt', 'Y With Legal – Restriction' which indicates that these customers should be customer type ZPRO (property cases). If Customer Types and Sales References are not consistent there is a risk that management reports do not show the correct status of secured and unsecured Residential Care debt.		*are correct.* **Officer responsible:** **Direct Services Team Manager** **Date to be implemented by:** *31 August 2015*	
4	**Community Care Unsecured Debt – Older Debt** The Debt Management Strategy documents the process for Non-Residential Service User (Community Care) debt that remains unpaid after all possibilities for collection have been exhausted. These should be placed in the debt basket for referral to the Service Director (Service Provision) who decides whether to refer to legal or write off. An analysis of SAP aged debt report for Community Care customers indicates there are 12 debtors where the debt dates before 31/03/10; the total of these debts is £35,322.87. These debts were verified to Legal's list of unsecured debts. It was found that out of the 12 debtors four were not on Legal's list indicating that the debts have not been referred to Legal for recovery. If debts are not referred to Legal promptly there is an increased risk that the money is not recovered. Also if there is no monitoring to ensure older debts have been referred to Legal there is an increased risk that the money is not recovered.	H	**Community Care – Older Debt** *The backlog of Community Care debts is being investigated and appropriate action will be taken to resolve the issues.* **Officer responsible:** *Billing Maintenance Co-ordinator* **Date to be implemented by:** *31 August 2015*	**In Progress** **14/08/2015 11:03 [Sue Hyland]: The nature of older debt is that there will always be a backlog in existence. However, work is ongoing around getting a sustainable system in place to ensure that it is effectively managed so that an unacceptable backlog does not occur. This action will be reviewed again in Sep 2015**
5	**Residential Care Unsecured Debt – Older Debt** Residential Care debts that are not secured by property are initially notified to the Financial Assessments Team by the care home provider after the care home provider has made three attempts to recover the monies owed. On approval of the Financial Assessments Team Leader the care home provider is paid the gross amount and the Financial Assessments Team contact the client to enquire	H	**Residential Care Unsecured Debt – Older Debt** *The backlog of Residential Care unsecured debts is being investigated and appropriate action will be taken to resolve the issues.* **Officer responsible:**	**In Progress:** **14/08/2015 11:05 [Sue Hyland]: The nature of older debt is that there will always be a backlog in existence. However, work is ongoing around getting a sustainable system in place to ensure that it is effectively managed so that an unacceptable backlog does not occur. This action will be reviewed again in Sep 2015**

	Audit Finding, risk exposure and potential impact	Priority	Management Action	Update
	about non-payment and an invoice is raised on SAP using Sales Reference AYAY. As part of the audit the AFW Aged debt report was run and invoices with the Sales Reference AYAY extracted. The analysis of this indicated that the debt over 5 years old amounted to £48,146.18. The customers listed in this analysis were checked to Legal's list of unsecured debts referred from the Financial Assessments Team. It was found that there were eight customers with Residential Care unsecured debts over 5 years old that have not been referred to Legal. These totalled £37,954.87. If debts are not referred to Legal promptly there is an increased risk that the money is not recovered. Also if there is no monitoring to ensure older debts have been referred to Legal there is an increased risk that the money is not recovered.		*Billing Maintenance Co-ordinator* **Date to be implemented by:** *31 August 2015*	
6	**<u>Community Care Unsecured Debt</u> – Initial Stages of Debt Recovery** The Debt Management Strategy defines the process for Non-Residential (Community Care) debt recovery. At the start of the audit in November 2014 not all of the Financial Assessments team were actively chasing Community Care client debt. Some were concentrating on the more immediate tasks first and then if they had time they chased debts. It is noted that since December 2014 the team have been actively chasing debt and over £323,475 has since been recovered. If client debt is not actively pursued then debts will accumulate and recovery is more difficult.	M	**<u>Initial Stages of Debt Recovery</u>** *The chasing of debts is now high priority for all the team. All members of the team will have relevant objectives in their DSP that will be monitored.* **Officer responsible:** ***Direct Services Team Manager*** **Date to be implemented by:** *31 July 2015*	**In Progress:** **14/08/2015 11:05 [Sue Hyland]: The nature of older debt is that there will always be a backlog in existence. However, work is ongoing around getting a sustainable system in place to ensure that it is effectively managed so that an unacceptable backlog does not occur. This action will be reviewed again in Sep 2015**
7	**<u>Community Care Unsecured Debt</u> – Dunning Codes for Debts Referred to Legal** Community Care debts are unsecured by property and when they are referred to Legal this should be reflected in the dunning code e.g. 'D Customer Account is with Legal'. If no dunning code has been applied the debt is recorded on SAP under the default 'Freed for Recovery Action'. For client debt the Dunning codes are applied by the Financial Assessments Team. As part of the audit we examined Legal's list of Community Care unsecured debts that they are dealing with. This was verified to the customer's invoices on SAP to ensure that dunning codes had been applied correctly. It was found that all 17 clients	H	**<u>Community Care - Dunning Codes for Debts Referred to Legal</u>** *A housekeeping exercise will be carried out to ensure the correct dunning codes have been applied to Comm Care clients that have been referred to Legal. Going forward there will be an annual review of Dunning Codes on Community Care clients to ensure they are correct.* **Officer responsible:**	**Completed:** **21/08/2015 15:37 [Sue Hyland]: This will be reviewed again in April 2016.**

	Audit Finding, risk exposure and potential impact	Priority	Management Action	Update
	on Legal's list were marked on SAP as 'Freed for Recovery Action' i.e. no dunning code applied. Therefore this indicates that Dunning codes have not been applied to Community Care debts that have been referred to Legal. If dunning codes are not applied then there is risk that management reports do not represent the correct status of the debt.		***Direct Services Team Manager*** **Date to be implemented by:** *31 August 2015*	
8	**<u>Community Care Unsecured Debt</u> – Legal Closed Cases not Written Off** Debts that cannot be recovered and are closed by Legal should be written off and this should be recorded on SAP. From the SAP Aged Debt report for Community Care customers one client was selected who has a debt of £19,815.16 with invoices dating from 2005 to 2011. This debt was initially passed to Legal in 2005 and further invoices continued to be raised. Legal have this debt marked as closed. Documents in Legal's file for this client indicate that the debt was closed on formal instructions from the former Financial Assessments Team Leader in 2006 as the Financial Assessments Team were chasing the debt. This debt has not been pursued further or written off on SAP. The current process is that Community Care debts are referred to Legal after the Financial Assessments Team have made unsuccessful attempts to recover the debt. If a debt cannot be recovered but has not been formally written off there is a risk that SAP and therefore management reports present the incorrect debt status.	H	**<u>Community Care - Legal Closed Cases not Written Off</u>** *Community Care debts over one year will be checked with the Legal Team to ensure that they are current and being dealt with.* **Officer responsible:** ***Direct Services Team Manager*** **Date to be implemented by:** *31 August 2015*	**In Progress:** **14/08/2015 11:06 [Sue Hyland]: Work is ongoing with Legal to look at older debts. Some have been closed while others have been pushed on. This action will be reviewed again in Oct 2015 to assess progress.**
9	**<u>Operational Debt</u> – Aged Debt Reports** From December 2013 each Service has been required to run their SAP Aged Debt reports on a monthly basis and make sure that proactive action is taken to recover all outstanding debt. However communication on this requirement was considered inadequate. Audit was unable to verify that the service was running Aged Debt reports for operational debt regularly. Operational debt i.e. non-client debt within Adults and	M	**a) <u>Operational Debt – Aged Debt Reports</u>** *Operational Aged debt reports will be run monthly and reported to the Leadership Team.* **Officer responsible:** **Contracts Finance Manager** **Date to be implemented by:** *31 May 2015*	**Implemented June 15.** **Operational Aged debt reports are run and checked monthly. Update on progress/changes is sent to the leadership team on a regular basis.**

	Audit Finding, risk exposure and potential impact	Priority	Management Action	Update
	Family Wellbeing was examined as part of the audit. One debt of £16,862 from 26/03/14 was investigated and it was found that this debt relates to a duplicate invoice and it should have been investigated and cancelled. There is a risk that services do not receive all the due income as outstanding debts are not identified and payment pursued.	M	**b) <u>Debt from 26/03/14</u>** *The debt of £16,862 from 26/03/14 will be investigated and cancelled on SAP.* **Officer responsible:** *Adult and Mental Health Resource and Commissioning Manager* **Date to be implemented by:** *31 May 2015*	**Completed** **Debt Cancelled as it was a duplicate**
10	**<u>Residential Care Secured Debt</u> – Dunning Codes** Dunning codes are applied to an invoice to indicate the status of the debt. For residential care that is secured by property the appropriate dunning codes are 'S With Legal - Secured Debt' and 'X With Legal - Property Debt'. If no dunning code has been applied the default is 'Freed for Recovery Action'. Customers that are provided with residential care that is secured by property have customer type ZPRO. Invoices are raised for Residential Care secured by property customers quarterly. As part of the audit the AFW Aged debt report was run for ZPRO customers. At March 2015 the report lists 75 customers and 427 invoices with total debt of £1,700,543.75. This report was analysed and indicates that dunning codes have not been applied correctly to all property debt as detailed below. • Seven customers had a mixture of dunning codes applied to their invoices: 'Freed for Recovery Action' and 'X With Legal - Property Debt'. Whereas the dunning code should be the same for all invoices. • 15 customers did not have an appropriate property related dunning code; they had the default 'Freed for Recovery Action'. If dunning codes are not applied consistently then there is risk that management reports do not represent the correct status of the debt.	H	**<u>Residential Care Secured Debt – Dunning Codes</u>** *A housekeeping exercise will be carried out to ensure the correct dunning codes have been applied to invoices for customers receiving residential care secured by property. Going forward there will be an annual review of dunning codes on invoices for Residential Care secured by property to ensure they are correct.* **Officer responsible:** **Direct Services Team Manager** **Date to be implemented by:** *31 August 2015*	**Completed:** **21/08/2015 15:33 [Sue Hyland]: Housekeeping exercise completed. Moving forward there will be 6 monthly checks done on invoices**
11	**<u>Residential Care Secured Debt</u> – Closed by Legal but open on SAP** The Legal Service maintains a spreadsheet of all AFW debt that is secured by property. This records open cases and closed cases.	M	**<u>Residential Care Secured Debt – Closed by Legal but open on SAP</u>** *Residential Care Secured Debt cases marked as closed on Legal's list will be checked*	

	Audit Finding, risk exposure and potential impact	Priority	Management Action	Update
	As part of the audit the SAP AFW Aged debt report was run for ZPRO customers. This report was analysed and customers listed were crossed checked to Legal's list of debts secured by property. It was found that two customers were on Legal's closed cases list but the debt was still noted as owing on SAP. The amounts due are £605.33 and £7,384.03 dating from 2010 and 2011 respectively. This indicates that debts marked as closed on Legal's list have not been written off and are still on SAP. If SAP shows debts as still outstanding for cases that have been closed by Legal there is a risk that the debt reporting does not show all monies that can be recovered.		*to those recorded on SAP as still owing and write offs will be actioned as necessary.* *Ongoing there will be regular monitoring of Residential care secured by property debts to Legal's list to ensure that both systems are aligned.* **Officer responsible:** **Direct Services Team Manager** **Date to be implemented by:** *31 August 2015*	**Completed:** **14/08/2015 11:08 [Sue Hyland]: This will be written into work procedures and actioned on a quarterly basis.**
12	**<u>Residential Care Secured Debt</u> – Annual Review of Property Value** The Buckinghamshire County Council Charging for Residential Services Policy (dated 08/04/13) Deferred Payment Scheme section 5.5 requires an annual review from new and existing service users utilising the Deferred Payment Scheme of the value of any property on which a debt is accruing and being secured against. Section 5.6 states that the Council will review a placement when the accrued debt secured on a property equals 75% of the service user's equity in that property. A sample of residential care debts secured by property was examined. It was found that the Financial Assessments team do not carry out an annual review of the property value. However the Team does review the property value when the accrued debt on the property reaches 75%. If an annual review of property value is not carried out there is a risk that the property value is not enough to cover the cost of the care.	M	**<u>Residential Care Secured Debt</u> - <u>Annual Review of Property Value</u>** *As part of the Charging Policy review in December 2015 the effectiveness of an annual review of property value will be assessed.* **Officer responsible:** *Finance Director, Communities, Health and Adult Social Care* **Date to be implemented by:** *April 2016*	**Officer responsible:** ***Finance Director, Communities, Health and Adult Social Care***
13	**<u>Management Information</u> – Data Quality** The status of AFW debt is reported as part of the monthly budget reporting and is based on the SAP Aged Debt report. This debt report is split between secured debt and unsecured debt and between client and operational debt. The secured debt figure is based on two criteria: the dunning codes and a further line based on sales references. The unsecured debt is based on Service areas. A Senior Accountant has been tasked to look at debt reporting throughout the	H	**<u>Data Quality</u>** *Improvements in the processes as noted above and a new procedure to capture part payments will ensure that the data on the AFW Aged debt reporting is valid and accurate.* **Officer responsible:**	**Completed**

	Audit Finding, risk exposure and potential impact	Priority	Management Action	Update
	Council and his findings have been included in the audit findings below. The data within the debt report is not robust as detailed below: • The spilt between client debt and operational debt is only based on the user name of the person raising the invoice. If the user name is in Financial Assessments Team then it is classed as client debt and if the user name is in Business Support the debt is classed at operational debt. • As noted in a finding above the use of dunning codes is not consistently applied to residential care that is secured by property. • The Secured by Reference figure is based on the sales reference AYAT. As noted in a finding above there are 16 customers recorded on SAP with two different sales references: AYAY (Res Care non-property) and AYAT (Res Care property). One example is a client that has sales ref AYAT and AYAY and their debt is reported in the debt report under Secured debt as £8,480.55 and Unsecured debt as £12,240.38. • Debts with unassigned cost centres are not captured in debt reporting or being chased. The SAP AFW Aged debt report was analysed and it indicates that debts over 90 days with unassigned cost centres is £14,069.67. However as these are not assigned to an AFW cost centre they will not be captured in the corporate debt reporting. • The Senior Accountant's report notes that there are secured debts amounting to £271,730.00 under document type LA and these are not picked up as part of standard AFW Aged Debt reporting. These debts were migrated from LAFIS, the previous accounting system before SAP. Recommendations on how to deal with these have been made in the Senior Accountant's report which was circulated to Finance Director, Communities, Health and Adult Social Care and Finance Director, Business Services Plus Consultancy. If debt reports to management do not show the correct figures then there is risk that senior managers do not take the appropriate action to reduce the debt and that will have an impact on the service's financial		*Finance Operations Manager* **Date to be implemented by:** *31 August 2015*	

	Audit Finding, risk exposure and potential impact	Priority	Management Action	Update
	situation.			
14	**<u>Performance Measures</u> – Reporting** The Debt Management Strategy documents three performance measures that should be included in monthly monitoring reporting to Finance Assessment Team Leader. There is currently no debt management performance reporting to the Finance Director, Communities, Health and Adult Social Care. If performance measures are not reported to the relevant managers there is a risk that poor performance is not identified and addressed.	M	**<u>Performance Measures</u> – Reporting** *The performance monitoring requirements of the Finance Director, Communities, Health and Adult Social Care will be discussed and relevant reports provided.* **Officer responsible:** *Finance Operations Manager* **Date to be implemented by:** *31 July 2015*	***Completed***
15	**<u>Write Offs</u> – Actioned Promptly** The Debt Management Strategy documents the process for debt write offs which is the same for Non-Residential Care and Residential/Nursing Care not secured by property. When the Financial Assessments Officer has exhausted the process for recovering the debt and after consultation with the Care Manager the file is placed in the Debt Basket. The file includes all supported documents including up-to-date debt outstanding and the Service User Contribution Debt Action Form to ensure that all steps have been conducted effectively and have been evidenced. The Financial Assessments Team Leader assesses these files and then will refer the case to the Service Director for Adults & Family Wellbeing for direction on whether case is to be referred for litigation action via Legal or write off/waiver. As part of the audit a client receiving residential care not secured by property was selected at random. This client's file indicates that at the start of his care the standard financial assessment was not completed, the correct debt collection process was followed and the file was placed in the Debt Basket in February 2014. However the final step to take the file to Service Director (Service Provision) to write it off has not yet occurred. Since then the client has died when the client's debt stood at £27,478.11. On 5 March 2015 a Credit Memo for £21,033.58 was raised on SAP, for the non-disclosure of finances, leaving a debt of £6,444.53. If debts that are not recoverable are not written off promptly there is an increased risk that they skew the	H	**<u>Write Offs</u> – Tracking** *A system to track write offs will be instigated to ensure that they are actioned promptly.* **Officer responsible:** **Direct Services Team Manager** **Date to be implemented by:** *31 August 2015*	**Completed:** **21/08/2015 15:35 [Sue Hyland]: System now in place**
		M	**<u>Write Offs</u> – Meetings to Review Debt** *Regular meetings with the Service Director to review cases where monies cannot be recovered will be set up in advance.* **Officer responsible:** **Direct Services Team Manager** **Date to be implemented by:** *31 May 2015*	**Completed:** **14/08/2015 11:09 [Sue Hyland]: Meetings will take place on a quarterly basis**

	Audit Finding, risk exposure and potential impact	Priority	Management Action	Update
	debt reporting and when they are written off this can have an impact on the financial plan.			

	Audit Finding, risk exposure and potential impact	Management Action	Update:
16	**<u>Community Care Unsecured Debt</u> - Aged Debt Report** Since January 2014 a revised SAP Aged Debt report has been available. The Financial Assessments Team do not use the revised report however they do run the old SAP Aged Debt report every 4 weeks to ascertain the level and age of debt for each Community Care client. Both reports will show the same data for clients but there is a risk that the old report may be suspended.	**Aged Debt Report** *Financial Assessments Team will run the new SAP Aged Debt report for client debt.* **Officer responsible:** **Direct Services Team Manager** **Date to be implemented by:** *31 July 2015*	**Completed:** **SAP Aged Debt Report for client debt run every four weeks after completion of Billing Run.**

Buckinghamshire County Council

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Regulatory and Audit Committee

Title:	**Anti-Fraud and Corruption Strategy and Anti-Money Laundering Policy.**
Date:	23 September 2015
Author:	Ian Dyson – Chief Auditor Betty Davidson – Senior Auditor
Contact officer:	Betty Davidson – 01296 382557
Local members affected:	All

For press enquiries concerning this report, please contact the media office on 01296 382444

Summary

The Anti-Fraud and Corruption Strategy has been updated to reflect changes in appointments/responsibilities and job titles following the Future Shape Transformation.

The Anti-Money Laundering Policy has been updated to reflect changes in appointments/responsibilities and job titles following the Future Shape Transformation. The policy has also been updated to reflect that the investigating body for the reporting of money laundering activities has changed from the Serious Organised Crime Agency (SOCA) to the National Crime Agency (NCA).

There have been no changes in legislation since the policies were last updated.

Recommendation

The Committee is recommended to note the updated policies.

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

Resource implications

There are no resource implications.

Legal implications

There are no legal implications

INVESTOR IN PEOPLE

Other implications/issues

None

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

Not Applicable

Background Papers

None

Buckinghamshire County Council

Anti-Fraud and Corruption Strategy

Prepared by: Ian Dyson, Chief Internal Auditor

Version 1 – 15th September 2015

Anti-Fraud and Corruption Strategy

1. Introduction

1.1 The County Council is one of the largest business organisations in Buckinghamshire. In administering its responsibilities; the Council has a duty to prevent fraud and corruption, whether it is attempted by someone outside or within the Council such as another organisation, a resident, an employee or Councillor. The Council is committed to an effective Anti-Fraud and Corruption culture, by promoting high ethical standards and encouraging the prevention and detection of fraudulent activities.

1.2 The Director, HQ Assurance as the “Section 151 Officer” has a statutory responsibility under section 151 of the Local Government Act 1972 to ensure the proper arrangements for the Council’s financial affairs and has developed financial codes of practice and accounting instructions. The Chief Finance Officer exercises a quality control on financial administration through delegation of responsibilities to the Head of Strategic Finance and the Business Unit Finance Directors.

1.3 The Director, HQ Strategy and Policy as the “Monitoring Officer” has a statutory responsibility to advise the Council on the legality of its decisions and to ensure that the Council’s actions do not give rise to illegality or maladministration. It is therefore essential for employees to follow the Council’s policies and procedures to demonstrate that the Council is acting in an open and transparent manner.

1.4 Buckinghamshire County Council will thoroughly investigate all suggestions of fraud, corruption or theft, both from within the Council and from external sources, which it recognises can:

- Undermine the standards of public service that the Council is attempting to achieve.
- Reduce the level of resources and services available for the residents of Buckinghamshire.
- Result in consequences which reduce public confidence in the Council.

1.5 Any proven fraud will be dealt with in a consistent and proportionate manner. Appropriate sanctions and redress will be pursued against anyone perpetrating, or seeking to perpetrate fraud, corruption or theft against the Council.

1.6 The Council is committed to the highest possible standards of openness, probity, honesty, integrity and accountability. The Council expects all staff, Councillors and partners to observe these standards which are defined within the Code of Conduct.

2. Definitions

2.1 **FRAUD:** Is defined by The Fraud Act 2006 as follows:

A person is guilty of fraud if he is in breach of any of the following:

Fraud by false representation; that is if a person:
(a) dishonestly makes a false representation, and
(b) intends, by making the representation:
    (i) to make a gain for himself or another, or
    (ii) to cause loss to another or to expose another to a risk of loss.

Fraud by failing to disclose information; that is if a person:
(a) dishonestly fails to disclose to another person information which he is under a legal duty to disclose, and
(b) intends, by failing to disclose the information:
    (i) to make a gain for himself or another, or
    (ii) to cause loss to another or to expose another to a risk of loss.

Fraud by abuse of position; that is if a person:
(a) occupies a position in which he is expected to safeguard, or not to act against, the financial interests of another person,
(b) dishonestly abuses that position, and
(c) intends, by means of the abuse of that position:
    (i) to make a gain for himself or another, or
    (ii) to cause loss to another or to expose another to a risk of loss.

The Fraud Act 2006 repeals certain offences that are detailed in the Theft Acts of 1968 and 1978. The term “fraud” is usually used to describe depriving someone of something by deceit, which might either be misuse of funds or other resources, or more complicated crimes like false accounting or the supply of false information. In legal terms, all of these activities are the same crime, theft, examples of which include deception, bribery, forgery, extortion, corruption, theft, conspiracy, embezzlement, misappropriation, false representation, concealment of material facts and collusion.

2.2 **CORRUPTION:** Is the deliberate use of one’s position for direct or indirect personal gain. “Corruption” covers the offering, giving, soliciting or acceptance of an inducement or reward, which may influence the action of any person to act inappropriately.

2.3 **THEFT:** Is the physical misappropriation of cash or other tangible assets. A person is guilty of “theft” if he or she dishonestly appropriates property belonging to another with the intention of permanently depriving the other of it.

2.4 **MONEY LAUNDERING:** Money laundering is the process by which criminals attempt to 'recycle' the proceeds of their criminal activities in order to conceal its origins and ownership and which leaves them with money that cannot be traced back.

All employees are instructed to be aware of the increasing possibility of receiving requests that could be used for money laundering and illicit requests for money through e-mails. Detailed guidance is set out in the Council's Anti-Money Laundering Policy.

2.5 Any Service that receives money from an external person or body is potentially vulnerable to a money laundering operation. The need for vigilance is vital and if there is any suspicion concerning the appropriateness of the transaction then advice must be sought. The Council's Money Laundering Reporting Officer (MLRO) is the Director, HQ Assurance. To report any incidents, please see the guidance notes detailed on the Council's intranet page.

2.6 Legal Services also have their own professional guidance in relation to money laundering which places a duty on solicitors to report any suspicions and these may override their legal professional privilege and confidentiality. All such suspicions must be reported to the Monitoring Officer (Director, HQ Strategy and Policy) and the Money Laundering Reporting Officer.

2.7 **BRIBERY:** The Bribery Act 2010 received Royal Assent on 8th April 2010. Previously, bribery has been viewed within the definition of corruption, as defined within the Council's Anti-Fraud and Corruption Strategy. The Bribery Act 2010 introduces four main offences, simplified as the following:

- Bribing another person: a person is guilty of an offence if he/she offers, promises or gives a financial or other advantage to another person.
- Offences relating to being bribed: a person is guilty of an offence if he/she requests, agrees to receive, or accepts a financial or other advantage. It does not matter whether the recipient of the bribe receives it directly or through a third party, or whether it is for the recipient's ultimate advantage or not.
- Bribery of a foreign public official: a person who bribes a foreign public official is guilty of an offence if the person's intention is to influence the foreign public official in their capacity, duty or role as a foreign public official.
- Failure of commercial organisations to prevent bribery: organisations, which include the County Council, must have adequate procedures in place to prevent bribery in relation to the obtaining or retaining of business.

Note: A 'financial' or 'other advantage' may include money, assets, gifts or services.

2.8 Prior to entering into any business arrangements, all Council officers and/or business units should ensure that they have taken all reasonable steps to identify any potential areas of risk relating to bribery or corruption.

3. Scope

3.1 This document applies to:

- All County Council Employees (including Agents and Agency Staff) and Councillors;
- Staff and Committee Members of Council funded voluntary organisations;
- Partner organisations;
- Schools;
- Council Suppliers, Contractors and Consultants; and
- General Public.

4. Aims and Objectives

4.1 The aims and objectives of the Anti-Fraud and Corruption Strategy are to:

- Ensure that the Council is protected against fraud and loss;
- Protect the Council's valuable resources by ensuring they are not lost through fraud but are used for improved services to Buckinghamshire residents and visitors;
- Create an "anti-fraud" culture which highlights the Council's zero tolerance of fraud, corruption and theft, which defines roles and responsibilities and actively engages everyone (the public, Councillors, staff, managers and policy makers); and
- To provide a best practice "counter-fraud" service which:

  - Proactively deters, prevents and detects fraud, corruption and theft;
  - Investigates suspected or detected fraud, corruption and theft;
  - Enables the Council to apply appropriate sanctions and recovery of losses;
  - Provides recommendations to inform policy, system and control improvements, thereby reducing the Council's exposure to fraudulent activity.

5. Principles

5.1 The Council will not tolerate abuse of its services or resources and has high expectations of propriety, integrity and accountability from all parties identified within this strategy. The Council will ensure that the resources dedicated to "counter-fraud" activity are sufficient and all those involved are trained to deliver a professional "counter-fraud" service to the highest standards.

5.2 All fraudulent activity is unacceptable, and will result in consideration of legal action being taken against the individual(s) concerned. The Council will also pursue the repayment of any financial gain from individuals involved in malpractice and wrongdoing. The Council will ensure consistency, fairness and objectivity in all its "counter-fraud" work and that everyone is treated equally.

5.3 This strategy encourages those detailed in section 3.1 to report any genuine suspicions of fraudulent activity. However, malicious allegations or those motivated by personal gain will not be tolerated and, if proven, disciplinary or legal action may be taken. Sections 8.3 and 8.4 detail the reporting arrangements in relation to incidents of fraud or irregularity.

5.4 The Council will work with its partners (such as the Police, District Councils and other investigative bodies) to strengthen and continuously improve its arrangements to prevent fraud and corruption.

6. Responsibilities

Stakeholder	Specific Responsibilities
Chief Executive	Ultimately accountable for the effectiveness of the Council's arrangements for countering fraud and corruption.
Director, HQ Assurance **(Section 151 Officer)**	To ensure the Council has adopted an appropriate anti-fraud strategy, there is an effective internal control environment in place and there is an adequately resourced and effective Internal Audit service to deliver "counter-fraud" work.
Director, HQ Strategy and Policy **(Monitoring Officer)**	To advise Councillors and Officers on ethical issues, standards and powers to ensure that the Council operates within the law and statutory Codes of Practice.
Regulatory and Audit Committee	To monitor the Council's strategies and policies and consider the effectiveness of the arrangements for Raising Concerns at Work, Whistle-blowing Procedures, Anti-Fraud and Corruption and the Complaints Process.

Stakeholder	Specific Responsibilities
Councillors	To comply with the Code of Conduct and related Council policies and procedures, to be aware of the possibility of fraud, corruption and theft, and to report any genuine concerns accordingly.
External Audit	Statutory duty to ensure that the County Council has adequate arrangements in place for the prevention and detection of fraud, corruption and theft.
Stakeholder	**Specific Responsibilities**
Internal Audit	Responsible for developing and implementing the Anti-Fraud and Corruption Strategy and monitoring the investigation of any reported issues. To ensure that all suspected or reported irregularities are dealt with promptly and in accordance with this strategy and that action is identified to improve controls and reduce the risk of recurrence.
Managing Directors, Finance Directors and Service Directors/Managers	To promote staff awareness and ensure that all suspected or reported irregularities are immediately referred to Internal Audit. To ensure that there are mechanisms in place within their service areas to assess the risk of fraud, corruption and theft and to reduce these risks by implementing strong internal controls.
Staff	To comply with Council policies and procedures, to be aware of the possibility of fraud, corruption and theft, and to report any genuine concerns to management, Internal Audit or via the Whistleblowing Policy and Procedure.
Public, Partners, Suppliers, Contractors and Consultants	To be aware of the possibility of fraud and corruption against the Council and report any genuine concerns / suspicions.

7. Approach to Countering Fraud

7.1 Buckinghamshire County Council will fulfil its responsibility to reduce fraud and protect its resources by completing work in each of the following key areas:

7.2 **DETERRENCE:** The Council will promote and develop a strong “counter-fraud” culture, raise awareness and provide information on all aspects of its “counter-fraud” work. This includes dedicated fraud web pages, guidance, publicising the results of proactive work, investigating fraud referrals and seeking the recovery of any losses due to fraud.

7.3 **PREVENTION:** The Council will strengthen measures to prevent fraud. Internal Audit will work with managers and policy makers to ensure new and existing systems, procedures and policy initiatives consider any fraud risks. Audit activity will also consider fraud risks as part of each review.

7.4 **DETECTION:** Internal Audit maintains a log of all fraud referrals. The log helps to establish those areas within the Council most vulnerable to the risk of fraud. This also enables a Council wide fraud profile to be created which then informs any detailed work in areas throughout the Council aimed at detecting existing and new types of fraudulent activity.

Internal controls are established for financial and other systems within the Council. They are designed to discourage fraud and provide indicators of any fraudulent activity. The Council also relies on employees, Councillors and the public to be alert and to report suspicion of fraud and corruption.

Managers should pay particular attention to circumstances which may require additional and sensitive monitoring or supervision. Examples of Fraud Indicators are detailed in Appendix C.

7.5 **INVESTIGATION:** The Council will investigate all reported incidents of fraud or irregularity. Please see Appendix A for the Protocol for Investigating Irregularities.

7.6 **SANCTIONS:** The Council will apply realistic and effective sanctions for individuals or organisations where an investigation reveals fraudulent activity. This will include legal action in addition to criminal and disciplinary action, where appropriate.

7.7 **REDRESS:** A crucial element of the Council’s response to tackling fraud is seeking financial redress. The recovery of defrauded monies is an important part of the Council’s strategy and will be pursued, where appropriate.

7.8 In addition to the above, Internal Audit also prepares an annual Counter-Fraud Work Plan that details the key objectives and areas of work for the year and when actions are due to be completed. The work plan is agreed and monitored by the Regulatory and Audit Committee and Section 151 Officer.

8. Reporting, Advice and Support

8.1 The Council's expectation is that Councillors and managers will lead by example and that employees at all levels will comply with the Constitution, Council Policies, Financial Regulations, Financial and Contract Procedure Rules and Business Unit Procedures.

8.2 The Council recognises that the primary responsibility for the prevention and detection of fraud rests with management. It is essential that employees of the Council report any irregularities, or suspected irregularities to their line manager and if this is not appropriate then to the Managing Director or Service Director/Manager. The Council will provide all reasonable protection for those who raise genuine concerns in good faith, in accordance with the Whistleblowing Policy and Procedure.

8.3 The line manager, Service Manager, Director or Managing Director who receives the allegation (whether from a Councillor or a Council employee) must refer the matter to the following people, to determine how the potential irregularity will be investigated:

- Director, HQ Assurance (Section 151 Officer);
- Director, HQ Strategy and Policy (Monitoring Officer;
- Managing Director;
- Chief Internal Auditor;
- Human Resources; and
- Head of HR Operations.

8.4 Where appropriate, the Monitoring Officer should inform the Leader, Deputy Leader and relevant portfolio holder where the irregularity is material and/or could affect the reputation of the Council. The Section 151 Officer will liaise with the Cabinet Member for Resources, as appropriate. The Media Team should also be informed if the matter is likely to be communicated externally.

8.5 The investigating officer will follow the Guidelines for Managers on Investigating Allegations as well as the Protocol for Investigating Irregularities (Appendix A), which includes the need to:

- Deal promptly with the matter.

- Record all evidence received.
- Ensure that evidence is sound and adequately supported.
- Ensure security of all evidence collected.
- Contact other agencies if necessary e.g. Police.
- Notify the Council's insurers.
- Implement Council disciplinary procedures where appropriate.

8.6 The Council will also work in co-operation with the following bodies that will assist in scrutinising our systems and defences against fraud and corruption:

- Local Government Ombudsman.
- External Audit – Relationship Manager.
- National Fraud Initiative and related Audit Networks.
- Central Government Departments.
- HM Revenue and Customs.
- UK Border Agency.
- Department for Work and Pensions.
- Police.

8.7 Any concerns or suspicions reported will be treated with discretion and in confidence. Key contacts include:

- Chief Internal Auditor – Tel: 01296 387327.
- Senior Auditor (Fraud Lead) – Tel: 01296 382557.
- Confidential Reporting Facility - Tel: 01296 382237.
- Confidential e-mail - audit@buckscc.gov.uk

8.8 Other Council means for raising concerns:

▪ Chief Executive	Write to: **Buckinghamshire County Council,** County Hall, Walton Street, Aylesbury, HP20 1UA
▪ Director, HQ Assurance(Section 151 Officer)	
▪ Director, HQ Strategy and Policy (Monitoring Officer)	
▪ Managing Director	
▪ Service Director/Manager	
▪ Chief Internal Auditor	
▪ Regulatory and Audit Committee Chairman	

8.9 External means of raising concerns:

▪ External Audit (Grant Thornton)	**020 7728 3328**
▪ Citizens Advice Bureau	*Website:* www.citizensadvice.org.uk
▪ Police	Website: www.thamesvalley.police.uk
▪ Your Local Councillor	Website: www.buckscc.gov.uk Click on: Councillors and Meetings>Councillors

8.10 Attached are the following Appendices:

- Appendix A: The Protocol for Investigating Irregularities.
- Appendix B: The Council's Fraud Response Plan.
- Appendix C: Examples of Fraud Indicators.

9. Further Information

9.1 Further information on Council policy can be found in the following documents:

- The Constitution.
- Codes of Conduct (Councillors and Officers).
- Whistleblowing Policy and Procedure.
- Commercial Practices, Gifts and Hospitality.
- Financial Regulations and Instructions.
- Contract Standing Orders and Exemptions.
- Anti-Money Laundering Policy.
- Regulation of Investigatory Powers Act (RIPA).

10. Strategy Review

10.1 The Regulatory and Audit Committee will continue to review and amend this strategy as necessary to ensure that it continues to remain compliant and meets the requirements of the Council.

Responsible Officer: Chief Internal Auditor

Date: August 2015
Review Date: August 2016

APPENDIX A

Protocol for Investigating Irregularities

a) Fraud Referral / Allegation

The primary responsibility for the prevention and detection of fraud, corruption and theft rests with Managing Directors, Directors and Service Managers. Internal controls have been established for financial and other systems within the Council. They are designed to discourage fraud and provide indicators of any fraudulent activity. Employees, Councillors and other groups are encouraged to report suspected irregularities in accordance with the Council's Whistleblowing Policy and Procedure.

When a referral or allegation is received, the Managing Director, Director or Service Manager will report the incident to the key contacts and officers detailed in section 8.3 above, as well as any other relevant contacts, to determine the course of action.

In some cases, an allegation may be of a routine or minor nature that can be dealt with by service management without the need for a formal investigation. If this is the outcome, a record of the decision and who made it must be kept to enable the course of action to be justified. Alternatively, if the matter is of a nature that requires immediate Police involvement, please refer to section f) below on reporting issues to the Police.

If it is agreed that an internal investigation is required, this protocol details the stages that should be followed. It is the Managing Director, Director and Service Managers' responsibility to initiate and manage the investigation in potential cases of fraud, corruption or theft.

All investigations should be reported to Internal Audit, who will monitor the investigation, ensuring action is initiated, effectively managed and it is brought to a proper conclusion.

b) The Investigation

The Managing Director, Director or Service Manager should appoint a senior manager, independent of the activity, to head the investigation. The investigation team will take specialist professional advice and investigation skills from Internal Audit, Human Resources and a legal adviser from Legal Services. The team will also have open access to service management to ensure all appropriate enquiries can be undertaken. The Managing Director or Director should arrange for regular briefing meetings from the investigation team.

The team will agree a plan for the investigation having regard to the initial evidence and/or allegation. The investigation plan should be kept under regular review. Investigation progress will be reported to the Managing Director, Director, Service Manager and other relevant officers on a regular basis, especially when any key decisions need to be taken.

c) Evidence

All evidence gathered will be regarded as strictly confidential and will be the property of the investigation team. It will only be made more widely available on agreement with the necessary officers. The team will be responsible for gathering all evidence, whether it is verbal, written or electronic, which may include the need to interview employees.

If it is necessary to interview employees, the Managing Director, Director or Service Manager should be informed. HR should also be contacted to ensure the interview is arranged, conducted and managed correctly to ensure the employee is supported and the investigation is not compromised. Interviews with employees must be conducted in accordance with the relevant Council standards and procedures, with allowances for proper representation. Advice should also be obtained from Internal Audit as to the overall approach in undertaking the interview.

When obtaining written evidence, the source copy of any documentation should be obtained. Electronic evidence will be stored on a PC, laptop, blackberry, mobile phone, etc. When obtaining electronic evidence, the main issue is how to capture the evidence before it is changed. To do this, the equipment should be secured at the earliest opportunity to ensure evidence is not altered. This is a specialist activity and should be undertaken under the supervision of an IT specialist on which Internal Audit can advise.

Some investigations may require either covert surveillance or a covert operation to obtain information. If this is required, formal authorisation will need to be obtained under the Regulation of Investigatory Powers Act 2000 (RIPA). Authorising any action under RIPA regulation needs to be obtained from the Monitoring Officer and Head of Legal Services.

The conduct of interviews and gathering of evidence which may subsequently be used as criminal evidence is governed by specific rules and acts. In this respect, the following statutes are relevant:

- Police and Criminal Evidence Act 1984 (PACE).
- Regulation of Investigatory Powers Act 2000 (RIPA).
- Human Rights Act 1998.
- Data Protection Act 1998.

Specialists trained in investigation and interviewing could be made available to the investigation team. Legal Services and Trading Standards Officers might be able to assist if this is required. The need for specialist advice would be a part of the discussion when an investigation is initiated.

The investigation team should ensure that a fully referenced investigation file is maintained, which includes all documentation, records and notes collated during the investigation. Advice on the best approach to referencing investigation files can be obtained from Internal Audit.

d) Reporting

Once the investigation work has been concluded, the team will need to prepare a written report detailing the initial referral or allegation, the work completed (including documents obtained and interviews conducted) and an opinion or conclusion on the outcome of the investigation. Depending on the severity of the investigation outcome, the report may lead to a disciplinary hearing or Police referral.

The report should also detail any breakdown in management, operational or financial controls to the Managing Director, Director or Service Manager, who will have to agree the necessary actions to address the issues.

The investigation team, in consultation with the Managing Director or Service Director/Manager, should make arrangements for the Director, HQ Assurance, Monitoring Officer, Chief Internal Auditor and Head of HR Operations to be informed of the investigation outcome. Other officers should be notified on a strictly confidential, need to know basis.

e) Disciplinary and Criminal Proceedings

Managing Directors and Service Directors/Managers will be expected to take action in accordance with the Council's Conduct and Discipline Policy, where the outcome of the investigation indicates improper behaviour. School Governors are also required to take similar action where the outcome of the investigation indicates improper behaviour.

If an investigation requires that an employee is suspended, this must be done in accordance with the Conduct and Discipline Policy and Procedure. The procedure states that the suspension period should be as short as is reasonably practical. Senior employees should record in writing a decision to suspend and any subsequent review of that decision, setting out the reasons for the decision and whether alternative options have been considered.

The Managing Director or Service Director/Manger should ensure, normally through the investigation team, that the relevant written reports are available timely, for disciplinary and criminal proceedings. Necessary members of the investigation team may be required to give written evidence and attend at hearings to give verbal evidence and answer questions.

Normally the line manager will make the complaint at the disciplinary hearing, but in exceptional circumstances and with the Managing Director and HR's agreement, it may be made by a member of the investigation team.

Where there is a possibility of criminal proceedings, the investigation team should ensure that any relevant evidence is gathered and reported in such a way that it could be admissible in court. Legal Services will advise on a case by case basis as appropriate.

f) Police Involvement

Reporting incidents to the Police must be considered on an individual basis. If criminal activity is suspected, the matter should be promptly reported to the Police by the Managing Director or Service Director/ Manager. Approval to report the matter to the Police must be obtained from the Director of Assurance Monitoring Officer and Director of Legal Services. Advice should be sought from Internal Audit on how the matter should be reported and who would be best placed to meet with the Police and discuss the details of the investigation. In the unlikely event that none of the above officers are immediately available, the Managing Director, Director and Service Manager must judge how quickly the matter should be reported to ensure any Police investigation is not affected.

Continuous liaison with the Police is vital as there may be parallel enquiries undertaken by the Police in addition to those by the in-house team. Also, the Police have specialist skills to interview under caution that will be needed if evidence is to be used in court. Normally, any internal disciplinary process can take place at the same time as the Police investigation. However, this should be agreed in advance by both the Police and the Council to ensure both investigations are not compromised.

g) Investigation Costs

Internal Audit plans a small contingency for anti-fraud work. The Chief Internal Auditor, in conjunction with the Head of Assurance will determine whether the contingency should be used for undertaking work on a specific investigation. Where resources are not directly available through Internal Audit, any contribution may disrupt planned work so there may be an additional direct charge to the service concerned. If external specialist advice is required, this will only be after agreement both in terms of scope and cost, with the Managing Director or Director/Service Manager. Charges for Legal Services advice will be in accordance with the normal service agreements with departments.

h) Post Investigation

The Council wishes to see that following an investigation, action is taken to minimise future occurrence. This may involve improvements in control, changes to systems and procedures or employee training.

Any publicity arising from an investigation will be co-ordinated by the Council's Media Team. It is the responsibility of the Managing Director or Director/Service Manager to ensure that the Media Team is informed of developments following completion of an investigation.

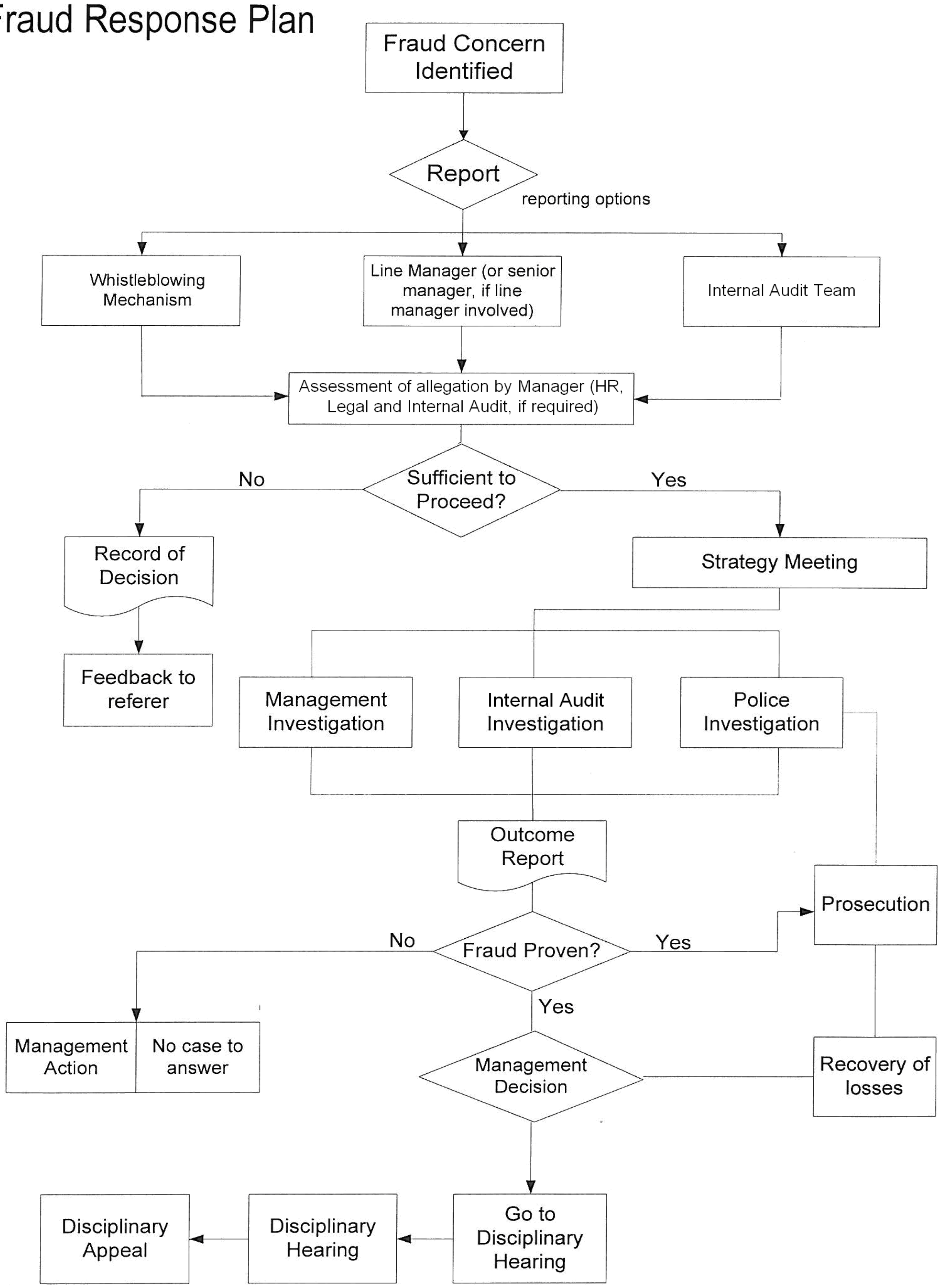
i) Training

The Council acknowledges that the continuing success of its Anti-Fraud and Corruption Strategy and its general credibility will depend largely on the effectiveness of programmed training and responsiveness of employees and Councillors throughout the organisation.

Investigation of fraud and corruption may require specialist training, not only for the Council's Internal Audit Service, but also employees within Business Units and Headquarters. Business Unit, Headquarters and Internal Audit staff training plans will reflect this requirement.

APPENDIX B

Fraud Response Plan



APPENDIX C

Fraud Indicators

A number of frauds can come to light because of suspicions aroused by, for instance, the behaviour of certain individuals. It is impossible to give a definitive list of fraud indicators or warning signs. The following are types of risk factors that may, either alone or cumulatively with other factors, suggest the possibility of fraud and may therefore warrant further investigation or enquiry.

- **Unusual employee behaviour:** Refusal to comply with normal rules and practices, fails to take leave, refusing promotion, managers by-passing subordinates, subordinates by-passing managers, living beyond means, regularly working long-hours, job dissatisfaction/unhappy employee, secretiveness or undue defensiveness.

- **Financial irregularities:** Key documents missing (e.g. invoices, contracts); absence of controls and audit trails; missing expenditure vouchers and official records; general ledger out of balance; bank and ledger reconciliations are not maintained or cannot be balanced; excessive movements of cash or transactions between accounts; numerous adjustments or exceptions; constant overdue pay or expense advances; duplicate payments; ghost employees on the payroll; large payments to individuals; excessive variations to budgets or contracts.

- **Bad procurement practice:** Too close a relationship with suppliers/contractors; suppliers/contractors who insist on dealing with only one particular member of staff; unjustified disqualification of any bidder; lowest tenders or quotes passed over with minimal explanation recorded; defining needs in ways that can be met only by specific contractors; single vendors; vague specifications; splitting up requirements to get under small purchase requirements or to avoid prescribed levels of review or approval.

- **Disorganisation:** Understaffing in key control areas; consistent failures to correct major weaknesses in internal control; inadequate or no segregation of duties.

- **Inadequate supervision:** Policies not being followed; lack of senior management oversight; inadequate monitoring to ensure that controls work as intended (periodic testing and evaluation); low staff morale, weak or inconsistent management.

- **Lax corporate culture:** Management frequently override internal control; climate of fear or a corporate culture; employees under stress without excessive workloads; new employees resigning quickly; crisis management coupled with a pressured business environment; high employee turnover rates in key controlling functions.

- **Poor work practices:** Lack of common sense controls; work is left until the employee returns from leave; post office boxes as shipping addresses; documentation that is photocopies or lacking essential information; lack of rotation of duties; unauthorised changes to systems or work practices.

Buckinghamshire County Council

Anti-Money Laundering Policy

A guide to the Council's anti-money laundering safeguard and reporting arrangements.

Prepared by: Ian Dyson, Chief Internal Auditor

Version 1 – 15th September 2015

Anti-Money Laundering Policy

1. Introduction

1.1 The Money Laundering Regulations 2007[1], which came into effect on the 15 December 2007, introduced changes to the money laundering regime that are relevant to the Council. As a consequence the Council's Anti Money-Laundering Policy has been up-dated so as to reflect the 2007 Regulations. The Policy therefore replaces the Council's 2004 Anti Money-Laundering Policy.

2. Scope of the policy

2.1 This Policy applies to all employees whether permanent or temporary and Members of the Council.
Its aim is to enable employees and Members to respond to a concern they have in the course of their dealings for the Council. Individuals who have a concern relating to a matter outside of work should contact the police.

2.2 The Policy is accompanied by:

- The Customer Due Diligence Pro-Forma **(Appendix 1)**.

2.3 Failure by a member of staff to comply with the procedures set out in the Policy may lead to disciplinary action being taken against him/her. Any disciplinary action will be dealt with in accordance with the County Council disciplinary Policy and Procedure.

3. What is money laundering?

3.1 Money Laundering describes offences involving the integration of the proceeds of crime, or terrorist funds, into the mainstream economy. Such offences are defined under The Proceeds of Crime Act 2002 as the following prohibited acts;

- Concealing, disguising, converting, transferring or removing criminal property from the UK.
- Becoming involved in an arrangement which an individual knows or suspects facilitates the acquisition, retention, use or control of criminal property by or on behalf of another person.
- Acquiring using or possessing criminal property.
- Doing something that might prejudice an investigation e.g. falsifying a document.
- Failure to disclose one of the offences listed above where there are reasonable grounds for knowledge or suspicion.
- Tipping off a person(s) who is suspected of being involved in money laundering in such a way as to reduce the likelihood of or prejudice an investigation.

3.2 Money laundering activity may range from a single act, for example being in possession of the proceeds of one's own crime, to complex and sophisticated schemes involving multiple parties and multiple methods of handling and transferring criminal property as well as concealing it and entering into arrangements to assist others to do so. Council employees need to be alert to the risks of clients, their counterparties and others laundering money in any of its many forms.

3.3 The main money laundering offences are those under sections;

- 327 to 329 of the Proceeds of Crime Act 2002.
- 18 of the Terrorism Act 2000.

In summary the offences are committed as follows;
Under section 327 it is an offence to conceal, disguise, convert, transfer or remove criminal property from England and Wales.
Under section 328 it is an offence for a person to enter into or become concerned in an arrangement which s/he knows or suspects facilitates the acquisition, retention, use or control of criminal property by or on behalf of another person.
Under section 329 it is an offence for a person to acquire, use or have in his/her possession criminal property.

3.4 Under section 18 of the Terrorism Act 2000 it is an offence for a person to enter into or become concerned in an arrangement which facilitates the retention or control by or on behalf of another person of terrorist property by concealment, removal from the jurisdiction, transfer to nominees or in any other way. Terrorist property is defined as money or other property which is likely to be used for the purposes of terrorism (including any resources of a prescribed organisation), proceeds of the commission of acts of terrorism, and proceeds of acts carried out for the purposes of terrorism.

3.5 It is important to note that anyone, Council employee or not, can commit any of the above offences. However, in addition to these offences there are a series of obligations imposed on the Council by the 2007 Regulations that it must fulfil and of which breach can also amount to an offence by the Council.

4. What are the obligations on the council?

4.1 The obligations on the Council are those imposed by the 2007 Regulations which apply to "relevant persons" acting in the course of business carried on by them in the UK. Not by any means all of the Council's business is relevant for the purposes of the Regulations; it is mainly the accountancy and audit services carried out by Financial Services and the financial, company and property transactions undertaken by Legal Services.

4.2 It should be remembered that under Reg. 3(1), the Regulations only apply to "persons acting in the course of a business".

Therefore Council employees in the Financial Services and Legal Services sections are those to whom the Policy most directly applies.

4.3 It is reasonable to conclude that the money laundering regime is not primarily aimed at local authorities and that local authorities' work is to some extent tangential to the regime. However, the safest way to ensure compliance with the regime is nonetheless to apply its requirements to all of the Council's areas of work and to ensure that all staff complies with the reporting procedure set out in the Policy.

4.4 The obligations on the Council are to establish and maintain appropriate and risk-sensitive policies and procedures relating to the following;

- Customer due diligence measures and ongoing monitoring.
- Reporting.
- Record-keeping.
- Internal control.
- Risk assessment and management.
- The monitoring and management of compliance with, and the internal communication of such policies and procedures.

4.5 All employees are required to follow the procedure set out in the Policy and in this way the Council will properly discharge its obligations under the money laundering regime.

5. The importance of disclosing any suspicions to the Money Laundering Reporting Officer (MLRO)

5.1 Where you know or suspect that money laundering activity is taking/has taken place, or you are concerned that your involvement in the matter may amount to a prohibited act under the legislation, you must disclose to the MLRO this suspicion or concern as soon as practicable; the disclosure should be made within hours rather than days or weeks of the information coming to your attention.

IF YOU FAIL TO DO SO YOU MAY BE LIABLE TO PROSECUTION.

5.2 Your disclosure should be made to the MLRO on the Pro Forma attached.
The report must include as much detail as possible, for example:

- Full details of the people involved (including yourself if relevant) e.g. name, date of birth, address, company names, directorships, phone numbers etc.

- If you are concerned that your involvement in the transaction would amount to a prohibited act under sections 327-329 of the.
- 2002 Act then your report must include all relevant details as.
- You will need consent from the National Crime Agency (NCA) or relevant successor body, through the MLRO, to take any further part in the transaction. This is the case even if the client gives instructions for the matter to proceed before such consent is given. You should therefore make it clear in the.
- Report if such consent is required and clarify whether there are any deadlines for giving such consent e.g. a completion date or court deadline.
- The types of money laundering activity involved. If possible cite the section number(s) under which the report is being made.
- The date of such activities, including whether the transactions have happened, are on-going or are imminent.
- Where they took place.
- How they were undertaken.
- The (likely) amount of money/assets involved.
- Why, exactly, you are suspicious.
- In addition, any other information to enable the MLRO to make a sound judgment as to whether there are reasonable grounds for knowledge or suspicion of money laundering and to enable
- To prepare a report to the NCA, where appropriate. You should also enclose any copies of relevant supporting documentation.

5.3 As soon as you have reported the matter to the MLRO you must follow any directions they give to you. **You must NOT make any further inquiries into the matter yourself.**

Any necessary investigation will be undertaken by the National Crime Agency (NCA) or relevant successor body; simply report your suspicions to the MLRO, who will refer the matter to NCA or relevant successor body, if appropriate. All members of staff will be required to co-operate with the MLRO and the authorities during any subsequent money laundering investigation.

5.4 Similarly, **at no time and under no circumstances should you voice any suspicions** to the person(s) organisation you suspect of money laundering; otherwise you may commit the criminal offence of "tipping off".

5.5 Do not, therefore, make any reference on a client file to a report having been made to the MLRO. Should the client exercise his/her right to see the file then such a note would obviously tip them off to the report having been made. Again you would be at risk of prosecution for tipping off. The MLRO will keep the appropriate records in a confidential manner.

6. Customer Due Diligence

6.1 In summary, customer due diligence is a new requirement introduced by the Regulations, and means that the Council must know its clients and understand their businesses. This is so that the Council is in a position to know if there is suspicious activity that should be reported; clearly it is only by the Council knowing its clients and their businesses that it can recognise abnormal and possibly suspicious activity.

6.2 The obligations imposed on the Council must, of course, be brought into effect by its individual employees. Employees must therefore be familiar with these obligations.

6.3 The 2007 Regulations require that the Council identifies its customers and verifies that identity on the basis of documents, data or information obtained from a reliable source. Where there is a beneficial owner who is not the customer then the Council must identify that person and verify the identity and where the beneficial owner is a trust or similar then the Council must understand the nature of the control structure of that trust. Finally the Council must obtain information on the purpose and intended nature of the business relationship.

6.4 The checks described in the paragraph above must generally be undertaken by the Council before it establishes a business relationship or carries out an occasional transaction, or if it suspects money laundering or terrorist funding or doubts the veracity of any information obtained for the purposes of identification or verification. However, the Council is not required to undertake these checks if its customer is another public authority, unless it suspects money laundering or terrorist funding.

6.5 The Council is also obliged to maintain ongoing monitoring of its business relationships which means it must scrutinise transactions throughout the course of the relationship to ensure that the transactions are consistent with the Council's knowledge of the customer and keep the information about the customer up-to-date.

6.6 Where the Council is not able to apply the customer due diligence measures set out above it must not carry out a transaction with or for a customer through a bank account, it must not establish a business relationship or carry out an occasional transaction with the customer, it must terminate any business relationship with the customer and consider whether to make a disclosure.

6.7 However, the above paragraph does not apply where a lawyer or other professional adviser is in the course of advising the legal position for his/her client or performing his/her task of defending or representing that client in, or concerning, legal proceedings including the advice on the institution or avoidance of proceedings.

7. Enhanced Customer Due Diligence and Ongoing Monitoring

7.1 It will in certain circumstances be necessary to undertake what is known in the Regulations as Enhanced Customer Due Diligence. In summary, this will be necessary where:

- The customer has not been physically present for identification purposes; or
- In any other situation which by its nature can present a higher risk of money laundering or terrorist financing.

7.2 Where this applies, the Council will need to take adequate measures to compensate for the higher risk. For example, this will mean ensuring that the customer's identity is established by additional documents,
data or information.

7.3 Similarly, where the Council is in an ongoing "business relationship" with a customer, the Regulations impose a special obligation to carry out ongoing monitoring. This means that the Council must:

- scrutinise transactions undertaken throughout the course of the relationship to make sure that these transactions are consistent with the Council's knowledge of the customer, his/her business and risk profile; and
- keep documents, data or information obtained for the purpose of applying Customer Due Diligence measures up-to-date.

8. Internal clients

8.1 Appropriate evidence of identity for Council departments will be signed, written instructions on Council headed notepaper or an e-mail on the internal system at the outset of a particular matter. Such correspondence should then be placed on the Council's client file along with a prominent note explaining which correspondence constitutes the evidence and where it is located.

9. External clients

9.1 The MLRO will maintain a central file of general client identification and verification information about the Council's external clients to whom the Council provides professional services. You should check with the MLRO that the organisation or individual in respect of which you require identification and verification information is included in the MLRO's central file and then check the details of the information held in respect of the particular client. If the organisation or individual is not included in the central file you should discuss the matter with the MLRO.

9.2 In practice the Council can fulfil its obligations if employees complete the Customer Due Diligence Pro-Forma attached.

10 Record keeping

10.1 The information gathered by the Council in pursuance of its customers due diligence obligations and described above must be kept for a period of five years from either the completion of the transaction or the end of the business relationship. Each Department or Section of the Council should nominate an officer who is to be responsible for the secure storage of these records.

11. The money laundering reporting officer

11.1 The officer nominated to receive disclosure about money laundering activity within the Council is the Director of Assurance.
He can be contacted as follows:

Richard Ambrose
Director of Assurance
HQ Assurance
Buckinghamshire County Council
County Hall
Aylesbury Bucks

Telephone: 01296 383120

In the absence of the MLRO the Monitoring Officer, Sarah Ashmead, is authorised to deputise.

Sarah Ashmead can be contacted at the above address or on telephone 01296 303986.

APPENDIX 1

Customer Due Diligence Pro-Forma

SECTION A: PRELIMINARY	
NAME OF CUSTOMER	
Is this customer another public authority (E.g. a local authority)?	**If "Yes", the due diligence measures below in Sections B and C do not need to be applied.**
Does the Council suspect the customer of money laundering or terrorist financing?	**If "Yes", the suspicion MUST always be reported to the MLRO immediately.**

SECTION B: DUE DILIGENCE MEASURES		
These measures are to be applied where the Council: 1) establishes a business relationship with a customer[2]; 2) carries out an occasional transaction[3]; 3) doubts the veracity or adequacy of documents, data or information previously obtained from the customer for the purposes of identification or verification. To apply the due diligence measures, please answer as fully as possible the questions below.		
1.	Can the Council identify this customer?	
2.	How has the identity of this customer been established? [Attach documents, data or information establishing identity]	
3.	Are these documents, data or information from an independent and reliable source?	
4.	Can the Council verify the identity of the customer?	

[2] **"business relationship"** means a business, professional or commercial relationship which the Council expects, at the time the contact is established, to have an element of duration.

[3] **"occasional transaction"** means a transaction, carried out other than as part of a business relationship, amounting to 15,000 Euro or more, whether a single operation or several operations which appear to be linked. [Sterling equivalent at date of final document]

	[Through the documents referred to in Questions 2 and 3]	
5.	Is there a beneficial owner involved with the customer who is a different person or entity to the customer identified	
6.	What is the identity of the beneficial owner?	
7.	Can the Council verify the identity of the beneficial owner?	
8.	Does the Council doubt the veracity or adequacy of documents, data or information obtained for the purposes of identification or verification?	
9.	When were the documents, data or information obtained for the purposes of identification or verification of this customer last up-dated?	
10.	When will the documents, data or information obtained for the purposes of identification or verification of this customer next	
11.	What is the ownership and control structure of the beneficial owner?	
12.	Does the Council wish to establish a business relationship with this customer?	
13.	What is the purpose and intended nature of the business relationship?	
SECTION C: OUTCOME OF DUE DILIGENCE MEASURES		
Is the Council unable to answer any of the above questions because the customer has been unable or unwilling to provide information? If so, please give full details.		**If the answer is "Yes", the Council must not establish a business relationship or carry out an occasional transaction with this customer; it must not carry out any transaction with or for the customer through a bank account; it must terminate any business relationship with the customer AND the suspicion must be reported immediately to the MLRO.**
NOTE This pro-forma must be kept for 5 years from the end of the business relationship or occasional transaction with this customer.		

Date of meeting	Items	Reports to Nichola Beagle	Agenda Circulation Date	Briefing meeting date
23 Sept 2015	• Statement of Accounts (Richard Ambrose) • Audit Findings Report (Grant Thornton) • Internal Audit Progress Report and Action Tracked (Ian Dyson) • Business Continuity Feedback (Ian Dyson / Service Manager) • AFW Debt Management Feedback (Ian Dyson/ Service Manager) • Anti-Fraud and Corruption Policy and Money Laundering Policy (Ian Dyson) • Private closed session with Grant Thornton Auditors • Private closed session with Ian Dyson • Forward Plan (standing item)	14 Sept 2015	15 Sept 2015	22 Sept 2015 (8.30am COMT Room)
18 Nov 2015	• Annual Audit Letter for BCC (Grant Thornton) • Update report on Academies, BLT, SEN and AMEY Contract (TBC) • Contract Standing Orders - Exemptions/Breaches (Tricia Hook) • Contract Management Application Performance Report (Michelle Granat) • Report on Data Protection E-Learning (Ian Dyson) • Report on Mandatory Training across the organisation (Ian Dyson) • Treasury Management Update (Julie Edwards) • Annual Enforcement of the Children & Young People (protection from tobacco) Act update (Amanda Poole) • Hearing the Customer's View - Annual Report - Children & Young People's Social Care • Adults Social Care Complaints Report • Annual Report of the Chief Surveillance Commissioner 2014/2015 - Sarah Ashmead • Alternative Delivery Vehicles - Governance Arrangements (Ian Dyson) • Risk Management Group (Maggie Gibb) • Forward Plan (standing item	09 Nov 2015	10 Nov 2015	11 Nov 2015 (9.30am Ireland Room Break/out area)

Date of meeting	Items	Reports to Nichola Beagle	Agenda Circulation Date	Briefing meeting date
20 Jan 2016 Mezz Rm 1	• Effectiveness of Debt Management Strategy (Matt Strevens) • Internal Audit Progress Report and Action Tracker (Ian Dyson) • Treasury Management Strategy (Julie Edwards) • Risk Management Group (Maggie Gibb) • Forward Plan (standing item)	8 Jan	12 Jan	**TBC** **Btwn 13-19 Jan**
27 April 2016 Mezz Rm 1	• Contract Standing Orders - Exemptions/Breaches (Tricia Hook) • Whistleblowing Policy - incidents and effectiveness)TBC)	15 April	19 April	**TBC** **Btwn 20-26 April**
25 May 2016 Mezz Rm 2	• Statement of Accounts by end of June	13 May	17 May	**TBC** **Btwn 18-24 May**
27 July 2016 Mezz Rm 1	• Audit of Accounts by August	15 July	19 July	**TBC** **Btwn 20-26 July**
30 November 2016 Mezz Rm 1		18 Nov	22 Nov	**TBC** **Btwn 23-29 Nov**