# Agenda

## *REGULATORY AND AUDIT COMMITTEE*

**Date:** Thursday 28 July 2016

**Time:** 9.00 am

**Venue:** Mezzanine Room 2, County Hall, Aylesbury

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| | Agenda Item | Time | Page No |
|---|---|---|---|
| 1 | **ELECTION OF CHAIRMAN** | 09:00 | |
| 2 | **APPOINTMENT OF VICE CHAIRMAN** | | |
| 3 | **APOLOGIES FOR ABSENCE / CHANGES IN MEMBERSHIP** | | |
| 4 | **DECLARATIONS OF INTEREST**<br>To disclose any Personal or Disclosable Pecuniary Interests | | |
| 5 | **MINUTES**<br>of the meeting held on 25th May 2016 to be confirmed as a correct record. | | 5 - 10 |

| | | | |
|---|---|---|---|
| 6 | **EFFECTIVENESS OF DEBT MANAGEMENT STRATEGY - UPDATE**<br>To be presented by Matt Strevens – Corporate Finance Business Partner. | **09:10** | **11 - 20** |
| 7 | **BUSINESS CONTINUITY MANAGEMENT UPDATE**<br>To be presented by Andrew Fyfe - Head of Resilience and Community Safety | **09:25** | **21 - 24** |
| 8 | **AUDITED STATEMENT OF ACCOUNTS AND AUDIT FINDINGS REPORT FOR BUCKINGHAMSHIRE COUNTY COUNCIL AND PENSION FUND**<br>• Audited Statement of Accounts presented by Richard Ambrose – Director of Assurance.<br>• BCC Audit Findings Report presented by Paul Grady (Grant Thornton).<br>• Pension Fund Audit Findings Report presented by Thomas Slaughter (Grant Thornton).<br>Also contributing: Julie Edwards – Pensions and Investments Manager,<br>Elspeth O'Neill – Projects and Financial Accountancy Lead, Patrick McGovern – Pensions Board, Rachael Martinig – Accountant. | **09:40** | **25 - 226** |
| 9 | **FINAL ANNUAL GOVERNANCE STATEMENT**<br>To be presented by Maggie Gibb, Chief Internal Auditor. | **10:00** | **227 - 256** |
| 10 | **BUSINESS ASSURANCE UPDATE**<br>To be presented by Maggie Gibb, Chief Internal Auditor. | **10:05** | **257 - 282** |
| 11 | **RISK MANAGEMENT GROUP UPDATE**<br>To be presented by Maggie Gibb, Chief Internal Auditor. | **10:35** | **283 - 286** |
| 12 | **FORWARD PLAN**<br>Standing item - To be presented by Maggie Gibb, Chief Internal Auditor. | **10:40** | |
| 13 | **DATE AND TIME OF NEXT MEETING**<br>21 September 2016, 09:00am, Mezzanine Room 2. | **10:55** | |
| 14 | **EXCLUSION OF THE PRESS AND PUBLIC**<br>**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)**

| | | |
|---|---|---|
| **15** | **CLOSED SESSION WITH GRANT THORNTON AUDITORS** | **10:55** |
| **16** | **CLOSED SESSION WITH BCC CHIEF INTERNAL AUDITOR** | **11:10** |

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*For further information please contact: Kevin Wright on 01296 387832, email: kwright@buckscc.gov.uk*

**Members**

| | |
|---|---|
| Mr T Butcher | Mr P Hardy |
| Mr W Chapple OBE | Mr D Martin |
| Mrs A Davies | Mr A Stevens |
| Mr T Egleton | Vacancy |

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# Minutes

## *REGULATORY AND AUDIT COMMITTEE*

**MINUTES OF THE MEETING OF THE REGULATORY AND AUDIT COMMITTEE HELD ON WEDNESDAY 25 MAY 2016 IN MEZZANINE ROOM 2, COUNTY HALL, AYLESBURY, COMMENCING AT 9.00 AM AND CONCLUDING AT 10.40 AM.**

**MEMBERS PRESENT**

Mr T Butcher (Vice-Chairman)
Mrs A Davies
Mr P Hardy
Mr D Martin
Mr R Scott (Chairman)
Mr A Stevens

**OTHERS IN ATTENDANCE**

Mr C Adams
Mr R Ambrose, Director of Assurance
Mr L Ashton, Committee Assistant
Mr I Dyson, Chief Internal Auditor
Ms J Edwards, Pensions and Investments Manager
Ms M Gibb, Business Assurance Manager
Ms R Martinig, Financial Accountant
Mr P McGovern, Senior Finance Officer
Ms E O'Neill, Projects and Financial Accountancy Lead
Mr M Ward, Manager, Grant Thornton
Mr D Watson, Deputy Cabinet Member for Resources

**1 APOLOGIES FOR ABSENCE / CHANGES IN MEMBERSHIP**

Apologies were received from Mr B Chapple OBE and Ms S Ashmead.

**2 DECLARATIONS OF INTEREST**

There were no declarations of interest.

## 3 MINUTES

The minutes of the meeting held 27 April 2016 were agreed as an accurate record and signed by the Chairman.

## 4 ANNUAL REPORT OF CHIEF AUDITOR

Mr I Dyson, Chief Internal Auditor, BCC presented this report. The report detailed the Chief Auditor's opinion on the Council's system of internal control, based on the internal audits undertaken, and other available assurance mechanisms.

The report summarised the conclusions from all the internal audits completed and included the nine audits that had been concluded with "limited" assurance. Mr I Dyson highlighted the below key points which were discussed by the Committee:

- The opinion was set out on page 22 of the agenda pack. The Committee was advised that whilst the Council's overall system of internal control required attention and there were areas which required improvement it had been evident that governance had strengthened in the organisation. Officers had acted transparently and senior managers were being alerted to issues which required the Director of Assurance and Chief Executive be made aware of.
- A number of audit areas assessed as limited were the result of greater accountability in the organisation. It was recognised that many changes had been made to the organisation, including around Alternative Delivery Vehicles and this more commercial way of working had led to more limited assurance reports.
- In an organisation as diverse as the County Council it was unlikely there would ever be a case of there being no issues although it was fully expected that the opinion of the Chief Internal Auditor next year had every reason to be "reasonable" due to the strengthened governance and ownership taken by OCB.
- Members queried the number of limited assurances (9 from 18). A number of these were around schools where specific problems were known. This did not mean the same issues were across the organisation.
- It was confirmed by Mr M Ward that external auditors would not automatically qualify their opinion based on the Chief Internal Auditor having a qualified opinion.
- Previous issues with payroll were being addressed and financial system issues were new issues rather than historic.
- Members expressed concern at the opinion and hoped that improvements would be seen. Mr I Dyson confirmed that an action plan would be implemented and regular updates provided to the Committee.

The Committee was recommended to note the report.

**RESOLVED**

> **In noting the report of the Chief Internal Auditor, the Committee expressed concern about his qualified opinion of governance and internal controls and welcomed the action plan to deliver an overall opinion of "reasonable" by March 2017. The Committee look forward to regular updates from the Chief Internal Auditor and internal leads regarding delivery of the plan throughout the year.**

## 5 DRAFT ANNUAL GOVERNANCE STATEMENT

Mr I Dyson presented this report and highlighted the below key points which were discussed by the Committee:

- An action plan was attached to the report which linked to the key governance issues that had been identified. These specific activities would be tracked through the internal audit process and regular reports would be provided to the Committee.
- An assurance mapping exercise had not yet been undertaken for Children's Social Care and Adult Social Care but was identified as a key element of work to be completed.
- The Operating Framework had been revised and a communication plan was being worked on to roll this out to the Council. An update would be brought back to the Committee to demonstrate progress.
- Members queried the timescale for actions and asked whether it was too far in the future. It was advised that March 2017 had been set as a date when changes would be expected to have been fully embedded and there would be clear evidence of effective working. The Committee would receive regular updates between now and then from professional leads to assess progress.
- Each limited assurance report had their own action plan, many of which had been implemented and changes expected long before March 2017.

**RESOLVED**

> **The Committee APPROVED the Annual Governance Statement 2015/16. The Committee would speak to the Leader and Chief Executive to relay its concerns.**

## 6 TREASURY MANAGEMENT UPDATE

Mr D Watson, Deputy Cabinet Member for Resources presented this report to the Committee which reported on treasury management activity in the previous financial year. The Committee were asked to consider the recommendations set out on page 51 of the agenda pack. Mr D Watson summarised the figures and percentages detailed in the report and key issues were discussed as below:

- Mr D Watson explained that the treasury management strategy had been preparing for the EfW plant which was the largest purchase the Council had made. The full £180m had been planned to be included in the accounts, however for various reasons of delay the full amount would be receipted and paid for in the first quarter of the current financial year. Recovering VAT on this purchase was a priority of the Council. It was understood this would be recovered from HMRC in around five to six weeks after the payment so short term borrowing would be required in the meantime to fund the payment.
- Mr R Ambrose assured the Committee that any changes to the original EfW business case were being tracked as closely as possible.
- Mr D Watson advised that the short term borrowing had been required on one occasion during 2015/16 when £15m was borrowed for 7 days at 0.28% for short term cash flow purposes. The March 2015 BACS run had been £10m larger than expected at the same time HMRC held back two months VAT which lead to an £11m debtor. Forecasting cash flow was described as volatile and difficult to predict.
- Mr R Ambrose confirmed that the strategy would now be to borrow all that was needed for the EfW plant using low temporary variable loans.
- A Member queried what was being done in respect of loans taken out some years ago at high rates of interest and whether these were being restructured or rescheduled. It was confirmed that these were continually looked at and most high debt was being paid off over the next four years and the premium to pay these loans off early was a prohibitive factor. By 2020 the majority of these loans will be paid.

**RESOLVED**

**The Committee RECOMMENDED to Council the Treasury Management Annual Report and the actual Prudential Indicators for 2015/16.**

**The Committee RECOMMENDED to Council a change to the operational boundary for external debt within Prudential Indicator 3.3 from £230m to £250m in2016/17.**

**The Committee RECOMMENDED to Council a change to the Upper Limit of Variable Fixed Rate Borrowing within Prudential Indicator 4.4 from £100m to £140m in 2016/17.**

## 7 DRAFT STATEMENT OF ACCOUNTS

Mr R Ambrose, Director of Assurance, Ms E O'Neill, Senior Accountancy Lead and Ms J Edwards, Pensions & Investments Manager presented the draft unaudited statement of accounts for Buckinghamshire County Council and Pension Fund for the year ended 31 March 2016. Mr R Ambrose highlighted the following points which were discussed by the Committee.

- The timescale for completion of the draft statement of accounts had been brought forward by a month and Mr R Ambrose gave credit to Ms E O'Neill, Ms J Edwards, Ms R Martinig, Mr P McGovern and the wider finance and budget managers. The accounts contained a narrative report for the first time to aid understanding.

- The overall position showed a £362k overspend against the net revenue budget. This was viewed positively given the high predicted overspend halfway through the year.
- The General Fund reserve was £17.384m which was slightly higher than forecast when setting the budget.
- A “Corporate Landlord” approach had been adopted towards BCC’s property estate in order to drive better value from these assets. A detailed review of the agricultural estate had been carried out and a review of the remainder of the property estate was currently being carried out. Investment property are now valued at fair value in the accounts as they are held to earn rentals or for capital appreciation..
- Pension liability recorded a gain of £71.922m. This gain was said to have mainly related to changes in financial assumptions used by the actuary.
- A Member queried how much provision was made for the Adventure Learning Foundation (ALF) loan and questioned whether this was being serviced. Mr R Ambrose was limited in his response due to ongoing talks with ALF in respect of the loan.
- A Member asked what had happened that was not predicted which lead to the spending freeze. It was advised that this was mainly linked to additional demand and unit costs required within both Children’s services and Adult Services An error was noted on page 111 of the agenda pack.

  **Action: Ms E O’Neill to amend the figure under the Buckinghamshire Law Plus item to read £0.068m rather than £0.68m before the publishing of the draft accounts.**

The Committee gave thanks to the Officers and their teams for the completion of the draft accounts which had been completed to a shorter timescale than they had in the past.

**RESOLVED**

**The Committee reviewed the Statement of Accounts for Buckinghamshire County Council and Pension Fund for the year ended 31 March 2016 and noted the timing and requirements for completion and authorisation of the draft and final Statement of Accounts.**

## 8 VERBAL UPDATE ON TEE

Mr I Dyson provided this update on behalf of the TEE Business Unit following actions that were raised at the last meeting. The Committee had noted that three highlighted actions had not been updated by the TEE Business Unit. The actions related to the planning applications audit and property contract process and procedures. The actions had now been updated and fundamentally completed. Overall the Committee were advised that there were still some actions in TEE where dates were moving.

Mr I Dyson suggested that the next internal audit quarterly update report due to be provided at the July meeting details a list of outstanding actions across the organisation. Any areas highlighted of significant importance would then have the appropriate Directors invited to attend. An update on the action tracker would also be provided at that meeting.

## 9 FORWARD PLAN

The Committee noted the Forward Plan. In addition to the items for July's meeting a quarterly audit update would be added with the detailed action tracker as noted above. A progress report on audits in progress for this financial year and outstanding audits from 2015/16 would also be provided.

It was confirmed that the Risk Management Group's Forward Plan included addressing concerns around ADV's and an update could be provided at a future meeting. Mr R Schmidt would also bring an update to the July meeting on external audit actions as noted at the previous meeting.

An additional item would be added to the November agenda around the monitoring of the Annual Governance Scheme action plan as discussed under item 4. The Buckinghamshire Learning Trust was due to return to the Committee in November and Members recognised this as a long period to wait.
**Action: Ms M Gibb to explore the possibility of holding an additional meeting toward the end of September should it be required.**

The Committee thanked Mr I Dyson for his and his team's efforts and wished him the best as he will be leaving his current role.

Members also thanked the Chairman who would be stepping down from his role.

## 10 DATE OF NEXT MEETING

28 July 2016 at 9 a.m. in Mezzanine Room 2, County Hall, Aylesbury

**CHAIRMAN**

**Buckinghamshire County Council**

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# Regulatory and Audit Committee

| | |
|---|---|
| **Title:** | Effectiveness of Debt Management Strategy Update |
| **Date:** | Thursday 28 July 2016 |
| **Author:** | Director of Assurance |
| **Contact officer:** | Matt Strevens – Corporate Finance Business Partner (ext. 3181) |
| **Local members affected:** | All |

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

**Summary**

Since the effectiveness of the Debt Management Strategy was last reviewed by the committee in February 2016 there has been a significant volume of work undertaken to better understand our debt position. All Business Unit Finance Directors have been consulted with and asked to provide an understanding of the specific issues of debt within the Business Units, and as a result of this a revised set of processes and metrics for reporting of aged debt have been agreed upon. The most significant part of the reporting improvements being delivered are aimed at supporting Business Units in understanding their debt position, and facilitating the onwards reporting of that position to both One Council Board and Cabinet.

In addition corporate and system process improvements continue to be developed to better meet the needs of budget holders, who are fundamentally responsible for the debts within their cost centres, and for management teams, who hold the wider responsibility to ensure debts are appropriately managed within their Business Units.

Having reviewed the newly developed metrics, which are reported in Appendix I, it is apparent that it will take some time to address our current position, and that these measures will shine a spotlight onto matters which will then require action from Business Units. In CSCL the level of provision for bad debt is currently only 6% of the value of debt aged more than 90 days. Viewed corporately the total provision held represents 18% of debts aged over 90 days. There may be valid reasons for this, but as this has not previously been visible little or no challenge to this position has been made. Additionally when comparing the proportion of unsecured aged debt to the annual value of sales invoices this ratio is significantly higher in CSCL that other Business Units. Again a local understanding of the underlying issues is required in this case.

## Update on developments and Improvements

### Corporate reporting of aged debt

We are currently producing a new set of reports to One Council Board to bring a greater understanding of aged debt. Key changes to the reporting are as follows;

- Reporting aged debt for Business units by the following timeframes;
  - 1-30 days overdue
  - 31-90 days overdue
  - 90 days to 1 year overdue
  - More than 1 year overdue
- The classification and reporting of debt on a risk profile, which will allow us to recognise the differences in debts and the debt management process across the Business Units
- The value of written off debt by Business Unit and the level of provision for bad debt to be reported alongside the level of aged debt
- Measures of debt as a percentage of sales are being trialled, and will form a part of the One Council Board report when completed

The intention of the changes above is to ensure that the focus of corporate management is on reducing the risk of debts becoming bad, ensuring that write-offs are appropriate, and that the costs of writing debt off are considered as part of their management.

It remains the responsibility of the Managing Directors and their Finance Directors to ensure that debt is managed effectively within the Business Units, and the expectation is that each Managing Director will be able to discuss their aged debt position at One Council Board.

The reporting of aged debt to Cabinet will be based upon the revised One Council Board format, although it will be reported at a corporate level.

### Reporting of aged debt to Business Units

It has been agreed that Finance Directors will, on a monthly basis, receive the following information regarding aged debt;

- A full list of debts overdue, including the value, due date and cost centre to which it relates
- A full list of all debts written off in the last month
- The latest value of the Business Units provision for bad debt after any in-year write-offs
- The latest Business Unit aged debt position in the same format as the corporate report

The intention is that this information will allow each Business Unit to understand its debt position and to challenge its managers to manage the debts efficiently and effectively, to identify opportunities to change the method of charging to reduce the risk of debt going bad, and to support discussions and decision-making in relation to aged debt at Business Unit Boards.

**Review of historic aged debt and unallocated income**

There is currently a significant balance of unallocated income from before April 2015, and a similarly sized balance of outstanding debt. Activity is currently in place to review these debts and unallocated income and to match them off where possible. Due to the agedness of the debts and the fact they were not matched in the first instance it is likely that only a portion of these can be matched off, however once the position is understood a proposal will be developed, taking account the risk of future challenge, to write off the debts against the remaining unallocated income. Where these historic debts are clearly attributable and unpaid the Business Unit will be consulted as to how to proceed.

**Corporate process improvements to support effective debt management**

1. Management of aged debt by BSP

   The Finance Operations Team within BSP continues to work with Business Units to manage debts aged to over 90 days. They have recently improved their processes to ensure they are able to report back to Business Units on the effectiveness of debt recovery action, and to advise on the potential need to write off unrecoverable debts. To date a significant number of debts have been retained by Business Units as they feel they either understand the debt better or have an ongoing relationship they are managing alongside the debt.

2. Automated reminder messages to Budget holders

   There have been some unforeseen issues with this development, alongside resource constraints within ICT, which have meant that this is not been progressed as originally planned. An alternative method has been developed, and Finance Directors have been asked to engage with this process to ensure their budget holders are fully aware when their debts become aged.

3. Changes to aged debt reminder letters

   The proposed changes to the process of issuing reminder invoices have also been delayed due to resource constraints.

4. Clarification of roles and responsibilities

   Within discussions with Finance Directors relating to improvements in debt management the topic of roles and responsibilities was raised. The proposals for improved visibility of debt to Finance Directors is in part intended to ensure that they are able to provide a greater level of assurance to Strategic Finance that debt is being properly managed within their respective Business Units. A revised Budget Holder training package has been commissioned and should be launched as a mandatory training course by September, and this will include linkages to the Debt Management Strategy and emphasise the role which Budget Holders have in ensuring that debt is both raised appropriately and chased to ensure payment is received for services rendered.

5. Updating of the Finance Intranet

   The updating of the Finance intranet is a key activity in ensuring those involved in the debt management process are clear of their responsibilities and can practically deliver them. A number of the documents relating to debt management (including the Debt Management Strategy, Financial Instructions and the SAP user guide) have been reviewed for consistency, and updated where necessary, however the wider review which will bring more focus and clarity to the tasks has not been possible due to resource constrains over the period of closing the accounts. This work remains a priority and has recently been re-invigorated, however resourcing the whole piece of work remains an issue.

6. Improvements to reporting of debt

   Appendix I contains examples of the proposed reporting changes to support the Debt Management strategy. The intention is to focus on higher risk debt, and also to understand whether the level of debt is appropriate for the nature and volume of activity undertaken commercially. When defining risk to debt, consideration has been given both to the nature of the debt, and the age of the debt, such that older debt that is not being actively pursued is classified as high risk, whilst secured debt is classed as low risk regardless of agedness.

**Recommendation**

**That the changes and improvements within this report are endorsed and given time to 'bed-in'.**

**That Business Units are invited to present their local debt management approaches and performance to the committee once this 'bedding-in' period has been completed.**

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

**Resource implications**

There are currently resource constraints which are inhibiting our ability to implement changes to SAP in order to improve our reporting of debt management. It may be necessary to consider alternative options to take this work with the desired pace, and this may either have cost implications or result in the de-prioritisation of current activities being delivered.

Current resource levels within Finance to undertake the improvements to the Finance Intranet and to develop and deliver the corporate Budget Holder training also present potential constraints. Delivering these may require the re-prioritisation of other tasks with consequential impacts on service standards to customers.

**Legal implications**

None

**Other implications/issues**

None

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

None

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**Background Papers**

Appendix I contains examples of the debt performance data which has been developed to support our understanding and active management of aged debt.

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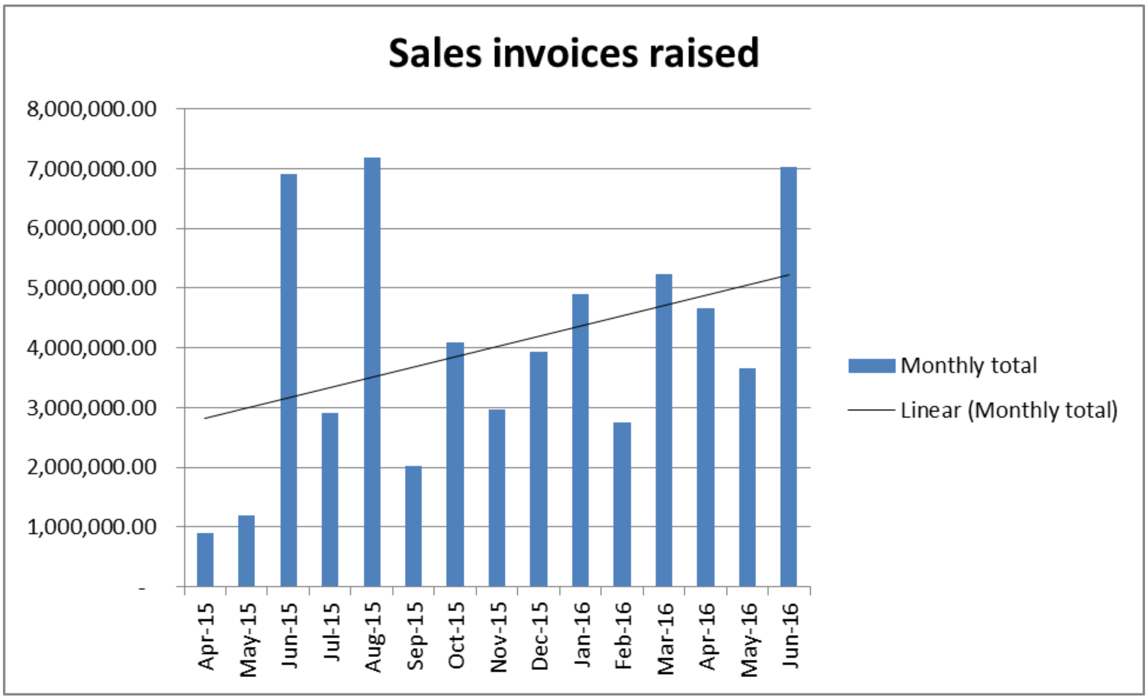
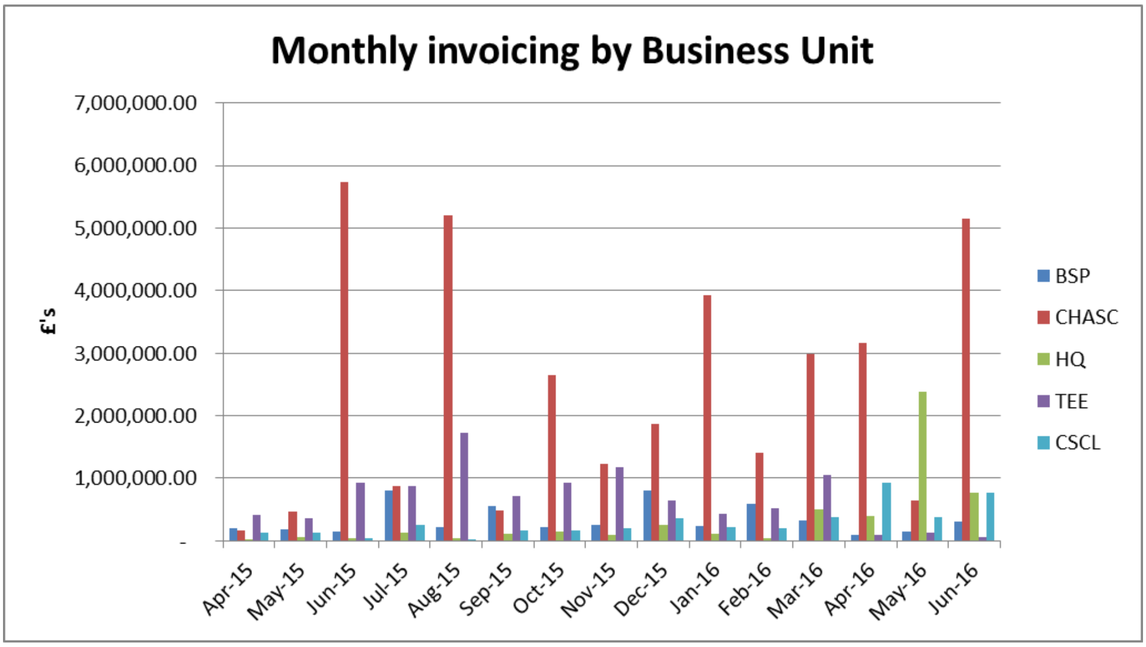
**Appendix I**

# Debt reporting improvements

## Trends in invoicing values

It is clear and that there is a greater value of invoices being raised across the organisation, and it may be suggested that this is as a result of the more commercial approach espoused under Future Shape. This can be seen both corporately and at Business Unit level. It is also evident that this is not just due to the increase in clients being charged within Adults Social Care.






It is evident that our invoicing does not follow a consistent pattern across the year, and this is likely indicative of a number of different cyclical activities we undertake, such as billing schools for packages, works on the highway etc.

**Changes to the agedness which debt is reported against**

The table below reflects the revised reporting format for aged debt, with specific emphasis on the new segment of 'over 1 year overdue'. It is clear from the first table that there is a significant value of high risk debt which has aged beyond 1 year. This was not evident under previous reporting where the oldest category was over 90 days, and where risk was not considered

This report also shows the allocation of debt to risk categories, to support Boards in better understanding the profile and likelihood of recovery of debt. It should be noted that this is an initial allocation of risk, and may not properly reflect the risk of each category of debt.

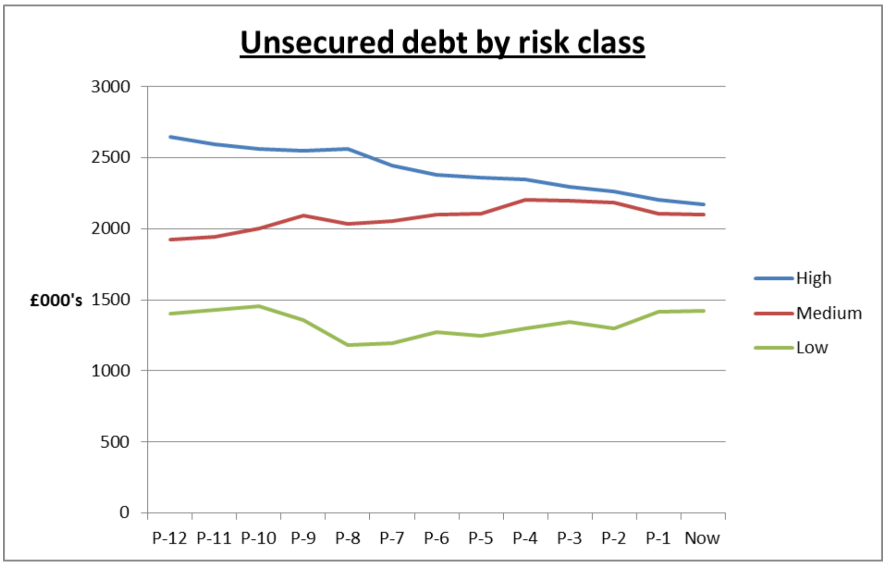
e.g. Business Unit risk profiled debt report

| **Debt by risk level** | **1-30** | **31-90** | **90 - 1 year** | **> 1 year** | **Total** |
|---|---|---|---|---|---|
| Low | 293,284.35 | 6,017.01 | 616,397.81 | 1,174,909.68 | **2,090,608.85** |
| Medium | - | 531,196.88 | 1,128,378.28 | - | **1,659,575.16** |
| High | - | - | 20,801.06 | 1,270,445.15 | **1,291,246.21** |
| **Total** | **293,284.35** | **537,213.89** | **1,765,577.15** | **2,445,354.83** | **5,041,430.22** |

The following report is an extract of the proposed One Council Board report to show the data above, along with the provision which exists to address the risk.

| Business Unit | Risk class | 1-30 | 31-90 | 90 - 1 year | > 1 year | Total | Written off this period | Value of provision |
|---|---|---|---|---|---|---|---|---|
| **BSP** | Low | 68,597 | - | - | 12,697 | **81,294** | | |
| | Medium | - | 33,087 | 395,707 | - | **428,793** | | |
| | High | 68,597 | 33,087 | 443,311 | 248,102 | **793,096** | | |
| | **TOTAL** | **137,195** | **66,173** | **839,017** | **260,798** | **1,303,184** | **-** | **42,178** |
| **CHASC** | Low | 293,284 | 6,017 | 616,398 | 1,174,910 | **2,090,609** | | |
| | Medium | - | 531,197 | 1,128,378 | - | **1,659,575** | | |
| | High | - | - | 20,801 | 1,270,445 | **1,291,246** | | |
| | **TOTAL** | **293,284** | **537,214** | **1,765,577** | **2,445,355** | **5,041,430** | **67,570** | **471,119** |

In addition we are intending to produce profile data of the level of debt at each category. The linkages to the risk categories are still being refined so the graph below is purely to demonstrate how we will report the levels of debt over time.



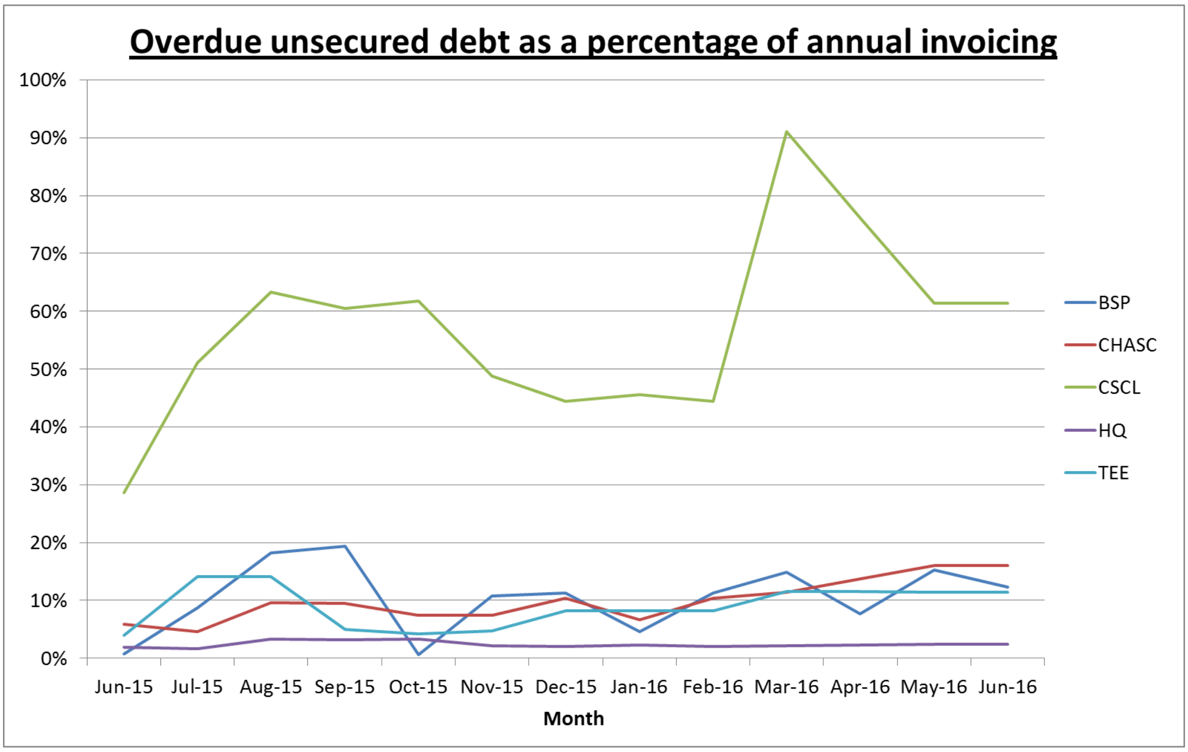

## Debt and provision levels

As mentioned in the covering report, we intend to include monthly updates on the level of debt and the level of provision held to mitigate the risk of that debt going bad. Below is the current level of debt and the associated provision by Business Unit.

| Business Unit | Total unsecured debt overdue | Of which: >90 days overdue | Bad debt provision | Provision as a percentage of debt over 90 days overdue |
|---|---|---|---|---|
| **BSP** | 1,303,184 | 1,099,816 | 42,178 | 4% |
| **CHASC** | 3,593,470 | 2,245,390 | 471,119 | 21% |
| **CSCL** | 1,843,402 | 1,495,777 | 93,902 | 6% |
| **HQ** | 163,544 | 60,003 | 19,088 | 32% |
| **TEE** | 1,024,204 | 468,702 | 126,578 | 27% |
| **Total** | **7,927,804** | **5,369,688** | **752,865** | **14%** |

## Measures of debt against sales

A measure of debt has been developed to compare the amount of debt which is overdue to the latest 12 month total sales raised. The graph below shows the trends of this measure by Business Unit. It should be noted that this report has highlighted that in some cases there are invoices raised which are a significant proportion of the annual total, and which can skew the figures for an individual month, and as such and given months figures need to be considered carefully. This metric should be considered alongside the table of agedness of debt by Business Unit in order to understand the age and risk profile of the debt.



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# Regulatory and Audit Committee

**Title:** Business Continuity Management Update

**Date:** Thursday 28 July 2016

**Author:** Andrew Fyfe

**Contact officer:** Andrew Fyfe, 01296 382937

**Local members affected:** All

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

**Summary**

Council Service compliance with the Business Continuity Management (BCM) policy is not consistent with the requirements. Several key Services / Teams cannot be assured of their ability to continue to deliver critical activities in the event of a disruption to service delivery. Assurance is currently assessed as limited.

**Recommendation**

**To note the conclusion of this report and to require all Services and Business Units to comply with the BCM Policy and Financial Regulations to ensure that effective BCM arrangements are in place, that staff have been trained and Plans tested.**

**Supporting information:**

The BCM Policy requires for all BCM documentation to be maintained on an annual basis with documents being reviewed, revised and completed, for Assurance and Financial Regulation purposes, on the 1$^{st}$ April.

The Assurance and Risk Strategy requires quarterly reports to be made to HQ Assurance by the corporate Professional Lead.

A BCM Internal Audit took place at the end of the 14/15 Financial Year. This described limited assurance in relation to BCM and the Regulatory and Audit Committee required action to be taken.

INVESTOR IN PEOPLE

BCM documentation has been requested to be submitted for assessment. The attached snapshot highlights the assessed status of BCM across the organisation as submitted as a RAG report.

**Resource implications**

In accordance with the BCM Policy, Financial Regulations and the Operating Framework, Services are required to have effective BCM arrangements in place. Assurance of these is required by the Assurance and Risk Strategy. Resources need to be allocated to deliver the requirements.

**Legal implications**

Legal implications are outlined in the BCM Policy (Version 5).

**Other implications/issues**

Not applicable

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

Not applicable.

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**Background Papers**

1. BCM Policy Version 5.
2. Assurance and Risk Strategy.
3. Update on the 14/15 Internal Audit report on BCM.

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| Serial | Business Unit | Service Area | Team | BCP | Staff trained | Exercise validation | RAG status | Last updated |
|---|---|---|---|---|---|---|---|---|
| | HQ | Assurance | Strategic Finance, Audit & Risk | | | | R | 19-Jul |
| | HQ | Assurance | Strategic Asset Management | Y | N | N | G/A | 04-May |
| | HQ | Strategy & Policy | Member Services | Y | N | N | G/A | 04-Apr |
| | HQ | Strategy & Policy | Ceremonial & Civic Events | | | | R | |
| | HQ | Strategy & Policy | Business Intelligence | | | | R | |
| | HQ | Strategy & Policy | Strategy & Innovation | Y | N | N | G/A | 01-Apr |
| | HQ | Strategy & Policy | Customer & Communications | Y | N | N | G/A | 04-Apr |
| | Support Services | Business Enterprise & Business Services Plus | People & Organisational Development | Y | N | N | G/A | 01-Apr |
| | Support Services | Business Services Plus - Commercial | Business Services Plus - Commercial | | | | R | |
| | Support Services | Business Services Plus - Operations | HR Ops - Employee Lifecycle | | | | R | |
| | Support Services | Business Services Plus - Operations | Customer Services - Contact Centre | | | | R | |
| | Support Services | Business Services Plus - Operations | CBS | Y | N | N | G/A | 04-Apr |
| | Support Services | Business Services Plus - Operations | Payroll & Transactions | | | | R | |
| | Support Services | Business Services Plus - Operations | Property (Facilities Management) | Y | | | A | 19-Jul-16 |
| | Support Services | Business Services Plus - Consultancy | Legal Services Plus | | | | R | |
| | Support Services | Business Services Plus - Consultancy | Health and Safety | Y | N | N | G/A | 01-Jul |
| | Support Services | Business Services Plus - Consultancy - ICT | ICT - corporate solutions team | Y | N | N | G/A | 01-Jul |
| | Support Services | Business Services Plus - Consultancy - ICT | ICT - Apps Team (Adults & Children) – SWIFT / AIS | Y | N | N | G/A | 01-Jul |
| | Support Services | Business Services Plus - Consultancy - ICT | ICT - Apps team - LCS systems | Y | N | N | G/A | 01-Jul |
| | Support Services | Business Services Plus - Consultancy - ICT | ICT - Apps team - ONE & TCO | Y | N | N | A | 01-Jul |
| | Support Services | Business Services Plus - Consultancy - ICT | ICT - Apps Team - TCO / CM2000 support | | | | R | 01-Jul |
| | Support Services | Business Services Plus - Consultancy - ICT | ICT - TSG - PSN (Updata) Service & Contract Management team | Y | N | N | G/A | 01-Jul |
| | Support Services | Business Services Plus - Consultancy - ICT | ICT - TSG (Security) – Secure Connect (Platinum) | Y | N | N | G/A | 01-Jul |
| | Support Services | Business Services Plus - Consultancy - ICT | ICT - TSG - BT Global Services | Y | N | N | G/A | 01-Jul |
| | Support Services | Business Services Plus - Consultancy - ICT | ICT - Technology Solutions – Telephony / voice Network | Y | N | N | A | 01-Jul |
| | Support Services | Business Services Plus - Consultancy - ICT | ICT - TSG - MS Lync | | | | R | 01-Jul |
| | Support Services | Business Services Plus - Consultancy - ICT | ICT - TSG –Network security mgmt - Firewall | Y | N | N | A | 01-Jul |
| | Support Services | Business Services Plus - Consultancy - ICT | ICT - TSG (Security) – Secure Connect (Gold, Silver, Bronze) | Y | N | N | G/A | 01-Jul |
| | Support Services | Business Services Plus - Consultancy - ICT | ICT - Technology Solutions - Virtual fileserver environment | Y | N | N | G/A | 01-Jul |
| | Support Services | Business Services Plus - Consultancy - ICT | ICT - Technology Solution - Data backup and SAN | Y | N | N | G/A | 01-Jul |
| | Support Services | Business Services Plus - Consultancy - ICT | ICT - Technology Solutions - Email | N | N | N | R | 01-Jul |
| | Support Services | Business Services Plus - Consultancy - ICT | ICT - Technology Solutions- ICT Infrastructure Support | Y | N | N | G/A | 01-Jul |
| | Support Services | Business Services Plus - Consultancy - ICT | ICT - TSG - Data Centre services | Y | N | N | G/A | 01-Jul |
| | Support Services | Business Services Plus - Consultancy - ICT | ICT - SAP - SAP CRM team | N | N | N | R | 01-Jul |
| | Support Services | Business Services Plus - Consultancy - ICT | ICT - SAP -Support Finance | N | N | N | R | 01-Jul |
| | Support Services | Business Services Plus - Consultancy - ICT | ICT - SAP - SAP HR / Payroll | N | N | N | R | 01-Jul |
| | Support Services | Business Services Plus - Consultancy - ICT | ICT - SAP - Support SRM | N | N | N | R | 01-Jul |
| | Support Services | Business Services Plus - Consultancy - ICT | ICT - SAP - Basis | N | N | N | R | 01-Jul |
| | Support Services | Business Services Plus - Consultancy | Finance | | | | R | |
| | Support Services | Business Services Plus - Consultancy | Property | | | | R | |
| | CSC&L | CSC&L | Senior Management Team | Y | N | N | G/A | 01-Jul |
| | CSC&L | Children & Families | Children & Families | | | | R/A | |
| | CSC&L | Learning, Skills & Prevention | Youth Service | | | | R/A | |
| | CSC&L | Learning, Skills & Prevention | Admissions & Transport team | | | | R/A | |
| | CSC&L | Learning, Skills & Prevention | Adult Learning | | | | R/A | |
| | CSC&L | Learning, Skills & Prevention | SEN | | | | R/A | |
| | CSC&L | Learning, Skills & Prevention | Psychology | | | | R/A | |
| | CSC&L | Learning, Skills & Prevention | Children's Partnerships - website services | | | | R/A | |
| | CSC&L | Learning, Skills & Prevention | Children's Partnerships (BFIS) | | | | R/A | |
| | CSC&L | Learning, Skills & Prevention | Children's Partnerships - Children's Centres | | | | R/A | |
| | CSC&L | CSC&L | YOS | Y | Y | Y | G | 08-Jun |
| | CSC&L | Learning, Skills & Prevention | School Commissioning Team | | | | R/A | |
| | CHASC | Adult Social Care | Commissioning & Improvement | | | | A | 19-Jul |
| | CHASC | Adult Social Care | Service Provision | | | | A | 19-Jul |
| | CHASC | Public Health | Public Health | Y | Y | N | G/A | 01-Jul |
| | CHASC | Public Health | DAAT | | | | R | |
| | CHASC | Communities | Resilience Team | Y | Y | N | G/A | 01-Apr |
| | CHASC | Communities | Safer Communities | Y | N | N | G/A | 01-Apr |
| | CHASC | Communities | Libraries & Archives | N | Y | Y | A | 07-Jun |
| | CHASC | Communities | Registrars | Y | Y | Y | G/A | 07-Jun |
| | CHASC | Communities | Coroners | Y | NK | NK | G/A | 01-Apr |
| | CHASC | Communities | Trading Standards | Y | Y | Y | G | 26-Apr-16 |
| | CHASC | Communities | Wellbeing Team | Y | N | N | G/A | 04-May |
| | CHASC | Communities | Localities Service; VCS; Cohesion & Equality | | | | R | |
| | TEE | Growth & Strategy | Growth & Strategy | Y? | N | N | A | 08-Jun-16 |
| | TEE | Regeneration & Infrastructure | Regeneration & Infrastructure | N | N | N | A | 01-Jul |
| | TEE | Environment | Environment | | | | R | |
| | TEE | Transport for Bucks | Transport for Bucks | | | | R | |
| | TEE | Strategic Business Planning & Commercial Development | Strategic Business Planning & Commercial Development | Y | N | N | G/A | 01-Apr |

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

# Regulatory and Audit Committee

| | |
|---|---|
| **Title:** | Audited Statement of Accounts and Audit findings report for Buckinghamshire County Council and Pension Fund. |
| **Date:** | Thursday 28 July 2016 |
| **Author:** | Richard Ambrose –Director of Assurance |
| **Contact officer:** | Elspeth O'Neill – Projects & Financial Accountancy Manager Telephone (01296) 382130 |
| **Local members affected:** | All |

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

**Summary**

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

On 25 May 2016 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 2015-16.

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.

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 has been made full completion of the improvement programme is not due until later in 2016/17 and the Department has chosen to maintain their current level of intervention in relation to the children's services function. 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 2016.

**Recommendation**

**That the Committee considers its response to the matters raised by Grant Thornton in their Audit Findings Report 2015-16 and agrees that the Statement of Accounts for Buckinghamshire County Council and Pension Fund for the financial year ended 31 March 2016 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**
Three adjustments have been made to the accounts as a consequence of the audit and been agreed with Grant Thornton:

- No process is in place for identifying fully depreciated IT assets on the Fixed Asset Register that have been disposed of and require to be written out. A review of IT assets, software and other equipment has identified £2.486m of intangible assets and £12.994m of plant & equipment that have been adjusted as an in-year disposal.

- Useful economic lives had not been correctly updated on the asset register following the revaluation of Property assets. This has resulted in £3.970m of depreciation being over-charged to the CIES. The Accounts have been adjusted to reduce depreciation charged.

- A £2m presentational error in relation to the upward and downward revaluation movements to the revaluation reserve;

There was no overall impact on the General Fund balance. A small number of other disclosure items have also been amended as listed on p20 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.

**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, changes to the fair value hierarchy disclosures, Note 12, of the accounts were agreed. This is due to the introduction of IFRS 13 for 2015/16 which adds greater clarity around how the fair value disclosures should be presented. Pooled investment vehicle investments of £612,221k relating to the Legal & General indexed equity and bond funds and Royal London Asset Management Sterling EX Y BD-Z fund were reclassified from Level 3 to Level 1. Property – unit trust investments of £186,330k relating to the Aviva investment portfolio were reclassified from Level 3 to Level 2. Dividend income receivable, cash deposits, current assets and current liabilities of £7,157k, £69,072k, £12,468k and £(4,764)k respectively were reclassified from Level 1 to Level 2.

The basis for this is that the LGIM investment and RLAM holding both have quoted prices so should be Level 1, even though the underlying assets that they invest in are Level 3. The property unit trust should be Level 2 as there is available market data. For dividend income receivable, cash deposits, current assets and current liabilities Grant Thornton recommended moving from Level 1 to Level 2. It should be noted that it is which Level the assets are classified rather than the amount disclosed in the accounts which has changed. In relation to all of the above the 2014/15 comparatives have been restated.

**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 £3.660m to £17.383m. Earmarked reserves have reduced to £97.452m. 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

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**Background Papers**

Statement of Accounts for the year ending 31 March 2016 – BCC and Pension Fund
Letter of Representation – BCC
Letter of Representation – Pension Fund
Draft Audit Findings Report 2015/16 - BCC (provided by Grant Thornton)
Draft Audit Findings Report 2015/16 - Pension Fund (provided by Grant Thornton)

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

Telephone 0845 3708090
www.buckscc.gov.uk

**Director of Assurance:**
Richard Ambrose

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

28 July 2016

Dear Sirs

**Buckinghamshire County Council**
**Financial Statements for the year ended 31 March 2016**

This representation letter is provided in connection with the audit of the financial statements of Buckinghamshire County Council for the year ended 31 March 2016 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 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**

i 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 2015/16 ("the Code"); which give a true and fair view in accordance therewith.

ii 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.

iii 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.

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

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

vi 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.

vii 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.

viii We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and 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.

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

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

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

xii We have considered the adjusted misstatements, and misclassification and disclosures changes schedules included in your Audit Findings Report. The financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.

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

xiv 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**

xv 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.

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

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

xviii 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.

xix 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.

xx 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.

xxi 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.

xxii 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.

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

**Annual Governance Statement**

xxiv 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.

## Narrative Report

xxv The disclosures within the Narrative Report fairly reflect our understanding of the Council's financial and operating performance over the period covered by the financial statements.

## Approval

The approval of this letter of representation was minuted by the Council's Regulatory and Audit Committee at its meeting on 28 July 2016.

Yours faithfully

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

Signed on behalf of the Council

**Buckinghamshire County Council**
**Business Services Plus – Consultancy**
County Hall, Walton Street
Aylesbury, Buckinghamshire HP20 1UA

**Director of Assurance**
Richard Ambrose

www.buckscc.gov.uk

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

Dated: 28 July 2016

Dear Sirs

**Buckinghamshire County Council Pension Fund**
**Financial Statements for the year ended 31 March 2016**

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 2016 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 2016, 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 2015/16 ('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**

1 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.

2 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.

3 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.

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

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

6 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.

7 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.

8 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.

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

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

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

12 We have considered the misclassification schedule included in your Audit Findings Report. The financial statements have been amended for this misstatement and are free of material misstatements, including omissions.

13 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.

14 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**

15 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.

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

17 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.

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

19 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.

20 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.

21 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.

22 We have drawn to your attention all correspondence and notes of meetings with regulators.

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

24 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.

25 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 28 July 2016.

Yours faithfully

| | | | |
|---|---|---|---|
| Signed | ……………………….. | Signed | ……………………….. |
| Name | Richard Ambrose | Name | |
| Position | Director of Assurance | Position | Chairman of Regulatory & Audit Committee |
| Date | ……………………….. | Date | ……………………… |

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

# Buckinghamshire County Council

# Statement of Accounts

**For the year ended 31 March 2016**

## 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 2015-2016 (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 Statement of Accounts for the year ended 31 March 2016 gives a true and fair view of the financial position of the Council as at 31 March 2016 and its income and expenditure for the year ended 31 March 2016.

**Richard Ambrose**
Date: 28 July 2016
Director of Assurance

## Approval of the Statement of Accounts

In accordance with Section 8 of the Accounts and Audit Regulations 2015 I confirm that the Statement of Accounts was approved by the Regulatory and Audit Committee at its meeting held on 28 July 2016.

Date: 28 July 2016
Chairman of the Regulatory and Audit Committee

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

We have audited the financial statements of Buckinghamshire County Council (the "Authority") for the year ended 31 March 2016 under the Local Audit and Accountability Act 2014 (the "Act"). 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 2015/16.

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Act and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. 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 Responsibilities for the Statement of Accounts, 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 2015/16, which give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Authority'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 Narrative Report and the Annual Governance Statement 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:

- present a true and fair view of the financial position of the Authority as at 31 March 2016 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 and applicable law.

### Opinion on other matters

In our opinion, the other information published together with the audited financial statements in the Narrative Report and the Annual Governance Statement is consistent with the audited financial statements.

## Matters on which we are required to report by exception

We are required to report to you if:

- in our opinion the Annual Governance Statement does not comply with the guidance included in '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 24 of the Act; or
- we make a written recommendation to the Authority under section 24 of the Act; or
- we exercise any other special powers of the auditor under the Act.

We have nothing to report in these respects.

### Conclusion on the Authority's arrangements to secure value for money through economic, efficient and effective use of its resources

## Respective responsibilities of the Authority and 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 20(1)(c) of the Act to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources and to report to you if we are not satisfied that the Authority has made proper arrangements. 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 the Authority's arrangements to secure value for money through economic, efficient and effective use of its resources

We have undertaken our review in accordance with the Code of Audit Practice prepared by the Comptroller and Auditor General as required by the Act (the "Code"), having regard to the guidance on the specified criteria issued by the Comptroller and Auditor General in November 2015, as to whether the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined these criteria as those necessary for us to consider under the Code in satisfying ourselves whether the Authority put in place proper arrangements to secure value for money through the economic, efficient and effective use of its resources for the year ended 31 March 2016.

We planned our work in accordance with the Code. 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 has put in place proper arrangements to secure value for money through economic, efficient and effective use of its resources.

## Basis for qualified conclusion

In considering the Authority's arrangements for securing efficiency, economy and effectiveness we identified the following matter:

In August 2014, Ofsted issued its report on the inspection of the Authority's services for children in need of help and protection, children looked after and care leavers.
The overall judgement was that children's services were rated as inadequate.

Reviews of children's services undertaken by the Local Government Association in the form of a peer review in October 2015 and the Department of Education in January 2016 found that progress had been made in response to the Ofsted findings, but that further improvements were required in a number of areas. Following these reviews, the Minister of State for Children and Families wrote to the Authority in February 2016, confirming that, although the Authority had made "significant efforts" to address the recommendations made by Ofsted, further improvements were still needed, and the Authority remained subject to intervention by the Department for Education.

This matter is evidence of weaknesses in proper arrangements for understanding and using appropriate and reliable financial and performance information to support informed decision making and performance management, and for planning, organising and developing the workforce effectively to deliver strategic priorities.

**Qualified conclusion**

On the basis of our work, having regard to the guidance on the specified criteria issued by the Comptroller and Auditor General in November 2015, except for the effects of the matter described in the Basis for qualified conclusion paragraph, we are satisfied that, in all significant respects, the Authority put in place proper arrangements to secure value for money through economic, efficient and effective use of its resources for the year ended 31 March 2016.

**Certificate**

We certify that we have completed the audit of the accounts of the Authority in accordance with the requirements of the Act and the Code.

Paul Grady
for and on behalf of Grant Thornton UK LLP, Appointed Auditor
Grant Thornton House
Euston Square
Melton Street
London
W1 2EP
To be dated 2016

## Introduction

This report has been compiled to provide a summary of the development and performance of the Council over the financial year, outline planned future developments in service delivery, including revenue and capital investment plans and to provide assistance in understanding the financial statements and the Council's financial position.

## Review of 2015/16

### Future Shape

2015/16 saw the Council go live with its new "Future Shape" operating model. This has seen a shift to a more commercial approach adopted by the Council. Although this means slightly different things for the diverse range of services delivered by the Council, there are some common themes:

- Improving the customer experience and satisfaction by putting the customer at the centre of our thinking;
- A better understanding of the full cost of delivering services;
- A greater emphasis on charging for services where this is appropriate;
- Being aware of risks and taking a balanced view of the potential rewards that can be derived from accepting some risk, rather than being averse to all;
- Actively managing demand by better understanding our customers, acting earlier and encouraging self-help.

The Future Shape model has seen the Council develop a number of "Alternative Delivery Vehicles" (further information is provided on p17). During 2015/16 the Council has reviewed and strengthened the governance arrangements around these bodies, both in terms of their establishment and their on-going management. The Council has been developing its partnerships with other public sector organisations. Of particular note in 2015/16 has been the developing relationship with the London Borough of Harrow where the Council already has shared arrangements for the Organisational Development Service and has been exploring further possibilities around HR and Legal. The Council has been forging a strategic alliance with other councils in the region focussing primarily on transportation and economic development.

### Ofsted Implementation Plan

2015/16 has seen significant progress to improve services for vulnerable children and young people following the outcome of the Ofsted Inspection in June 2014, however we recognise that there is still work to do. The Council is investing in improving these services and although recent performance has improved this will continue to be a key focus of our work for the next financial year. The priority areas are:

- The leadership, culture, values and behaviour of the partnership ensure good outcomes for children and young people;
- To consolidate best practice for children in all areas of frontline services;
- Resources support good practice and improved outcomes for children and young people;
- Self-knowledge, informed by listening to and acting on the voice of children and young people, drives improvements.

The recent visit from auditors from the Department for Education (November 2015) found that "in many areas of activity, as noted, strong practice and performance exists", but this has not yet been sufficient to lift intervention. This, therefore, remains a challenge for the Council looking forward.

### Energy from Waste

The Energy from Waste facility at Greatmoor has passed all tests and is due to become operational in late May, with the expectation of £150m of savings over the next 30 years and the generation of 22 megawatts of extra power into the national grid – that's enough to power 20% of all Buckinghamshire's homes. An asset under construction has been recognised in the Councils balance sheet of £159.691m (2014/15 £115.675m) based on the value of works as at 31 March 2016. The plant has passed its acceptance tests and payment of the Facilities Payment Sum (a single bullet payment of £181m) was made in June 2016.

## Revenue budget

In part as a direct consequence of the work on the Ofsted Improvement Plan but also for a range of other issues the Council has faced significant financial challenges during 2015/16. Regular monitoring of performance against budget revealed a significant forecast overspend of over £5m in the early part of the year which proved stubborn to shift in the face of initial actions. As a result the Council introduced a freeze on all non-essential spending.

The provisional outturn position is a small overspend of £0.362m against budget. This comprises overspends on portfolio held budgets of £3.405m which is largely offset by an underspend of £3.042m on Corporate Costs and External Financing. The provisional outturn for portfolios reflects the final impact of action plans to address the forecast overspends, the freeze on non-essential expenditure and the use of contingency budgets.

The revenue outturn is summarised below:

| Portfolio Area | Outturn £000 | Budget £000 | Variance £000 | Variance % |
|---|---|---|---|---|
| Leader | 5,679 | 5,961 | (282) | (4.7%) |
| Community Engagement | 10,800 | 11,333 | (533) | (4.7%) |
| Health and Wellbeing | 126,828 | 124,443 | 2,385 | 1.9% |
| Children's Services | 58,285 | 56,171 | 2,114 | 3.8% |
| Education and Skills | 36,482 | 36,872 | (390) | (1.1%) |
| Resources | 23,504 | 23,182 | 322 | 1.4% |
| Planning and Environment | 18,207 | 18,533 | (326) | (1.8%) |
| Transportation | 27,245 | 27,130 | 115 | 0.4% |
| **Subtotal - Portfolios** | **307,030** | **303,625** | **3,405** | **1.1%** |
| Corporate Costs | (306,668) | (303,625) | (3,043) | 1.0% |
| **Overall BCC** | **362** | **0** | **362** | |

## Operating deficit

The Comprehensive Income and Expenditure Statement (CIES) p25 shows the net surplus or deficit in the provision of services on an accounting basis. An operating deficit of £17.404m (2014/15 £40.4m) is reported in the CIES as the Council is funded through Council Tax and government grants on a different basis to proper accounting practice. The Movement in Reserves Statement (MiRS) p23 represents the actual impact of income and expenditure during the year on the funds available to the Council. This shows a decrease in usable reserves of £47.2m (2014/15 decrease of £1.5m). This decrease comprises:

- a net deficit charged to the General fund of £3.7m (2014/15 deficit of £10m) comprising a planned use of the general fund of £3.3m and the overspend against budget of £0.362m above;
- a net surplus on schools balances of £2.7m (2014/15 surplus of £3.0m);
- a net use of earmarked reserves of £35.5m; £25m due to the set-aside of funds to finance the EfW plant in advance of completion (£31.6m) less a planned contribution of £6.6m from revenue budgets into the EfW reserve; £15.5m reduction in other reserves; and
- the application of £10.7m of capital reserves to finance the capital programme.

The table below summarises the Council's usable reserves.

| | 2015/16 £m | 2014/15 £m |
|---|---|---|
| General Fund | 17.4 | 21.0 |
| Schools balances | 19.2 | 16.6 |
| Earmarked reserves | 97.5 | 132.9 |
| Capital reserves | 2.6 | 13.4 |
| **Total** | **136.7** | **183.9** |

## Capital budget

At provisional outturn gross capital expenditure was £82.1m. This represents 83.3% of the released budget of £98.5m. There was £6.2m of expenditure budget which remained unreleased in year, on top of the £16.4m of slippage on released expenditure, giving a total slippage of £22.6m (21.6%).

Although larger than desired, the level of slippage is a noticeable improvement on recent years as the new gateway process has helped strengthen governance in this area. It is intended to strengthen things further with the development of a Programme Management Office to facilitate more active management. The capital outturn report is presented prior to the technical adjustment to recognise the EfW plant as an asset under construction.

| | Outturn (£000) | Budget (£000) | Variance (£000) | Variance (%) |
|---|---|---|---|---|
| **Children's** | | | | |
| Expenditure | 273 | 338 | (65) | 19.2% |
| **Total Children's** | 273 | 338 | (65) | 19.2% |
| **Community Engagement** | | | | |
| Expenditure | 166 | 390 | (224) | 57.4% |
| Funding | (102) | (121) | 19 | 15.7% |
| **Total Community Engagement** | 64 | 269 | (205) | 76.2% |
| **Education & Skills** | | | | |
| Expenditure | 31,321 | 31,728 | (407) | 1.3% |
| Funding | (9,282) | (11,556) | 2,274 | 19.7% |
| **Total Education & Skills** | 22,039 | 20,172 | 1,867 | -9.3% |
| **Health & Wellbeing** | | | | |
| Expenditure | 1,632 | 5,248 | (3,616) | 68.9% |
| Funding | (58) | (58) | 0 | 0.0% |
| **Total Health & Wellbeing** | 1,574 | 5,190 | (3,616) | 69.7% |
| **Leader** | | | | |
| Expenditure | 7,938 | 14,156 | (6,218) | 43.9% |
| Funding | (5,529) | (11,251) | 5,722 | 50.9% |
| **Total Leader** | 2,409 | 2,905 | (496) | 17.1% |
| **Planning & Environment** | | | | |
| Expenditure | 1,501 | 5,227 | (3,726) | 71.3% |
| Funding | (439) | (1,371) | 932 | 68.0% |
| **Total Planning & Environment** | 1,062 | 3,856 | (2,794) | 72.5% |
| **Resources ICT** | | | | |
| Expenditure | 1,447 | 3,398 | (1,951) | 57.4% |
| Funding | (966) | (1,128) | 162 | 14.4% |
| **Total Resources ICT** | 481 | 2,270 | (1,789) | 78.8% |
| **Resources Property** | | | | |
| Expenditure | 3,921 | 5,562 | (1,641) | 29.5% |
| **Total Resources Property** | 3,921 | 5,562 | (1,641) | 29.5% |
| **Transportation** | | | | |
| Expenditure | 33,853 | 38,623 | (4,770) | 12.4% |
| Funding | (2,406) | (3,550) | 1,144 | 32.2% |
| **Total Transportation** | 31,447 | 35,073 | (3,626) | 10.3% |
| **Grand Total** | 63,270 | 75,635 | (12,365) | 16.3% |
| Expenditure | 82,052 | 104,670 | (22,618) | 21.6% |
| Funding | (18,782) | (29,035) | 10,253 | 35.3% |
| **Grand Total** | 63,270 | 75,635 | (12,365) | 16.3% |

## Strategic Plan

Our Strategic Plan sets out our vision for ensuring that in the next ten years, Buckinghamshire will still be a great place to live and work, with our economy one of the strongest in the country. The refreshed 2015-17 Strategic Plan was agreed at Council on 16th July 2015 and contains three key priorities:

- Safeguarding Our Vulnerable;
- Creating Opportunities and Building Self Reliance ;
- Keeping Buckinghamshire Thriving and Attractive.

We want to enable the conditions in which local communities can thrive, work with our partners to continue to find new and innovative ways of securing services and provide value for all residents by delivering all of our services as efficiently as possible.

**Operational performance**

The Council's performance management framework focuses on four key elements of performance: Finance, Business Improvement, Service to Customers and HR. The Business Improvement Performance Indicators provides information on the progress in achieving the Council's priorities as detailed in the Strategic Plan.

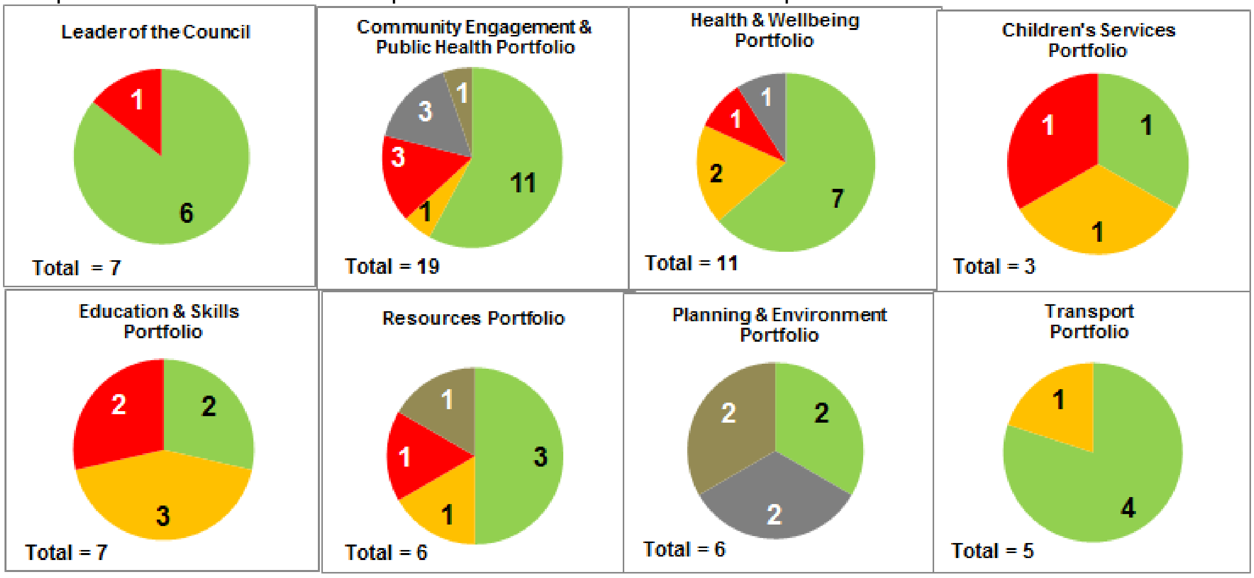
During 2015/16 the council achieved its targets across 66% of the performance indicators (36 of 54 indicators with set targets). Performance was within five percent of target for 17% of indicators and more than five percent away from target for 17% of indicators. Note that there were 16 indicators with no target and 12 indicators that could not be reported due to the availability of data.

- Planning and Environment Portfolio have achieved their target, specifically in the reduction of household waste and in planning applications processed within required timescales;
- Transportation Portfolio satisfaction with highway condition and maintenance has improved compared to last year, and most indicators reached target;
- Leader Portfolio, the majority of performance indicators have reached target , specifically in supporting economic development and the number of children and young people not in education, employment or training;
- Education and Skills Portfolio, pupils perform well against national averages and most improvement targets were met for pupils in Early Years Foundation Stage;
- Community Engagement and Public Health Portfolio have reached targets in a range of areas including smokers achieving to quit, weight loss management, completion of drug treatment and those invited to NHS Health Checks.
- The Health and Wellbeing Portfolio is mostly on target, particularly in admissions to residential care, the proportion of people receiving direct payments and reducing the number of delayed transfers of care from hospital.

Below is an extract from the Corporate Balanced Scorecard.

## Business Improvement (Performance)

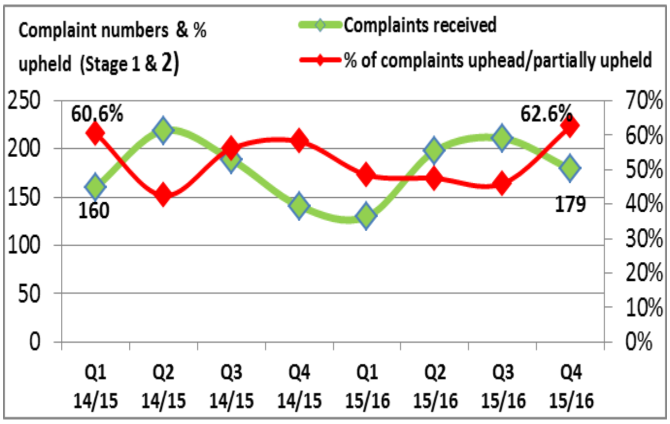
The pie charts show the 2015/16 performance for the non-financial performance indicators.

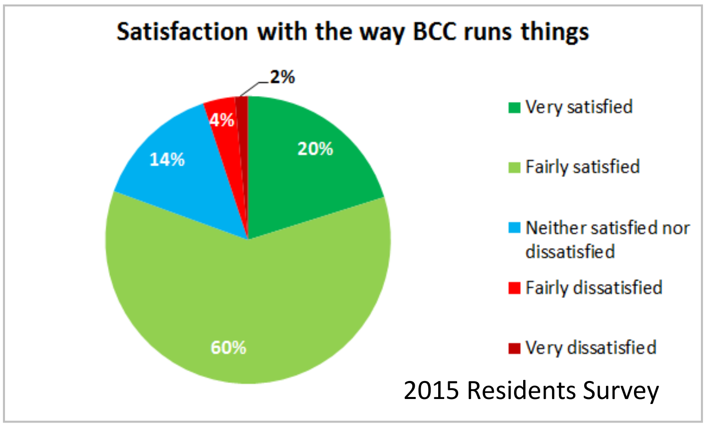



The pie charts above show the number of performance indicators that are:-

- On or above target
- Within 5% of target
- Below target
- Data not available
- No target set
- Annual - data not due

## Service to Customers



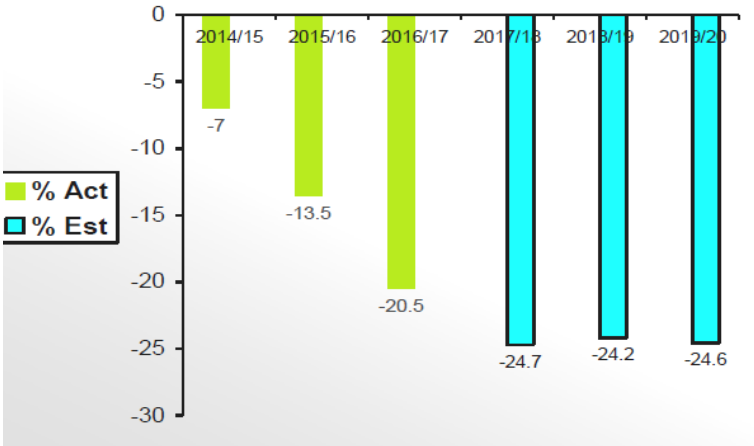



## Medium Term Plan ('MTP')

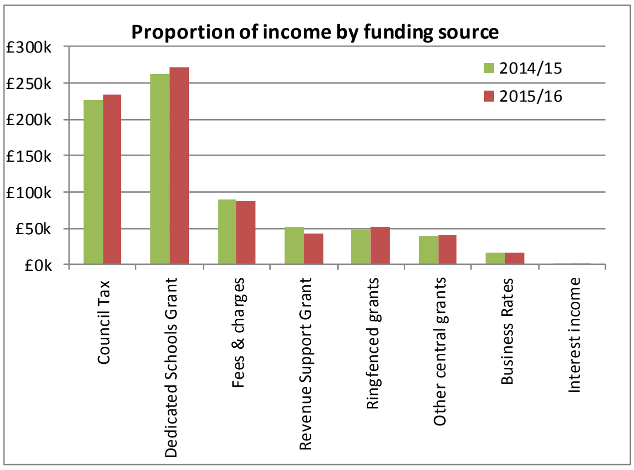
The Council has been presented with some very significant financial challenges as a consequence of a very tough financial settlement from central government. The radical change of approach to the funding methodology came as a surprise to the Council and budget plans for future years had to be amended rapidly to accommodate the loss of funding. The Council put in considerable effort to lobbying activity which has resulted in some significant transitional relief, but by the end of the four year planning period the reduction in funding from Government is just as large as that originally announced. This makes it all the more important that the Council delivers both on its savings plans and its initiatives to generate greater income.

The Government have recognised the increasing financial pressures in social care. Local authorities with social care responsibilities have been given the ability to raise Council Tax by an additional 2% from April 2016, known as the 'Social Care Precept'. By the end of the four year period the Government intends to move to a position where there is no longer any Revenue Support Grant and local government as a whole retains 100% of Business Rates income. There is still much detail to sort out on how this will work in practice and Buckinghamshire intends to play an active part in the debates leading to the establishment of the new system. 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. The funding reductions for 2016/17 to 2019/20 have been provisionally announced.

### Percentage change in funding settlement




The Council is increasingly looking at other means of generating resources, in part through increasing the Council Tax, but also by expanding its commercial approach to income generation. The chart below shows the proportion of income by funding source for 2015/16 and 2014/15.



The Government has set out plans to move most schools to academies and prior to that to introduce a national formula for funding schools. These changes could have a significant impact on the shape of local government and will require active change management.

The care of an ageing population remains a significant challenge not only for government both national and local, but also for our wider society. Whilst the main elements of the Care Act have been put on hold for the time being due to considerable affordability issues, initiatives to create a far stronger join up between social care and health care remain and will be a significant influence on workload for the Council over the coming months and years.

**Key Financial Risks**

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

- **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 MTP(£51m over the next 4 years). This includes some ambitious proposals to radically change the way services are delivered. It will also require greater integration of services with partners, particularly health, to deliver more efficient public services beyond the boundary of the Council itself;
- **Global Economic Turbulence** – Although the reductions in local government are already severe there is some risk that global issues such as Chinese economic slow-down, volatility in the Eurozone, or the oil price may cause the Chancellors growth forecasts to be disrupted. In these circumstances the Government may decide to impose further cuts in funding on local government;
- **Demand Led Budgets** – Client numbers and levels of need for statutory services are notoriously difficult to control. Buckinghamshire has an increasing number of residents with a rising elderly population and an increasing birth rate, particularly in some of the more deprived wards;
- **Cost Pressures -** Arising from the growth in the tax base such as having more roads to maintain, more energy needed for street lights, more concerns raised with Trading Standards etc;
- **National Living Wage** – The Council has made provision for the National Living Wage which will mainly fall directly on our social care providers on the basis that these contracts will absorb a proportion of those costs;
- **Managing Public Expectations** – Local tax increases are planned to be much larger than recently experienced at the same time as cuts to services are more severe. This could stimulate some public resistance to the change programme that the Council needs to implement in order to live within it means;
- **Changes in Legislation/Responsibilities** – The Government are proposing a number of changes to the remit of local authorities for example as part of the move to full business rates retention or through increasing number of academy or free schools. There is inevitably a risk that the changes in responsibility are not matched by appropriate changes in funding;
- **Ofsted Improvement Plan** – 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;
- **Capital** – The Council has a history of considerable slippage on the delivery of its capital programme. In the current climate construction costs are starting to rise which could drive costs up if projects continue to slip. There are also risks in respect of the delivery of school places and early years provision.
- **Brexit –** The Council is considering the impact of the vote to leave the European Union and will review any financial implications as part of our Medium Term Planning process

**Future Developments in Service Delivery**

**Unitary Authority**

The Council is in the process of preparing a business case around a number of unitary options.

## Financial Position

### Net Asset Position

The Council has net assets of £517.231m (2014/15 £450.288m) backed by usable reserves of £136.656m (2014/15 £183.920m) and unusable reserves of £380.575m (2014/15 £266.368m). This is shown in the Balance Sheet p26 which shows how the resources available are held in the form of assets and liabilities.

A "Corporate Landlord" approach has been adopted towards our property estate in order to drive better value from these assets. Reviews of both the agricultural estate and the remainder of the property estate have been carried out in order to understand how they can be better used. The agricultural estate is now held as investment properties, resulting in a £27.101m increase in the valuation of these assets. In addition the Council has acquired property assets with the specific purpose of generating a financial return in order to increase the financial stability of the Council.

**Pensions Liability** shows the underlying commitments that the Council has in the long run to pay post-employment (retirement) benefits. The total liability of £538.394m (2014/15 £583.008m) has a substantial impact on the net worth of the Council as recorded in the Balance Sheet. 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 triennial revaluation of the Pension Fund is due to be undertaken during 2016/17. This will determine whether an increase in employer contribution rates is required to meet the underlying deficit.

### 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 takes into account the strategic, operational and financial risks facing the Council and, as such, a review of the level of reserves is undertaken each year as part of the budget formulation

In the last few years 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 in-year increases in demand pressures. Funding of some improvement initiatives will continue for the next few years.

Overall financial plans do not assume any further use of general reserves as the forecast level at the end of 2015/16 is now deemed to be at the minimum level required (approx. 5.0% of the net budget requirement).

### Treasury Management

The Council's Treasury Management Strategy sets out the Council's aims, objectives and performance in relation to the management of the Council's investments and cash flows, its banking, money market and capital market transactions and borrowings or loan portfolio.

The Council has plans in place to finance much of the Energy from Waste plant through a combination of earmarked reserves and current cash investments. Therefore, during the forthcoming 12 months, the Council's average investment balance is anticipated to reduce from £200m to approximately £30m. Following payment for the Energy for Waste plant, the Council plans to maintain minimum cash levels for operational purposes.

## Borrowing Strategy

The Council's borrowing objectives are:

- To minimise the revenue costs of debt whilst maintaining a balanced loan portfolio;
- To manage the Council's debt maturity profile, leaving no one future year with a disproportionate level of repayments;
- To maintain a view on current and possible future interest rate movements and borrow accordingly;
- To monitor and review the balance between fixed and variable rate loans against the background of interest rate levels and the Prudential Indicators.

The Council may borrow in advance of spending need, where this is expected to provide the best long term value for money. The Council is planning to borrow £50m to £90m in 2016/17 as part of the financing of the EfW plant, possibly from another local authority rather than the Public Works Loans Board (PWLB). The Council will be repaying £11.732m of PWLB borrowing during 2016/17.

## 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 2016/17 onwards are based on estimates:

| | Actual 2015/16 £000 | Estimates 2016/17 £000 | 2017/18 £000 | 2018/19 £000 | 2019/20 £000 |
|---|---|---|---|---|---|
| Gross Borrowing | 163,801 | 250,000 | 220,000 | 210,000 | 200,000 |
| Capital Financing Requirement | 325,826 | 319,777 | 310,565 | 301,549 | 297,047 |

During 2015/16 £26.913m of debt was repaid (2014/15 £11.732m).

The Cash Flow Statement p27 shows how the movement in resources has been reflected in cash flows. The net decrease in cash and cash equivalents during the year was £2.831m (2014/15 £14.713m).

## Capital programme

The four year capital programme has been developed to meet the Council's key priorities. With reduced resources available the Council has had to scale back its investment in infrastructure projects. The road improvement programme will continue for 2016/17 but, thereafter, resources are reduced to sustain the status quo. Although the Council continues to commit significant resources to its school building programme it remains unclear whether this will be sufficient to meet the rate of growth in the school population. The Council is also working in partnership with other bodies to develop projects, such as the LEP on infrastructure projects, districts councils on town centre regeneration and national bodies on East-West Rail.

| | Year 1 2016/17 £000's | Year 2 2017/18 £000's | Year 3 2018/19 £000's | Year 4 2019/20 £000's | Grand Total £0000's |
|---|---|---|---|---|---|
| **Capital Expenditure** | | | | | |
| Primary School Places | 16,850 | 13,671 | 3,000 | 4,000 | 37,521 |
| Secondary School Places | 9,400 | 13,500 | 13,000 | 17,000 | 52,900 |
| Other Education & Skills | 8,032 | 9,700 | 3,800 | 3,200 | 24,732 |
| Orchard House (Health & Wellbeing) | 740 | 2,100 | 1,600 | 237 | 4,677 |
| Aylesbury Eastern Link Road | - | 13,529 | 4,590 | - | 18,119 |
| High Wycombe Town Centre & Transport Strategy | 1,591 | 4,740 | 4,880 | - | 11,211 |
| Other Leader Projects | 5,934 | 8,004 | 2,610 | 500 | 17,048 |
| Energy from Waste | 180,000 | - | - | - | 180,000 |
| ICT Investment | 1,748 | 1,472 | 1,258 | 965 | 5,443 |
| Property Investment | 5,476 | 5,532 | 6,320 | 7,549 | 24,877 |
| Strategic Highway Maintenance & Management | 15,000 | 12,000 | 10,000 | 10,000 | 47,000 |
| Other Roads Investment | 8,041 | 4,957 | 7,337 | 4,215 | 24,550 |
| All Other Schemes | 1,913 | 1,380 | 7,089 | 550 | 10,932 |
| **Estimate of Gross Capital Expenditure** | **254,726** | **90,585** | **65,484** | **48,216** | **459,010** |
| **Capital Funding** | | | | | |
| Unringfenced Capital Grants | (27,542) | (28,843) | (28,429) | (28,957) | (113,771) |
| Ringfenced Capital Grants | (4,791) | (15,207) | (5,610) | - | (25,608) |
| Prudential Borrowing | (132,150) | (2,100) | (2,026) | (4,486) | (140,762) |
| Capital Receipts | (4,488) | (6,121) | (6,853) | (2,753) | (20,215) |
| Use of Reserves | (75,040) | - | - | - | (75,040) |
| Revenue Contributions | (9,162) | (10,573) | (6,206) | (3,513) | (29,454) |
| Developer Contributions (s106 / CIL) | (12,624) | (19,566) | (13,970) | (8,000) | (54,160) |
| **Total Funding** | **(265,797)** | **(82,410)** | **(63,094)** | **(47,709)** | **(459,010)** |
| **Net Funding (surplus) / or gap** | **(11,071)** | **8,175** | **2,390** | **507** | **0** |

## Sources of Funds for Capital Expenditure

The Council can finance capital schemes in a variety of ways including:

- The application of capital grants and usable capital receipts;
- 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);
- Contributions received from another party, including Developer Contributions;
- Borrowing.

## General Accounting Principles

The Statement of Accounts summarises the Council's transactions for the 2015/16 financial year and its position at the year end of 31 March 2016. The Accounts have been prepared in accordance with the statutory framework established by the Accounts and Audit (England) Regulations 2015; with the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 (the Code) and the Service Reporting Code of Practice 2015/16 (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 SeRCOP. 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 CIES, as part of Net Expenditure on Cost of Service.

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 85.

## Material and Unusual Charges or Credits in the Accounts

### Significance of the Pensions Liability

The pensions liability shows the underlying commitments that the Council has in the long term to pay post-employment (retirement) benefits. The total liability of £538.394m (2014/15 £583.008m) has a substantial impact on the net worth of the Council as recorded in the Balance Sheet. A gain of £71.922m has been recorded in year due to a change in financial assumptions adopted by the actuary in relation to the present value of the defined benefit obligation. A small drop in expected CPI increases has reduced the present value of future pension and salary costs; in addition the discount rate (which is the annualised yield at the 18 year point on the Merrill Lynch AA-rated corporate bond yield curve) has increased to 3.6% (2014/15 3.3%).

### 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 Councils balance sheet of £159.691m (2014/15 £115.675m) based on the value of works as at 31 March 2016 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 £181m) which equates to 85% of the construction costs of the project. The plant has passed its acceptance tests and payment was made in June 2016.

### Investment Property

The Council has reviewed its strategy in relation to its agricultural estate and now holds these assets as Investment Property with a primary purpose of generating rentals and for capital appreciation. These assets are now valued at fair value which has resulted in a £27.101m increase in their value as reported in the balance sheet.

## Interests in Companies and Other Entities

### 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. 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 and a loan of £0.914m.

### 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 from the Council 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 approximately 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 County 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 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. During 2015/16 the Council spent £5k with Bucks Law Plus. The Council has not prepared group accounts on the grounds that there would be no material difference to the single entity accounts in respect of this enterprise.

**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 Council's two outdoor education centers, Green Park in Aston Clinton and Shortenills in Chalfont St Giles, in partnership with Marlow-based Longridge Activity Centre. Services to the value of around £120k per annum transferred to the trust.

**Group Accounts**

For all entities that fall within the Councils group boundary, cumulatively there would be no material difference from the single entity accounts, if group accounts were prepared.

**Accounting for Schools**

The single entity financial statements are defined as including the income, expenditure, assets, liabilities, reserves and cash flows of the Council maintained schools in England and Wales within the control of the Council.

**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 2016/17 Code:

**CIPFA Code of Practice on Transport Infrastructure Assets**

The 2016/17 Code includes the requirements to measure Highways Network Assets on a Depreciated Replacement Cost (DRC) basis. The 2016/17 Code includes an adaptation to IAS 1 for the transition so that there is no requirement to restate the preceding year information or for an opening balance as at 1 April 2016. The change shall therefore be accounted for as an adjustment to opening balances as at 1 April 2016 and has no impact on the 2015/16 Statement of Accounts. The change will require the establishment of a separate asset, the Highways Network Asset.

**Telling the Story**

The 2016/17 Code includes changes to the format of the CIES, the Movement in Reserves Statement and the introduction of the new Expenditure and Funding Analysis note as a result of the Telling the Story review of the presentation of the Councils financial statements. The comparator for 2015/16 CIES and the Movement in Reserves Statement will also be updated to reflect the new formats and reporting requirements.

## 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 £340.509m (2014/15 £315.697m). It is estimated that the Depreciated Replacement Cost valuation basis to be brought into effect in the 2016/17 code would result in a valuation of £10.3bn.

- **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 £159.691m (2014/15 £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 the Council 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 £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 are on page 19.

## 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 2016 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.<br><br>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 £1.022bn. |

| | | |
|---|---|---|
| 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 | It is impracticable to quantify. Assumptions are standard recommended practice for valuation of properties. The carrying amount of assets subject to revaluation and impairment is £1.188bn 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 £538.394m. |
| Fair Value | When the fair values of financial assets and financial liabilities cannot be measured based on quoted prices in active markets their fair value is measured using valuation techniques. Where there is no observable data judgement is required in establishing fair values. Changes in the assumptions used could affect the fair value of the Councils assets and liabilities. | The Council uses discounted cash flow (DCF) to measure the fair value of Long-term Trade and Other Receivables.<br>The significant unobservable inputs used in the fair value measurement include assumptions regarding rent growth and discount rates.<br>Significant changes in any of the unobservable inputs would result in a significantly lower or higher fair value measurement for the investment properties and financial assets. The carrying amount of these assets is £18.059m. |

## Events after the Balance Sheet Date

The Statement of Accounts was authorised for issue by the Director of Assurance on 28th July 2016. 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 2016, the figures in the Financial Statements and Notes have been adjusted in all material respects to reflect the impact of this information.

**Energy from Waste (EfW)**
The Council's Energy from Waste (EfW) passed acceptance testing and became operational in June 2016. At this point the Council paid a single bullet payment of £181m. The carrying value of the asset in the balance sheet as at 31st March 2016 is £159.691m. A valuation of the asset was carried out by Carter Jonas once operational; the value of the asset was calculated at £169.330m.

**Academy Schools**
As at 28th July 2016, 2 further schools have converted to academy status. The value of the buildings that have transferred are recorded in the balance sheet as at 31 March 2016 at £11.113m. It is likely that further schools will convert to academy status during 2016/17.

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 CIES. This is different from the statutory amounts required to be charged to the General Fund Balance for Council Tax setting purposes. Authorities raise taxation to cover expenditure in accordance with regulations. The Net Increase/Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council. The unusable reserves hold unrealised gains and losses (for example the Revaluation Reserve) and account for differences under regulations between accounting basis and funding basis which are detailed in Note 2.

| | General Fund Balance £000 | Earmarked Schools Revenue Balances £000 | Earmarked Schools Devolved Formula Capital £000 | Earmarked General Fund Reserves £000 | Capital Receipts Reserve £000 | Capital Grants Unapplied Account £000 | Total Usable Reserves £000 | Unusable Reserves £000 | Total Reserves £000 |
|---|---|---|---|---|---|---|---|---|---|
| **Balance at 1 April 2015** | **(21,043)** | **(14,135)** | **(2,436)** | **(132,947)** | **(3,261)** | **(10,097)** | **(183,919)** | **(266,369)** | **(450,288)** |
| **Movement in reserves during 2015/16** | | | | | | | | | |
| (Surplus) or deficit on the Provision of Services | 17,404 | - | - | - | - | - | 17,404 | - | 17,404 |
| Other Comprehensive Income and Expenditure | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **(88,317)** | **(88,317)** |
| **Total Comprehensive Income and Expenditure** | **17,404** | **-** | **-** | **-** | **-** | **-** | **17,404** | **(88,317)** | **(70,913)** |
| Adjustments between accounting basis & funding basis under regulations (Note 2) | 19,120 | - | - | - | 3,261 | 7,478 | 29,859 | (29,859) | **-** |
| **Net (Increase) / Decrease before Transfers to Earmarked Reserves** | **36,525** | **-** | **-** | **-** | **3,261** | **7,478** | **47,263** | **(118,176)** | **(70,913)** |
| Transfers to/(from) Earmarked Reserves (Note 3) | (32,864) | (2,701) | 70 | 35,495 | - | - | **-** | - | **-** |
| **(Increase) / Decrease in 2015/16** | **3,660** | **(2,701)** | **70** | **35,495** | **3,261** | **7,478** | **47,263** | **(118,176)** | **(70,913)** |
| **Balance at 31 March 2016** | **(17,383)** | **(16,836)** | **(2,366)** | **(97,452)** | - | **(2,619)** | **(136,656)** | **(384,546)** | **(521,202)** |

## Comparative Figures 2014/15

| | 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)** |

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.

| 2014/15 | | | | 2015/16 | | |
|---|---|---|---|---|---|---|
| Gross Expenditure £000 | Gross Income £000 | Net Expenditure £000 | | Gross Expenditure £000 | Gross Income £000 | Net Expenditure £000 |
| 2,808 | (1,507) | 1,301 | Central Services to the Public | 2,853 | (1,594) | 1,259 |
| 14,611 | (1,996) | 12,615 | Culture and Related Services | 9,796 | (1,629) | 8,167 |
| 29,783 | (3,297) | 26,486 | Environment and Regulatory Services | 23,932 | (2,013) | 21,919 |
| 4,688 | (1,771) | 2,917 | Planning Services | 6,442 | (3,270) | 3,172 |
| 465,724 | (324,068) | 141,656 | Education and Children's Services | 495,767 | (331,161) | 164,606 |
| 51,023 | (6,963) | 44,060 | Highw ays and Transport Services | 50,861 | (5,192) | 45,669 |
| 3,743 | (190) | 3,553 | Housing Services | 2,882 | - | 2,882 |
| 168,029 | (37,204) | 130,825 | Adult Social Care | 174,552 | (40,182) | 134,370 |
| 13,794 | (16,154) | (2,360) | Public Health | 21,191 | (19,328) | 1,863 |
| 4,800 | (285) | 4,519 | Corporate and Democratic Core | 4,812 | (280) | 4,532 |
| 1,293 | (528) | 764 | Non Distributed Costs | 1,716 | (564) | 1,152 |
| **760,296** | **(393,963)** | **366,336** | **Cost of Services** | **794,806** | **(405,215)** | **389,591** |
| 23,496 | - | 23,496 | Other Operating Expenditure (Note 4) | 8,819 | - | 8,819 |
| 28,997 | (2,688) | 26,309 | Financing and Investment Income and Expenditure (Note 5) | 30,012 | (32,189) | (2,177) |
| - | (375,684) | (375,684) | Taxation and Non-Specific Grant Income (Note 6) | (47,269) | (331,560) | (378,829) |
| **812,789** | **(772,335)** | **40,457** | **(Surplus) or Deficit on Provision of Services** | **786,368** | **(768,964)** | **17,404** |
| | | (27,293) | (Surplus) or Deficit on Revaluation of Non-Current Assets (Note 26) | | | (15,785) |
| | | (625) | Surplus or deficit on revaluation of available-for-sale financial assets (Note 21) | | | (610) |
| | | 93,707 | Remeasurement of the defined benefit liability / (asset) (Note 13) | | | (71,922) |
| | | **65,789** | **Other Comprehensive Income and Expenditure** | | | **(88,317)** |
| | | **106,246** | **Total Comprehensive Income and Expenditure** | | | **(70,913)** |

## Balance Sheet

The Balance Sheet shows the value as at the balance sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council.

| 31 March 2015 £000 | | Notes | 31 March 2016 £000 |
|---|---|---|---|
| 1,151,376 | Property, Plant & Equipment | 14 | 1,191,989 |
| 7,550 | Heritage Assets | 17 | 7,524 |
| - | Investment Property | 19 | 44,773 |
| 2,141 | Intangible Assets | 18 | 1,392 |
| 18,875 | Long Term Investments | 21 | 5,738 |
| 19,767 | Long Term Trade and Other Receivables | 24 | 18,059 |
| **1,199,709** | **Long Term Assets** | | **1,269,475** |
| 100,186 | Short Term Investments | 21 | 80,745 |
| 1,145 | Temporary Loans | 21 | 1,546 |
| 3,573 | Assets Held for Sale | 20 | 671 |
| 262 | Inventories | | 191 |
| 51,794 | Short Term Trade and Other Receivables | 24 | 44,656 |
| 76,369 | Available for Sale Financial Assets | 21 | 85,791 |
| 1,015 | Cash and Cash Equivalents | 23 | - |
| **234,344** | **Current Assets** | | **213,600** |
| - | Cash and Cash Equivalents | 23 | (1,816) |
| (28,250) | Short Term Borrowing | 21 | (13,069) |
| (86,930) | Short Term Trade and Other Payables | 24 | (91,079) |
| - | Service Concession Arrangements | 16 | (159,691) |
| **(115,180)** | **Current Liabilities** | | **(265,655)** |
| (7,438) | Provisions and Long Term Liabilities | 25 | (7,092) |
| (162,464) | Long Term Borrowing | 21 | (150,732) |
| (115,675) | Service Concession Arrangements | 16 | - |
| (583,008) | Pension Liability | 13 | (538,394) |
| **(868,585)** | **Long Term Liabilities** | | **(696,218)** |
| **450,288** | **Net Assets** | | **521,202** |
| (183,920) | Usable Reserves | MiRS* | (136,656) |
| (266,368) | Unusable Reserves | 26 | (384,546) |
| **(450,288)** | **Total Reserves** | | **(521,202)** |

*MiRS - Movement in Reserves Statement (see page 23)

These financial statements replace the unaudited financial statements certified by Richard Ambrose on 25 May 2016

## Cash Flow Statement

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.

| 2014/15 | | 2015/16 |
|---|---|---|
| £000 | | £000 |
| 40,457 | Net (surplus) or deficit on the provision of services | 17,404 |
| (95,032) | Adjustments to net surplus or deficit on the provision of services for non-cash movements | (87,416) |
| 51,844 | Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities | 57,609 |
| **(2,730)** | **Net cash flows from operating activities (note 28)** | **(12,403)** |
| 65,034 | Purchase of property, plant and equipment, investment property and intangible assets | 69,299 |
| 847,565 | Purchase of short-term and long-term investments | 908,872 |
| (9,540) | Proceeds from the sale of property, plant and equipment, investment property and intangible assets | (10,340) |
| (840,246) | Proceeds from short-term and long-term investments | (932,240) |
| (42,305) | Other receipts from investing activities | (47,269) |
| **20,508** | **Net cash flows from investing activities** | **(11,678)** |
| 15,000 | Cash receipts of short and long-term borrowing | - |
| (11,935) | Repayments of short and long-term borrowing | (26,913) |
| **(3,065)** | **Net cash flows from financing activities** | **26,913** |
| **14,713** | **Net (increase) or decrease in cash and cash equivalents** | **2,832** |
| 15,728 | Cash and cash equivalents at the beginning of the reporting period | 1,015 |
| **1,015** | **Cash and cash equivalents at the end of the reporting period** | **(1,816)** |

## 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 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 amortisation are charged to services in the CIES);
- 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 | 5,679 | (441) | - | (441) | 3,988 | 2,080 | 52 | 6,120 |
| Community Engagement | 10,800 | (2,538) | - | (2,538) | 8,094 | 4,962 | 282 | 13,338 |
| Health and Wellbeing | 126,828 | (38,646) | (20,864) | (59,511) | 17,004 | 168,588 | 747 | 186,339 |
| Children's Services | 58,285 | (3,407) | (1,371) | (4,778) | 24,437 | 36,836 | 1,790 | 63,063 |
| Education and Skills | 36,482 | (22,635) | (298,328) | (320,964) | 205,312 | 144,899 | 7,235 | 357,446 |
| Resources | 23,504 | (4,663) | - | (4,663) | 22,553 | 8,952 | (3,339) | 28,166 |
| Environment | 18,207 | (3,494) | (570) | (4,064) | 4,271 | 17,557 | 443 | 22,271 |
| Planning and Transportation | 27,245 | (5,422) | (465) | (5,886) | 1,890 | 31,091 | 150 | 33,131 |
| **Sub-Total Portfolios** | **307,030** | **(81,246)** | **(321,598)** | **(402,844)** | **287,549** | **414,965** | **7,360** | **709,874** |
| Corporate Costs | 28,470 | (6,631) | - | (6,631) | 2,070 | 33,299 | (268) | 35,101 |
| **Total** | **335,500** | **(87,877)** | **(321,598)** | **(409,475)** | **289,619** | **448,264** | **7,092** | **744,975** |
| Financing | (331,560) | (249,365) | (82,195) | (331,560) | - | - | - | - |
| Earmarked Reserves | (280) | - | - | - | - | - | - | - |
| **Net (surplus) / deficit** | **3,660** | **(337,242)** | **(403,793)** | **(741,035)** | **289,619** | **448,264** | **7,092** | **744,975** |
| Planned Use of General Fund | (3,298) | | | | | | | |
| **Net Budget (surplus) / deficit** | **362** | | | | | | | |

## Comparative Figures 2014/15

| 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 | 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 |
| 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)** | | | | | | | |

### 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.

| | 2014/15 £000 | 2015/16 £000 |
|---|---|---|
| Net expenditure per the Outturn report | 10,072 | 3,660 |
| Amounts in the CIES not reported to management in the Analysis | 63,869 | 39,702 |
| Amounts in the Analysis not reported in the Net Cost of Service in the CIES | 292,394 | 346,227 |
| **Cost of Services in CIES** | **366,334** | **389,589** |

**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 | (85,201) | (9,798) | - | - | 39,712 | (55,288) | - | (55,288) |
| Interest and investment income | (2,483) | - | (26,633) | 29,115 | - | - | (30,015) | (30,015) |
| Income Council Tax and NNDR | (249,365) | - | - | 249,365 | - | - | (249,365) | (249,365) |
| Government grants and contributions | (403,794) | (1,493) | (47,269) | 129,464 | - | (323,092) | (129,464) | (452,556) |
| **Total Income** | **(740,843)** | **(11,291)** | **(73,901)** | **407,944** | **39,712** | **(378,379)** | **(408,844)** | **(787,223)** |
| Employee expenses | 289,618 | 3,977 | (2,631) | 7,790 | - | 298,754 | 18,700 | 317,454 |
| Other service expenses | 437,484 | 10,455 | 485 | (12,636) | (35,767) | 400,022 | - | 400,022 |
| Support Service recharges | 7,086 | (3,141) | - | - | (3,945) | - | - | - |
| Application of capital grants | - | - | 47,269 | (47,269) | - | - | - | - |
| Depreciation, amortisation and impairment | - | - | 69,193 | - | - | 69,193 | - | 69,193 |
| Interest payments | 9,851 | - | (712) | (9,139) | - | - | 9,139 | 9,139 |
| Precepts and levies | 463 | - | - | (463) | - | - | 463 | 463 |
| Gain or Loss on Disposal of non current Assets | - | - | - | - | - | - | 8,356 | 8,356 |
| **Total Expenditure** | **744,503** | **11,291** | **113,603** | **(61,717)** | **(39,712)** | **767,968** | **36,659** | **804,627** |
| **Surplus or deficit on the provision of services** | **3,660** | **-** | **39,702** | **346,227** | **-** | **389,589** | **(372,185)** | **17,404** |

## Comparative figures for 2014/15

| | 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** |

## 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 the Council are required to be paid and out of which all liabilities of the Council are to be met, except to the extent that statutory rules might provide otherwise. 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.

## 2015/16

| | 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 CIES:** | | | | |
| Charges for depreciation and impairment of non-current assets | (30,526) | - | - | 30,526 |
| Revaluation losses on Property, Plant and Equipment | (24,568) | - | - | 24,568 |
| Fair Value gains / losses on Investment Properties | 27,101 | | | (27,101) |
| Amortisation of Intangible Assets | (1,258) | - | - | 1,258 |
| Capital grants and contributions applied | 44,696 | - | - | (44,696) |
| Revenue Expenditure Funded from Capital Under Statute | (12,841) | - | - | 12,841 |
| Amounts of non-current assets written off on disposal as part of the (gain)/loss on disposal to the CIES | (18,137) | - | - | 18,137 |
| **Insertion of items not debited or credited to the CIES:** | | | | |
| Statutory provision for the financing of capital investment (minimum revenue provision) | 7,833 | - | - | (7,833) |
| Capital expenditure financed from the General Fund | 41,939 | - | - | (41,939) |
| Voluntary minimum revenue provision | 1,961 | - | - | (1,961) |
| **Adjustments primarily involving the Capital Grants Unapplied Reserve:** | | | | |
| Capital grants and contributions unapplied credited to the CIES | 2,572 | - | (2,572) | - |
| Application of grants to capital financing transferred to the Capital Adjustment Account | - | - | 10,050 | (10,050) |
| **Adjustments primarily involving the Capital Receipts Reserve:** | | | | |
| Transfer of cash sale proceeds credited as part of the (gain)/loss on disposal to the CIES | 10,440 | (10,440) | - | - |
| Use of the Capital Receipts Reserve to finance new capital expenditure | - | 15,145 | - | (15,145) |
| Contribution from the Capital Receipts Reserve towards the costs of non-current asset disposals | (100) | 100 | - | - |
| Write Down of deferred capital receipts | - | (1,544) | - | 1,544 |
| **Adjustments primarily involving the Financial Instruments Adjustment Account:** | | | | |
| Amount by which finance costs charged to the CIES 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 CIES | (50,679) | - | - | 50,679 |
| Employer's pension contributions and direct payments to pensioners payable in the year | 23,371 | - | - | (23,371) |
| **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 | (3,661) | - | - | 3,661 |
| **Adjustments primarily involving the Accumulated Absences Account:** | | | | |
| Amount by which officer remuneration charged to the CIES on an accrual basis is different from remuneration chargeable in the year in accordance with statutory requirements | 818 | - | - | (818) |
| **Total Adjustments** | **19,121** | **3,261** | **7,478** | **(29,860)** |

## 2014/15 Comparative Figures

| | 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 CIES:** | | | | |
| 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 w ritten off on disposal as part of the (gain)/loss on disposal to the CIES | (32,811) | - | - | 32,811 |
| **Insertion of items not debited or credited to the CIES:** | | | | |
| 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 CIES | 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 CIES | 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 tow ards 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 w hich finance costs charged to the CIESt are different from finance costs chargeable in the year in accordance w ith statutory requirements | 160 | - | - | (160) |
| **Adjustments primarily involving the Pension Reserve:** | | | | |
| Reversal of items relating to retirement benefits debited or credited to the CIES | (42,709) | - | - | 42,709 |
| Employer's pension contributions and direct payments to pensioners payable in the year | 24,517 | - | - | (24,517) |
| **Adjustments primarily involving the Collection Fund Adjustment Account:** | | | | |
| Amount by w hich Council Tax and NNDR income credited to the Comprehensive Income and Expenditure Statement is different from Council Tax income calculated for the year in accordance w ith statutory requirements | (198) | - | - | 198 |
| **Adjustments primarily involving the Accumulated Absences Account:** | | | | |
| Amount by w hich officer remuneration charged to the CIES on an accrual basis is different from remuneration chargeable in the year in accordance w ith statutory requirements | 1,191 | - | - | (1,191) |
| **Total Adjustments** | **(44,999)** | **5,819** | **267** | **38,913** |

## 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 2014 | Transfers Out 2014/15 | Transfers In 2014/15 | Balance at 31 March 2015 | Transfers Out 2015/16 | Transfers In 2015/16 | Balance at 31 March 2016 |
|---|---|---|---|---|---|---|---|
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| **Earmarked General Fund Reserves** | | | | | | | |
| A - Revenue Contribution to Capital | (31,260) | 10,243 | (17,248) | (38,265) | 7,519 | (7,741) | (38,487) |
| B - Doubtful Debt Reserve | (1,048) | - | - | (1,048) | - | - | (1,048) |
| C - Priority Spend | (1,253) | 329 | (145) | (1,069) | 242 | - | (827) |
| D - Learning Skills Council Reserve | (529) | - | (49) | (578) | - | (73) | (651) |
| E - Efficiency Fund and SALIX | (1,746) | 770 | (785) | (1,761) | 1,023 | (572) | (1,310) |
| F - Commuted Sums | (536) | - | - | (536) | 7 | (64) | (593) |
| G - Renewals | (2,059) | 1,111 | (1,529) | (2,477) | 1,054 | (919) | (2,342) |
| H - Insurance | (5,054) | 147 | (606) | (5,513) | 124 | (1,367) | (6,756) |
| I - Election Expenses | (173) | - | (124) | (297) | - | (124) | (421) |
| J - Transformation | (2,559) | 783 | (39) | (1,815) | 1,071 | - | (744) |
| K - Social Care | (7,957) | 13,371 | (7,714) | (2,300) | 10,879 | (9,060) | (481) |
| L - Waste | (36,909) | 1,386 | (11,085) | (46,608) | 31,579 | (6,585) | (21,614) |
| M - Revenue Grants Unapplied | (11,341) | 1,490 | (2,552) | (12,403) | 2,876 | (1,391) | (10,918) |
| N - DSG carry forward | (7,810) | 5,026 | - | (2,784) | 4,788 | (2,463) | (459) |
| O - Strategic Asset Development | (1,492) | - | (964) | (2,456) | 481 | - | (1,975) |
| AA - Other | (9,640) | 2,022 | (5,420) | (13,038) | 5,540 | (1,329) | (8,827) |
| **Subtotal** | **(121,366)** | **36,678** | **(48,260)** | **(132,948)** | **67,183** | **(31,688)** | **(97,452)** |
| **Earmarked for Schools** | | | | | | | |
| AB - Earmarked Schools Revenue Balances | (10,749) | 10,975 | (14,361) | (14,135) | 14,236 | (16,937) | (16,836) |
| AB - Earmarked Schools Devolved Formula Capital | (2,790) | 2,791 | (2,437) | (2,436) | 2,437 | (2,367) | (2,366) |
| **Subtotal** | **(13,539)** | **13,766** | **(16,798)** | **(16,571)** | **16,673** | **(19,304)** | **(19,202)** |
| **Total** | **(134,905)** | **50,444** | **(65,058)** | **(149,519)** | **83,856** | **(50,992)** | **(116,654)** |

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 Business Units 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 Reserve 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 Reserve has been established to set aside un-ringfenced, unused revenue grants to be used in future years.

N) The DSG Carry Forward Reserve relates to unused Dedicated Schools Grant (DSG).

O) The Strategic Asset Development Reserve enables the Council to invest in existing or new assets 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 2015 | Balance at 31 March 2016 |
|---|---|---|
| Devolved Formula Capital carried forward | (2,436) | (2,366) |
| Supluses carried forward* | (15,880) | (18,344) |
| Deficits carried forward* | 1,745 | 1,508 |
| **Total** | **(16,571)** | **(19,202)** |

***** Excluding Academy schools

## 4 - Other Operating Expenditure

| 2014/15 | | 2015/16 |
|---|---|---|
| £000 | | £000 |
| 1,953 | (Gain)/losses on the disposal of non-current assets | 5,932 |
| 21,074 | Loss on de-recognition of Academies non-current assets | 2,424 |
| 460 | Levies - Environment Agency | 463 |
| 9 | (Gain)/losses on the disposal of Financial Assets Held for Sale | - |
| **23,496** | **Total** | **8,819** |

## 5 - Financing and Investment Income and Expenditure

| 2014/15 | | 2015/16 |
|---|---|---|
| £000 | | £000 |
| 11,033 | Interest payable and similar charges | 9,139 |
| 19,900 | Net interest on the defined pension liability | 18,700 |
| (4,624) | Interest receivable and similar income | (1,943) |
| - | Investment Properties Income and expenditure and changes in Fair Value | (28,072) |
| **26,309** | **Total** | **(2,176)** |

## 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 2015/16

## Taxation and Non Specific Grant Income

| 2014/15 £000 | Grants Held Centrally | 2015/16 £000 |
|---|---|---|
| (227,366) | Council Tax | (233,751) |
| (52,673) | Revenue Support Grant | (41,823) |
| (15,630) | Locally Retained Non Domestic Rates | (15,614) |
| (24,709) | NNDR Top up Grant | (25,181) |
| (13,001) | Non-ringfenced Government Grants * | (15,191) |
| (42,305) | Capital Grants and Contributions | (47,269) |
| **(375,684)** | **Total** | **(378,829)** |

*Non-ringfenced government grants detailed below

| 2014/15 £000 | Non-ringfenced Government Grants | 2015/16 £000 |
|---|---|---|
| (402) | Local Service Support Grant | (343) |
| (6,978) | Education Service Grant | (5,615) |
| (2,444) | New Homes Bonus | (3,024) |
| (1,498) | SEN / SEN Reform Grants | (309) |
| - | Small Business Rates Relief | (1,132) |
| - | Care Act Implementation | (2,662) |
| (1,679) | Total of other grants below £1m each | (2,106) |
| **(13,001)** | **Total** | **(15,191)** |

| 2014/15 £000 | Grants Credited to Services | 2015/16 £000 |
|---|---|---|
| (262,127) | Dedicated Schools Grant | (271,697) |
| (17,249) | Public Health Grant | (19,058) |
| (6,468) | Education Funding Agency 16-19 | (5,573) |
| (3,590) | Skills Funding Agency | (3,573) |
| (1,467) | PE and Sports Grant | (1,723) |
| (1,928) | Department of Transport Grant | (465) |
| (4,431) | Universal Free School Meals | (5,231) |
| (8,912) | Pupil Premium | (8,864) |
| (1,154) | Devolved Formula Capital Grant | (1,126) |
| - | Disabled Facilities Grant | (1,499) |
| (2,938) | Total of other grants below £1m each | (4,283) |
| **(310,264)** | **Total** | **(323,092)** |

## 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 a Council-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 2015/16 are as follows:

| | Central Expenditure | Individual Schools Budgets | Total |
|---|---|---|---|
| | **£000** | **£000** | **£000** |
| Final DSG for 2015/16 before Academy recoupment | | | 392,012 |
| Academy figure recouped for 2015/16 | | | (120,315) |
| **Total DSG after Academy recoupment for 2015/16** | | | **271,697** |
| Brought forward from 2014/15 | | | 3,255 |
| Carry-forward to 2016/17 agreed in advance | | | (906) |
| **Agreed initial budgeted distribution in 2015/16** | **69,195** | **204,851** | **274,046** |
| Final budgeted distribution for 2015/16 | 69,195 | 204,851 | 274,046 |
| Less Actual central expenditure | (69,965) | | (69,965) |
| Less Actual ISB deployed to schools | | (204,527) | (204,527) |
| Plus agreed carry-forward for 2016/17 | | | 906 |
| **Carry Forward to 2016/17** | **(770)** | **324** | **460** |

## 8 - Members' Allowances

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

| 2014/15 | | 2015/16 |
|---|---|---|
| **£000** | | **£000** |
| 531 | Salaries | 539 |
| 100 | Employer Contributions | 94 |
| 352 | Allowances | 337 |
| **983** | **Total** | **970** |

## 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). Grants received from Government Departments are set out in Note 6 Taxation and Non Specific Grant Income.

**Pension Fund**
The Council charged the Fund £1.38m (2014/15 £1.256m) 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 2015/16 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 2015/16 TWK Transit provided the Council with transport services to the value of £1.35m (2014/15 £1.21m). Collectively the Khattak Group have provided services to the value of £3.34m (2014/15 £3.06m).

**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'). The Council has a signed 3 year contract for the provision of services. Payments under the contract totalled £9.88m (2014/15 £9.645m). In addition Buckinghamshire Care had a support services agreement to buy-back a range of back office functions. Income received by the Council from Buckinghamshire Care 2015/16 was £0.82m (2014/15 £0.496m) During 2015/16 the Council agreed a £1m loan with Buckinghamshire Care which has an outstanding balance of £0.91m.

**Buckinghamshire Learning Trust (BLT)**
The BLT is an educational charity delivering a comprehensive range of services to schools and early years' settings, including school and early years' improvement, specialist teaching, CPD and other key support services. The Trust received £8.89m from the Council (2014/15 £11.56m). Income received by the Council from the BLT in relation to a support services buy-back agreement was £0.47m (2014/15 £0.38m).

**Adventure Learning Foundation (ALF)**
The ALF is a registered charity and a company limited by guarantee. Its aim is to provide high quality, affordable outdoor education, activity and sports services for young people. In 2013/14, the Council leased the Green Park Centre, Aston Clinton and the Shortenhills Centre, Chalfont St Giles to the ALF for a period of 25 years. Overall responsibility for the strategic direction of the organisation sits with the board of trustees who delegate operational responsibility to the CEO. The Trustees include representatives from the founding centres, the Council and key stakeholders. The Council has made a £0.69m loan to ALF to cover initial investment, to be repaid over 5 years. An assessment of the recoverability of loans due to operating losses currently being incurred by ALF has resulted in a provision being held against this loan. The Council has purchased services of £0.54m during the year from ALF (2014/15 £0.31m).

**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 Council. During 2015/16 the Trust received funding from the Council totalling £0.239m (2014/15 £0.645m).

**Buckinghamshire Law Plus**
Buckinghamshire Law Plus is a private limited company established in a joint venture between the Council and Buckinghamshire & Milton Keynes Fire Authority. In order to enable the setup of this Company the Council has made a £0.1m loan to Buckinghamshire Law Plus to cover initial investment, to be repaid over 3 years. The balance on this loan at 31st March 2016 is £0.068m. The Council has received income in respect of staff and expenses totaling £0.13m (2014/15 £0.56m).

**Local Authority Companies**
The following company 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**
Buckinghamshire Advantage is an independent company limited by guarantee, and owned by the Council, the four District Councils and Bucks Business First. The Council has made a contribution towards operating costs of £0.094m (2014/15 £0.142m).

**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 Council Leaders / Deputy Leaders and five business leaders. The BTVLEP is not a legally constituted entity and the Council is currently the accountable body. The Council has made a contribution of £0.12m and been reimbursed £0.15m for services provided to the BTVLEP. In addition BTVLEP funding has been used to pump prime £11.02m (2014/15 £nil) of strategic capital infrastructure projects. As at 31 March 2016 £6.69m (2015/16 £6.09m) 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. In addition to funding from the Council it is funded externally by the Police, Probation Service and Health. Buckinghamshire County Council's element of the funding in 2015/16 was £0.68m (2014/15 £0.673m)

## 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 2015/16 was as follows:

| | Salary, Fees and Allowances £ | Benefits in Kind £ | Pension Contrib'ns £ | 2015/16 Total £ | 2014/15 Total £ |
|---|---|---|---|---|---|
| Chief Executive | 214,297 | 809 | 48,860 | 263,966 | 267,902 |
| Managing Director (Business Enterprise & Business Services Plus) | 152,616 | - | 34,774 | 187,390 | 187,524 |
| Managing Director (Transport Economy and Enterprise) | 152,516 | - | 34,774 | 187,290 | 182,340 |
| Managing Director (Children's Social Care & Learning) | 140,305 | - | 31,989 | 172,294 | 173,045 |
| Managing Director (Communities, Health & Adult Social Care) | 146,527 | - | 33,408 | 179,935 | 172,813 |
| Director of Assurance (s151 Officer) | 118,721 | - | 27,068 | 145,790 | 141,626 |
| Director of Public Health | 124,128 | - | 17,750 | 141,878 | 134,989 |
| Director of Strategy & Policy (Monitoring Officer) | 94,445 | 661 | 21,533 | 116,639 | 83,211 |
| | **1,143,554** | **1,470** | **250,156** | **1,395,181** | **1,343,449** |

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:

| | Non Schools | Schools | Total | Non Schools | Schools | Total |
|---|---|---|---|---|---|---|
| £50,000 - £54,999 | 36 | 53 | 89 | 47 | 64 | 111 |
| £55,000 - £59,999 | 23 | 47 | 70 | 31 | 50 | 81 |
| £60,000 - £64,999 | 14 | 29 | 43 | 24 | 34 | 58 |
| £65,000 - £69,999 | 16 | 19 | 35 | 16 | 22 | 38 |
| £70,000 - £74,999 | 11 | 10 | 21 | 8 | 12 | 20 |
| £75,000 - £79,999 | 7 | 2 | 9 | 6 | 5 | 11 |
| £80,000 - £84,999 | 6 | 2 | 8 | 5 | 2 | 7 |
| £85,000 - £89,999 | 3 | 2 | 5 | 3 | 2 | 5 |
| £90,000 - £94,999 | 3 | 1 | 4 | 1 | 2 | 3 |
| £95,000 - £99,999 | 2 | 2 | 4 | 3 | 1 | 4 |
| £100,000 - £104,999 | 3 | - | 3 | 5 | - | 5 |
| £105,000 - £109,999 | - | - | - | 3 | - | 3 |
| £110,000 - £114,999 | - | - | - | - | - | - |
| £115,000 - £119,999 | 2 | - | 2 | 1 | - | 1 |
| £120,000 - £124,999 | - | - | - | 1 | 1 | 2 |
| £125,000 - £129,999 | - | - | - | - | - | - |
| £130,000 - £134,999 | - | - | - | - | - | - |
| £135,000 - £139,999 | 1 | - | 1 | - | - | - |
| £140,000 - £144,999 | 1 | - | 1 | - | - | - |
| £145,000 - £149,999 | 1 | - | 1 | 2 | - | 2 |
| £150,000 - £154,999 | 1 | - | 1 | 2 | - | 2 |
| £175,000 - £179,999 | 1 | - | 1 | - | - | - |
| £210,000 - £214,999 | - | - | - | - | - | - |
| £215,000 - £219,999 | 1 | - | 1 | 1 | - | 1 |
| | **132** | **167** | **299** | **159** | **195** | **354** |

## 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 2015/16, incurring liabilities of £0.624m (2014/15 £1.138m). 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 band | | Total cost of exit packages in each band | |
|---|---|---|---|---|---|---|---|---|
| | 2014/15 | 2015/16 | 2014/15 | 2015/16 | 2014/15 | 2015/16 | 2014/15 | 2015/16 |
| | | | | | | | £000 | £000 |
| £0 - £19,999 | 10 | 17 | 55 | 34 | 65 | 51 | 536 | 371 |
| £20,000 - £39,999 | 3 | 5 | 9 | 4 | 12 | 9 | 331 | 253 |
| £40,000 - £59,999 | - | - | 1 | - | 1 | - | 48 | - |
| £60,000 - £79,999 | - | - | 2 | - | 2 | - | 131 | - |
| £80,000 - £99,999 | - | - | 1 | - | 1 | - | 92 | - |
| | **13** | **22** | **68** | **38** | **81** | **60** | **1,138** | **624** |

## 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 2015/16, the Council paid an estimated £14.074m (2014/15 £12.810m) to Teachers' Pensions in respect of teachers' retirement benefits, representing 15.59% (2014/15 13.6%) of pensionable pay. The expected contribution to be paid by the Council in relation to Teachers Pensions for 2016/17 is £14.156m. This is charged to the Education and Children's Service line in the CIES. 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 2015/16 the Council paid an estimated £0.159m to NHS Pensions in respect of public health staff retirement benefits (2014/15 £0.198m). The expected contribution to be paid by the Council in relation to the NHS Pension Scheme for 2016/17 is £0.202m.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 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 Note 12)
- **NHS Pension Scheme** (see Note 12)

### 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:

| 2014/15 £000 | | | 2015/16 £000 |
|---|---|---|---|
| | **Cost of Services** | | |
| 24,325 | Service Cost (comprising) | | 31,489 |
| 25,265 | - current service cost | 33,647 | |
| 657 | - past service costs | 956 | |
| (3,604) | - settlements and curtailments | (3,114) | |
| 491 | Administration expenses | | 490 |
| | **Financing and Investment Income and Expenditure** | | |
| 19,900 | Net interest on the defined liability | | 18,700 |
| **42,709** | **Total Post Employment Benefit Charged to the Surplus/Deficit on the Provision of Services** | | **50,679** |
| | **Other Comprehensive Income and Expenditure** | | |
| | **Remeasurement of the defined benefit liability, comprising:** | | |
| 46,408 | Return on plan assets in excess of interest | | (8,977) |
| (139,671) | Change in Financial assumptions | | 80,682 |
| (444) | Experience gain/loss on defined benefit obligation | | 217 |
| **(93,707)** | **Total Post Employment Benefit charged to the CIES** | | **71,922** |

| 2014/15 | | 2015/16 |
|---|---|---|
| £000 | **Movement in Reserves Statement** | £000 |
| (42,709) | Reversal of net charges made to the Surplus/Deficit for the Provision of Services for post employment benefits in accordance with the Code | (50,679) |
| 24,517 | Actual amount charged against the General Fund balance employers' contributions payable in year to the scheme | 23,371 |

The change in financial assumptions has resulted in a gain of £80.682m in respect of pensions liabilities (as shown above). This is due to a small drop in expected CPI increases reducing the present value of future pension and salary costs, and to the discount rate increasing to 3.6% (2014/15 3.3%).

### 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:

| | 2011/12 | 2012/13 | 2013/14 | 2014/15 | 2015/16 |
|---|---|---|---|---|---|
| | £000 | £000 | £000 | £000 | £000 |
| Present value of the defined benefit obligation | (880,931) | (972,781) | (1,043,725) | (1,211,823) | (1,168,307) |
| Fair value of plan assets | 479,150 | 568,197 | 597,615 | 655,142 | 654,147 |
| **Net liability on Fund** | **(401,781)** | **(404,584)** | **(446,110)** | **(556,681)** | **(514,160)** |
| Present value of unfunded obligation | (23,905) | (24,833) | (24,999) | (26,327) | (24,234) |
| **Net liability in Balance Sheet** | **(425,686)** | **(429,417)** | **(471,109)** | **(583,008)** | **(538,394)** |

### 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 3.6% (2014/15 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 in 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.

| 2014/15 £000 | | 2015/16 £000 |
|---|---|---|
| (1,068,724) | **Opening balance at 1 April** | (1,238,150) |
| (25,265) | Current service cost | (33,647) |
| (657) | Past service costs, including curtailments | (956) |
| (45,470) | Interest cost | (39,918) |
| (6,528) | Contributions by scheme participants | (6,793) |
| | **Remeasurement gains and losses:** | |
| (139,671) | - change in financial assumptions | 80,682 |
| (444) | - experience loss/(gain) on defined benefit obligation | 217 |
| 10,009 | Liabilities extinguished on settlements | 6,125 |
| 36,780 | Estimated benefits paid net of transfers in | 38,090 |
| 1,820 | Unfunded pension payments | 1,809 |
| **(1,238,150)** | **Closing balance at 31 March** | **(1,192,541)** |

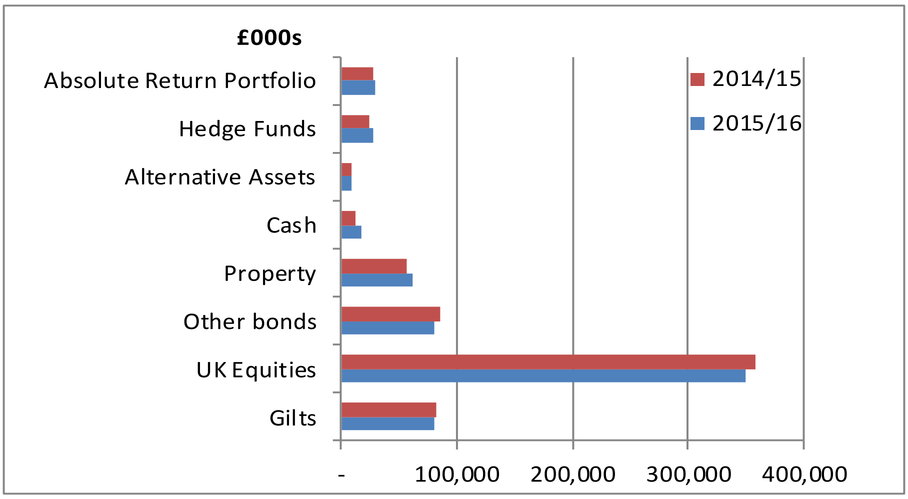
## Reconciliation of the movement in the fair value of the scheme (plan) assets:

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.

| 2014/15 £000 | | 2015/16 £000 |
|---|---|---|
| 597,615 | **Opening balance at 1 April** | 655,142 |
| 25,570 | Interest on assets | 21,218 |
| | Remeasurement gains and losses: | |
| 46,408 | - return on plan assets less the amount included in net interest expense | (8,977) |
| (491) | Administration expenses | (490) |
| 24,517 | Employer contributions | 23,371 |
| 6,528 | Contributions by scheme participants | 6,793 |
| (38,600) | Estimated benefits paid plus unfunded net of transfers in | (39,899) |
| (6,405) | Settlement prices received/(paid) | (3,011) |
| **655,142** | **Closing balance at 31 March** | **654,147** |

## 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:

| 2014/15 | Mortality assumptions: | 2015/16 |
|---|---|---|
| | Longevity at 65 for current pensioners: | |
| 23.7 years | ■ Men | 23.8 |
| 26.1 years | ■ Women | 26.2 |
| | **Longevity at 65 for future pensioners:** | |
| 26 years | ■ Men | 26.1 |
| 28.4 years | ■ Women | 28.5 |
| | **Other assumptions:** | |
| 3.2% | RPI Increases | 3.2% |
| 2.4% | CPI Increases | 2.3% |
| 4.2% | Rate of increase in salaries | 4.1% |
| 2.4% | Rate of increase in pensions | 2.3% |
| 3.3% | Rate for discounting scheme liabilities | 3.6% |
| 10.0% | 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% | 1,185,869 | 30,061 |
| Adjustment to discount rate | +0.1% | 1,165,012 | 29,366 |
| | -0.1% | 1,207,119 | 30,773 |
| Adjustment to long term salary increase | +0.1% | 1,187,884 | 30,075 |
| | -0.1% | 1,183,867 | 30,047 |
| Adjustment to pension increases and deferred revaluation | +0.1% | 1,205,356 | 30,767 |
| | -0.1% | 1,166,732 | 29,371 |
| Adjustment to mortality age rating assumption | + 1 year | 1,222,793 | 30,828 |
| | - 1 year | 1,150,094 | 29,313 |

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 contributions 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 £25.281m in 2016/17. 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 (i.e. repairs and maintenance) is charged as an expense when it is incurred. The Council does not capitalise borrowing costs.

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 Dioceses 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. Where a school transfers to Academy status any assets held in the Balance Sheet are de-recognised, the loss on disposal is reversed out of the General Fund as it is not chargeable to Council Tax.

### 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;
- operational assets providing service potential for the Council – current 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 current 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 current value;
- All other assets – fair value, the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date in accordance with IFRS 13.

Assets included in the Balance Sheet with a 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 of 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 amortisation. 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 2015/16 is £7.833m (£8.084m for 2014/15) and is calculated on the following basis:

- Debt relating to capital expenditure incurred prior to 1 April 2008 is calculated 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 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 2015 | **799,338** | **25,080** | **380,227** | **4,035** | **122,194** | **1,330,874** |
| Additions | 27,037 | 1,113 | 35,249 | 795 | 47,743 | 111,937 |
| Revaluation increases recognised in the Revaluation Reserve | 13,962 | | | 110 | | 14,073 |
| Revaluation (decreases) recognised in the Revaluation Reserve | (21,446) | | | (200) | | (21,646) |
| Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services | (22,777) | | | (1,665) | | (24,442) |
| Derecognition - disposals | (3,265) | (4,409) | | (582) | | (8,255) |
| Derecognition - disposals previous years* | | (9,173) | | | | (9,173) |
| Derecognition - other | (7,760) | | | (364) | | (8,125) |
| Assets reclassified | (19,281) | | | 2,146 | (3,612) | (20,748) |
| **At 31 March 2016** | **765,808** | **12,611** | **415,476** | **4,274** | **166,325** | **1,364,494** |
| **Accumulated Depreciation and Impairment** | | | | | | |
| At 1 April 2015 | **(92,873)** | **(21,938)** | **(64,530)** | **(155)** | | **(179,497)** |
| Depreciation charge | (18,233) | (1,817) | (10,437) | (17) | | (30,504) |
| Depreciation w ritten out to the Revaluation Reserve | 23,383 | | | | | 23,383 |
| Derecognition - disposals | 433 | 4,255 | | | | 4,688 |
| Derecognition - disposals previous years* | | 9,173 | | | | 9,173 |
| Assets reclassified | 1,546 | | | (1,295) | | 251 |
| **At 31 March 2016** | **(85,744)** | **(10,327)** | **(74,968)** | **(1,467)** | | **(172,505)** |
| **Net Book Value** | | | | | | |
| as at 31 March 2016 | 680,065 | 2,283 | 340,509 | 2,808 | 166,325 | 1,191,989 |
| as at 1 April 2015 | 706,465 | 3,142 | 315,697 | 3,880 | 122,194 | 1,151,377 |

The main items comprising additions of £111.937m are the Energy from Waste plant (£44.016m) within Assets Under Construction, Strategic Highways Maintenance and Management of £25.119m within Infrastructure Assets and in Other Land & Buildings £3.957m School Property Maintenance programme.

De-recognition disposals includes the transfer to Academy status of Little Spring School (£0.952m) and Lent Rise County Combined School (£1.472m).

*An exercise has been undertaken during the year to cleanse records held in relation to IT assets and equipment. This has led to £9.2m being written out of the gross cost and gross accumulated depreciation relating to assets that had been disposed of in previous years.

| 2014/15 | 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 - other | (4,243) | | | | | (4,243) |
| Assets reclassified | (2,257) | 250 | | 340 | (877) | (2,545) |
| Other movements in cost or valuation | | | | | | |
| **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 w ritten 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 Restated | 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 |

## Capital Commitments

| Project | Type of Contract | Name of Contractor | Contract Value | Amount Outstanding at 31st March 2016 |
|---|---|---|---|---|
| | | | **£000** | **£000** |
| St Louis RC Combined School | Construction | Borras | 3,537 | 1,852 |
| William Harding School | Construction | Jet Construction | 4,348 | 1,541 |
| Oak Green School | Construction | EW Beard | 2,295 | 1,210 |
| Contracts w ith Amounts Outstanding Under £1m | | | 26,030 | 5,796 |
| | | | **36,211** | **10,399** |

At 31 March 2016, the Council has £10.399m capital commitments for the construction or enhancement of Property, Plant, Equipment and Intangible assets. Commitments as at 31 March 2015 were £8.417m.

## Revaluations

The following table shows the progress of the Council's five year rolling programme for the revaluation of fixed assets. The valuations for 2015/16 have been carried out by RICS qualified external company, Carter Jonas. The effective date of valuation for the current year was 1 April 2015.

| | Other Land and Buildings £000 | Vehicles, Plant and Equipment £000 | Infrastructure Assets £000 | Surplus Assets £000 |
|---|---|---|---|---|
| **Carried at historical cost:** | | 2,283 | 340,509 | |
| **Valued at fair value as at:** | | | | |
| 31 March 2012 | 526,661 | | | |
| 31 March 2013 | 108,238 | | | |
| 31 March 2014 | 147,060 | | | |
| 31 March 2015 | 159,360 | | | |
| 31 March 2016 | 159,192 | | | 2,010 |
| **Total Cost or Valuation** | **1,100,511** | **2,283** | **340,509** | **2,010** |

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 30) was £105.531m as at 31 March 2016 (£103.107m as at 31 March 2015).

## 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 CIES 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 Capital Financing Requirement (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.

| 2014/15 £000 | | 2015/16 £000 |
|---|---|---|
| 247,801 | Opening Capital Financing Requirement | 319,334 |
| | **Capital Investment** | |
| 143,950 | Property, plant and equipment | 111,972 |
| - | Investment properties | 834 |
| 702 | Intangible assets | 509 |
| 6,270 | Revenue Expenditure Funded from Capital Under Statute | 12,841 |
| | **Source of Finance** | |
| (16,864) | Capital receipts | (15,145) |
| (42,572) | Government grants and other contributions | (54,747) |
| (11,869) | Direct revenue contributions | (11,608) |
| - | Waste reserve contributions | (30,331) |
| (8,084) | Minimum revenue provision | (7,833) |
| **319,334** | **Closing Capital Financing Requirement** | **325,827** |

| | | |
|---|---|---|
| | Explanation of movements in year | |
| (8,084) | Increase/(decrease) in underlying need to borrowing (unsupported by government financial assistance) | (7,833) |
| 79,618 | Assets acquired under PFI/Service Concession Arrangements | 14,325 |
| **71,534** | **Increase/(decrease) in Capital Financing Requirement** | **6,492** |

## 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 £181m) which equates to 85% of the construction costs of the project. The facility has passed acceptance testing and was operational in late June. Payment was made in June 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 21 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 2016 (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 2016/17 | 181,479 | 1,534 | **183,013** |
| Payable in 2 – 5 years | - | 7,903 | **7,903** |
| Payable in 6 – 10 years | - | 11,146 | **11,146** |
| Payable in 11 – 15 years | - | 12,706 | **12,706** |
| Payable in 16 – 20 years | - | 14,448 | **14,448** |
| Payable in 21 – 25 years | - | 16,433 | **16,433** |
| Payable in 26 – 30 years | - | 18,698 | **18,698** |
| Payable in 31 years to end of contract | - | 673 | **673** |

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:

| 2014/15 £000 | | 2015/16 £000 |
|---|---|---|
| 36,057 | Balance outstanding at start of year | 115,675 |
| 79,618 | Capital expenditure incurred in the year | 44,016 |
| **115,675** | Balance outstanding at year-end | **159,691** |

A Waste reserve has been set up to manage the financial implications of this contract. A total of £51.305m (2014/15 £46.608m) has been set aside to fund the capital expenditure with £130m to be funded from prudential borrowing. Provision has been made in the Council's MTP for the ongoing interest / financing and MRP.

## 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 2014 | 847 | 1,022 | 5,681 | 7,550 |
| **31 March 2015** | **847** | **1,022** | **5,681** | **7,550** |
| 1 April 2015 | 847 | 1,022 | 5,681 | 7,550 |
| Additions | | 34 | - | 34 |
| Disposals | (60) | - | - | (60) |
| **31 March 2016** | **787** | **1,056** | **5,681** | **7,524** |

All heritage assets recognised in the balance sheet are tangible assets.

### 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 (sold during 2015/16)
- 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 Council's own archive, dating from 1889, and archives inherited from other 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 £1.258m charged to revenue in 2015/16 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:

| 2014/15<br>£000 | | 2015/16<br>£000 |
|---|---|---|
| | **Balance at start year:** | |
| 10,088 | Gross carrying amounts | 10,790 |
| (7,564) | Accumulated amortisation | (8,649) |
| | **Net carrying amount at start of year** | |
| 702 | Purchases | 509 |
| - | Disposals | (2,487) |
| - | Accumulated amortisation written out on disposal | 2,487 |
| (1,085) | Amortisation for the period | (1,258) |
| **2,141** | **Net carrying amount at end of year** | **1,392** |
| | Comprising: | |
| 10,790 | Gross carrying amounts | 8,812 |
| (8,649) | Accumulated amortisation | (7,420) |
| **2,141** | | **1,392** |

## 19 – Investment Property

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale. Investment properties are measured initially at cost and subsequently at fair value, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. As a non-financial asset, investment properties are measured at highest and best use taking into account a market participant's ability to generate economic benefits or by selling it to another market participant that would use the asset in its highest and best use and assuming that market participants act in their economic best interest. The highest and best use is assessed to be their current use. The fair value measurement assumes that the transaction to sell the asset takes place in the principal market for the asset.

Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the CIES. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund. The gains and losses are therefore reversed out of the General Fund in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

The following items of income and expenditure have been accounted for in the Financing and Investment Income and Expenditure line in the CIES:

| 2014/15<br>£000 | | 2015/16<br>£000 |
|---|---|---|
| - | Rental income from investment property | (588) |
| - | Direct operating expenses arising from Investment Property | 34 |
| - | Depreciation and revaluation gains & losses | 241 |
| | Profit or loss on disposal of Investment Property | (658) |
| **-** | **Net (gain)/loss** | **(971)** |

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

| 2014/15<br>£000 | | 2015/16<br>£000 |
|---|---|---|
| - | Balance at start of the year | - |
| - | Additions | 834 |
| - | Disposals | (5,037) |
| - | Net gains / losses from fair value adjustments | 27,101 |
| - | Transfers to / from Property, Plant and Equipment | 21,875 |
| **-** | **Balance at end of the year** | **44,773** |

### Valuation Process for Investment Properties

All valuations are carried out by Carter Jonas, in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. The Council's valuation experts work closely with finance officers reporting on a regular basis regarding all valuation matters.

## Fair Value Hierarchy

The Council uses valuation techniques that are appropriate for investment property and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. The fair value for the investment properties (at market rents) has been based on the market approach using current market conditions and recent sales prices and other relevant information for similar assets in the local authority area. Market conditions are such that similar properties are actively purchased and sold and the level of observable inputs are significant, leading to the properties being categorised at Level 2 in the fair value hierarchy. There were no transfers between Levels 1 (quoted prices (unadjusted) in active markets for identical assets) and Level 2 during the year.

| | Other significant observable inputs (Level 2) | Fair value as at 31 March 2016 |
|---|---|---|
| | £000 | £000 |
| Residential Properties (market rental) | 42,367 | 42,367 |
| Commercial units | 2,407 | 2,407 |
| **Total** | **44,773** | **44,773** |

## 20 - 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 CIES. 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.

| 2014/15 | | 2015/16 |
|---|---|---|
| £000 | | £000 |
| 6,318 | **Balance outstanding at start of the year:** | 3,573 |
| | **Assets newly classified as held for sale:** | |
| 2,486 | Property, Plant and Equipment | |
| - | Revaluation losses | (260) |
| - | Revaluation gains | 108 |
| - | Depreciation | (23) |
| | **Assets declassified as held for sale:** | |
| - | Property, Plant and Equipment | (1,378) |
| (5,231) | Assets sold | (1,349) |
| **3,573** | **Balance outstanding at year end** | **671** |

## 21 - 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 CIES 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 CIES 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. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

a) in the principal market for the asset or liability, or

b) in the absence of a principal market, in the most advantageous market for the asset or liability.

The Council measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

Where the asset has fixed or determinable payments, annual credits to the Financing and Investment Income and Expenditure line in the CIES 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 CIES 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 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 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 2015 | 31 March 2016 | 31 March 2015 | 31 March 2016 |
| **Investments** | | | | |
| **Loans and Receivables:** | **£000** | **£000** | **£000** | **£000** |
| Cash and Cash Equivalents | - | - | 1,015 | - |
| Temporary Loans | - | - | 1,145 | 1,546 |
| Loans to Local Authority companies and other entities | - | 683 | - | 388 |
| Investments | 18,875 | 5,055 | 100,186 | 80,357 |
| Available-for-sale Financial Assets | - | - | 76,369 | 85,791 |
| **Total Investments** | **18,875** | **5,738** | **178,716** | **168,082** |
| **Trade and Other Receivables** | | | | |
| Loans and Receivables | 19,767 | 18,059 | 51,794 | 44,656 |
| **Total Trade and Other Receivables** | **19,767** | **18,059** | **51,794** | **44,656** |
| **Less Statutory Items to be Excluded** | | | | |
| Payments in Advance | - | - | (5,640) | (4,874) |
| Collection Fund Adjustment | - | - | (10,431) | (8,582) |
| Her Majesty's Revenue and Customs (HMRC) | - | - | (11,173) | (9,999) |
| **Total to be Deducted from Loans and Receivables** | **-** | **-** | **(27,244)** | **(23,455)** |
| **Total Value of Assets** | **38,642** | **23,797** | **203,266** | **189,283** |
| **Borrowings** | | | | |
| Cash and Cash Equivalents | - | - | - | (1,816) |
| Financial Liabilities at Amortised Cost | (162,464) | (150,732) | (28,250) | (13,069) |
| **Total Borrowings** | **(162,464)** | **(150,732)** | **(28,250)** | **(14,885)** |
| **Other Liabilities** | | | | |
| Service Concession Arrangements | (115,675) | - | - | (159,691) |
| **Total Other Liabilities** | **(115,675)** | **-** | **-** | **(159,691)** |
| **Trade and Other Payables** | | | | |
| Financial Liabilities at Amortised Cost | - | | (86,930) | (91,079) |
| **Total Trade and Other Payables** | **-** | **-** | **(86,930)** | **(91,079)** |
| **Less Statutory Items to be Excluded** | | | | |
| Receipts in Advance and Deferred Income | - | - | 17,854 | 14,951 |
| Collection Fund Adjustment | - | - | 3,467 | 5,329 |
| HMRC | - | - | 4,600 | 2,354 |
| **Total to be Deducted from Liabilities** | **-** | **-** | **25,921** | **22,634** |
| **Total Value of Liabilities** | **(278,139)** | **(150,732)** | **(89,259)** | **(243,021)** |

## Income, Expenditure, Gains and Losses

| | 2014/15 | | | | 2015/16 | | | |
|---|---|---|---|---|---|---|---|---|
| | Financial Liabilities measured at amortised cost | Financial Assets: Loans and receivables | Financial Assets: Available for sale | Total | Financial Liabilities measured at amortised cost | Financial Assets: Loans and receivables | Financial Assets: Available for sale | Total |
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Interest Expense | 11,033 | - | - | **11,033** | 9,139 | - | - | **9,139** |
| **Total expense in Surplus or Deficit on the Provision of Services** | **11,033** | **-** | **-** | **11,033** | **9,139** | **-** | **-** | **9,139** |
| Interest Income | - | (2,369) | (313) | **(2,682)** | - | (1,308) | (635) | **(1,943)** |
| **Total income in Surplus or Deficit on the Provision of Services** | **-** | **(2,369)** | **(313)** | **(2,682)** | **-** | **(1,308)** | **(635)** | **(1,943)** |
| Gains on revaluation | - | - | (625) | **(625)** | - | - | (650) | **(650)** |
| Losses on revaluation | - | - | - | **-** | - | - | 40 | **40** |
| **Surplus / Deficit arising on revaluation of financial assets in Other Comprehensive Income and Expenditure** | **-** | **-** | **(625)** | **(625)** | **-** | **-** | **(610)** | **(610)** |
| **Net loss/(gain) for the year** | **11,033** | **(2,369)** | **(938)** | **7,726** | **9,139** | **(1,308)** | **(1,245)** | **6,586** |

## Fair Value of Financial Assets

Available for Sale Financial Assets are measured at fair value on a recurring basis. The valuation techniques used to measure them maximise the use of relevant observable inputs and minimise the use of unobservable inputs and are categorised as follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the Council can access at the measurement date

Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3 – unobservable inputs for the asset or liability.

| | 2014/15 | | | | 2015/16 | | | |
|---|---|---|---|---|---|---|---|---|
| | Quoted prices in active markets for identical assets (Level 1) | Other significant observable inputs (Level 2) | Significant unobservable inputs (Level 3) | Fair value as at 31 March 2016 | Quoted prices in active markets for identical assets (Level 1) | Other significant observable inputs (Level 2) | Significant unobservable inputs (Level 3) | Fair value as at 31 March 2016 |
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Available for Sale Financial Assets | 26,033 | 50,336 | - | 76,369 | 80,776 | 5,015 | - | 85,791 |
| **Total** | **26,033** | **50,336** | **-** | **76,369** | **80,776** | **5,015** | **-** | **85,791** |

There were no transfers between input Levels 1 and 2 during the year and there has been no change in the valuation technique used during the year for the financial instruments. The movement from Level 2 to Level 1 is due to cash from maturing CDs (Certificates of Deposit) being placed by Money Market Funds in advance of making the EfW payment. The fair values are based on public price quotations where there is an active market for the instrument. The fair values for the LOBO and PWLB loans were calculated by Arlingclose, in their role as an external valuation specialist.

**The Fair Values of financial assets and financial liabilities that are not measured at fair value (but for which Fair Value disclosures are required)**

Except for Available for Sale financial assets carried at fair value (described in the table above), all other financial liabilities and financial assets, loans and receivables and long-term trade receivables 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 2016 is the repayment cost calculated using the repayment interest rates at 31 March 2016. 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 2016
- 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
- Other long-term debtors are valued by calculating the present value of the cash flows that will take place over the remaining life of the contracts.
- Other liabilities represent the certified value of Service Concession Arrangements and are carried at cost as an approximate to fair value.
- No fair value disclosures are provided for trade receivables and payables as the carrying amount is a reasonable approximation of fair value.

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The fair values calculated are as follows:

| | 31 March 2015 restated | | 31 March 2016 | |
|---|---|---|---|---|
| | Carrying amount | Fair value | Carrying amount | Fair value |
| | £000 | £000 | £000 | £000 |
| Financial liabilities | (190,714) | (255,685) | (163,801) | (238,856) |
| Other liabilities (Service Concession Arrangements) | (115,675) | (115,675) | (159,691) | (159,691) |

The financial liabilities in the table above for 2015/16 have been restated. Trade and other payables have now been omitted from the financial liabilities for 2014/15, this is consistent with the approach taken for 2015/16. The figures now present a more accurate picture of the Councils financial liabilities and their fair values.
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 2015 restated | | 31 March 2016 | |
|---|---|---|---|---|
| | Carrying amount £000 | Fair value £000 | Carrying amount £000 | Fair value £000 |
| Loans and receivables | 100,186 | 119,309 | 80,745 | 86,579 |
| Long-term Trade and Other Receivables | 19,767 | 19,767 | 18,058 | 18,058 |

The loans and receivables in the table above for 2015/16 have been restated. Trade and other receivables have now been omitted from the loans and receivables for 2014/15, this is consistent with the approach taken for 2015/16. The figures now present a more accurate picture of the Councils financial liabilities and their fair values.
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 investments 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.

## Fair value hierarchy for financial assets and financial liabilities that are not measured at fair value

| | 31 March 2015 | | | 31 March 2016 | | |
|---|---|---|---|---|---|---|
| | Other significant observable inputs (level 2) £000 | Significant unobservable inputs (level 3) £000 | Total £000 | Other significant observable inputs (level 2) £000 | Significant unobservable inputs (level 3) £000 | Total £000 |
| **Financial liabilities** | | | | | | |
| Loans/borrowings | (268,899) | - | (268,899) | (238,856) | - | (238,856) |
| **Total** | **(268,899)** | **-** | **(268,899)** | **(238,856)** | **-** | **(238,856)** |
| **Financial assets** | | | | | | |
| Other loans and receivables | 115,290 | - | 115,290 | 85,357 | - | 85,357 |
| Soft Loans | 3,300 | 719 | 4,019 | - | 1,222 | 1,222 |
| Other Long-term Debtors | - | 19,767 | 19,767 | - | 18,059 | 18,059 |
| **Total** | **118,590** | **20,486** | **139,076** | **85,357** | **19,281** | **104,638** |

Other long-term debtors and Soft loans are categorised as a Level 3 as there are no observable market inputs. The value of long-term debtors recorded in the balance sheet is based on the present value of the cash flows to the Council from access to below-market bed-spaces over the 30 year contracts in respect of a number of Care Homes as a result of Adult Social Care re-provisioning. The most significant inputs are the discount rate of 3.5% and rental inflation rate of 2.5%. Soft loans represent loans to lower-tier authorities, voluntary organisations, employees, Local authority companies and related parties at less than market rates or where the credit rating of the body would make access to funding prohibitive.

## 22 - 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.

| Cash Limits (per counterparty) | | | |
|---|---|---|---|
| **Credit Rating** | **Banks Unsecured** | **Banks Secured** | **Government** |
| UK Govt | n/a | n/a | £ Unlimited 50 years |
| AAA | £15m 5 years | £25m 20 years | £25m 50 years |
| AA+ | £15m 5 years | £25m 10 years | £25m 25 years |
| AA | £15m 4 years | £25m 5 years | £25m 15 years |
| AA- | £15m 3 years | £25m 4 years | £25m 10 years |
| A+ | £15m 2 years | £25m 3 years | £15m 5 years |
| A | £10m 13 months | £25m 2 years | £15m 5 years |
| A- | £10m 6 months | £25m 13 months | £15m 5 years |
| BBB+ | £3m 100 days | £3m 6 months | £3m 2 years |
| BBB | £3m next day only | £3m 100 days | n/a |
| None | £3m 6 months | n/a | £25m 25 years |
| Pooled Funds | £40m per fund | | |

### 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 2016 | Historical experience of default | Historical experience adjusted for market conditions at 31 March 2016 | Estimated maximum exposure to default and uncollectability at 31 March 2016 | Estimated maximum exposure at 31 March 2015 |
|---|---|---|---|---|---|
| | £000 | % | % | £000 | £000 |
| | A | B | C | (A x C) | |
| Deposits with banks and financial institutions | 170,736 | 0.06% | 0.086% | 147 | 88 |
| Customers | 19,339 | 0.60% | 3.795% | 734 | 724 |
| | | | | **881** | **812** |

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 £19.339m (2014/15 £22.237m) balance £13.3m (2014/15 £18.4m) 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 £0.734m (2014/15 £0.724m) to be made in respect of these trade receivables.

The Council does not generally allow credit for customers, such that £11.5m of the £13.3m balance is past its due date for payment. The past due amount can be analysed by age as follows:

| 31 March 2015 £000 | | 31 March 2016 £000 |
|---|---|---|
| 2,234 | Less than three months | 4,752 |
| 542 | Three to six months | 1,038 |
| 1261 | Six months to one year | 1,866 |
| 3,586 | More than one year | 3,896 |
| **7,623** | | **11,551** |

### Liquidity Risk

As the Council has ready access to borrowings from the PWLB, 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 2015 £000 | | 31 March 2016 £000 |
|---|---|---|
| 11,732 | Less than one year | 13,069 |
| 11,732 | Between one and two years | 11,732 |
| 23,464 | Between two and five years | 17,000 |
| 129,000 | More than five years | 122,000 |
| **175,928** | | **163,801** |

**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 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 2015/16 would have been:

| 31 March 2015 £000 | | 31 March 2016 £000 |
|---|---|---|
| (650) | Increase in interest receivable on variable rate investments | (972) |
| **(650)** | **Impact on Surplus/Deficit on the Provision of Services** | **(972)** |
| 554 | Decrease in fair value of fixed rate investment assets | 155 |
| **554** | **Impact on Other Comprehensive Income and Expenditure** | **155** |
| 26,560 | 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) | 22,296 |

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

**Price Risk**

The Council invested £5m in the CCLA pooled property fund in 2013/14. This element of the Council's portfolio is exposed to the risk of rising and falling commercial property prices. A 5% fall in commercial property prices would result in a £0.25m fall in the Council's investment value. This would be reflected in the Available for Sale Reserve. On redemption any gain or loss over the initial value of the investment would be recognised by moving from the

Available for Sale Reserve to the General Fund, via the CIES. The Council intends to hold this pooled property fund for the long term to minimise the risk of volatility in commercial property prices resulting in a capital loss.

### Foreign Exchange Risk

The Council has no financial assets or liabilities denominated in foreign currencies.

## 23 - 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 2015 | | 31 March 2016 |
|---|---|---|
| **£000** | | **£000** |
| 1,015 | Bank current accounts | (1,816) |
| **1,015** | **Total Cash and Cash Equivalents** | **(1,816)** |

## 24 – Trade and Other Receivables and Payables

### Short-term Trade and Other Receivables

| 31 March 2015 | | 31 March 2016 |
|---|---|---|
| **£000** | | **£000** |
| 732 | Central Government bodies | 392 |
| 11,173 | HM Revenue and Customs | 9,999 |
| 2,483 | Other local authorities and NHS | 2,204 |
| 10,253 | Collection Fund adjustment | 8,582 |
| 22,237 | Sundry Tade and Other Receivables | 19,339 |
| 5,640 | Payments in advance | 4,874 |
| **52,518** | **Total** | **45,390** |
| (724) | Provision for doubtful debts | (734) |
| **51,794** | **Total Short Term Trade and Other Receivables** | **44,656** |

### Long Term Trade and Other Receivables

| 31 March 2015 | | 31 March 2016 |
|---|---|---|
| **£000** | | **£000** |
| 15,633 | Reprovisioning of Adult Social Care | 14,807 |
| 2,917 | Finance lease | 2,158 |
| 1,217 | Other Long Term Trade and Other Receivables | 1,093 |
| **19,767** | **Total Long Term Trade and Other Receivables** | **18,059** |

## Short-term Trade and Other Payables

| 31 March 2015 | | 31 March 2016 |
|---|---|---|
| £000 | | £000 |
| (4,600) | HM Revenue and Customs | (2,354) |
| (1,206) | Central Government bodies | (133) |
| (2,062) | Other local authorities and NHS | (3,262) |
| (3,482) | Collection Fund adjustment | (5,329) |
| (13,235) | Deposits from contractors and others | (15,302) |
| (37,059) | Other sundry creditors | (40,979) |
| (17,854) | Receipts in advance and deferred income | (14,951) |
| (7,432) | Capital expenditure | (8,769) |
| **(86,930)** | **Total** | **(91,079)** |

## 25 - 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 2016:

**Long Term Provisions**

| | Insurance | National Non-Domestic Rates | Other | Total |
|---|---|---|---|---|
| | £000 | £000 | £000 | £000 |
| **1 April 2015** | **(5,794)** | **(1,585)** | **(60)** | **(7,439)** |
| Additional provisions made | - | (143) | - | (143) |
| Amounts used | 490 | - | - | 490 |
| **Balance at 31 March 2016** | **(5,304)** | **(1,728)** | **(60)** | **(7,092)** |

## 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.

## 26 - 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.

| 2014/15 | | 2015/16 |
|---|---|---|
| £000 | | £000 |
| (201,384) | Revaluation Reserve | (207,192) |
| (629,931) | Capital Adjustment Account | (701,302) |
| 2,243 | Financial Instruments Adjustment Account | 2,083 |
| (20,101) | Deferred Capital Receipts Reserve | (18,557) |
| 583,008 | Pensions Reserve | 538,394 |
| (5,187) | Collection Fund Adjustment Account | (1,525) |
| 5,607 | Accumulated Absences Account | 4,788 |
| (625) | Available for Sale Financial Instruments Reserve | (1,235) |
| **(266,369)** | **Total Unusable Reserves** | **(384,545)** |

### 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.

| 2014/15 | | | 2015/16 |
|---|---|---|---|
| £000 | | | £000 |
| (181,718) | **Balance at 1 April** | | (201,384) |
| (39,877) | Upward revaluation of assets | (41,563) | |
| 12,584 | Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services | 25,778 | |
| **(27,293)** | Surplus or deficit on revaluation of non-current assets not posted to the Surplus/Deficit on the Provision of Services | | **(15,785)** |
| 2,284 | Difference between fair value depreciation and historical cost depreciation | 3,797 | |
| 5,343 | Accumulated gains on assets sold or scrapped | 6,181 | |
| **7,627** | Amount written off to the Capital Adjustment Account | | **9,978** |
| **(201,384)** | **Balance at 31 March** | | **(207,192)** |

## 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 Capital Adjustment Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the CIES (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Capital Adjustment Account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement.

The Capital Adjustment 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.

| 2014/15 | | 2015/16 |
|---|---|---|
| £000 | | £000 |
| **(642,673)** | **Balance as restated as at 1 April** | **(629,931)** |
| | Reversal of items relating to capital expenditure debited or credited to the CIES: | |
| 32,018 | - Charges for depreciation and impairment of non-current assets | 30,526 |
| 29,534 | - Revaluation losses on Property, Plant and Equipment | 24,568 |
| - | - Movements in the market value of Investment Properties | (27,101) |
| 1,085 | - Amortisation of intangible assets | 1,258 |
| 6,270 | - Revenue Expenditure Funded from Capital Under Statute | 12,841 |
| 32,811 | - Amounts on non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES | 18,137 |
| **101,718** | | **60,230** |
| | Adjusting amounts written out of the Revaluation Reserve: | |
| (7,627) | - Net written out amount of the cost of non-current assets consumed in the year | (9,978) |
| | Capital financing applied in the year: | |
| (16,864) | - Use of the Capital Receipts Reserve to finance new capital expenditure | (15,145) |
| (41,142) | - Capital grants and contributions credited to the CIES that have been applied to capital financing | (44,696) |
| (1,430) | - Application of grants to capital financing from the Capital Grants Unapplied Account | (10,050) |
| (8,084) | - Statutory provision for the financing of capital investment charged against the General Fund balance | (7,833) |
| (1,961) | - Voluntary provision for the financing of capital investment charged against the General Fund balance | (1,961) |
| (11,869) | - Capital expenditure financed from the General Fund | (41,939) |
| **(88,976)** | | **(131,601)** |
| **(629,931)** | **Balance at 31 March** | **(701,302)** |

### 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.

| 2014/15 | | 2015/16 |
|---|---|---|
| £000 | | £000 |
| **2,403** | **Balance at 1 April** | **2,243** |
| (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)** |
| **2,243** | **Balance at 31 March** | **2,083** |

### 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.

| 2014/15 | | 2015/16 |
|---|---|---|
| £000 | | £000 |
| **(21,606)** | **Balance at 1 April** | **(20,101)** |
| 1,505 | Transfer to the Capital Receipts Reserve upon receipt of cash | 1,544 |
| **(20,101)** | **Balance at 31 March** | **(18,557)** |

### 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.

| 2014/15 | | 2015/16 |
|---|---|---|
| £000 | | £000 |
| **471,109** | **Balance at 1 April** | **583,008** |
| (46,408) | Actuarial gains on pensions assets | (80,899) |
| 140,115 | Actuarial losses on pensions liabilities | 8,977 |
| 42,709 | Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the CIES | 50,679 |
| (24,517) | Employer's pension contributions and direct payments to pensioners payable in the year | (23,371) |
| **583,008** | **Balance at 31 March** | **538,394** |

## Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of Council Tax and 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.

| 2014/15 £000 | | 2015/16 £000 |
|---|---|---|
| **(5,385)** | **Balance at 1 April** | **(5,187)** |
| 1,425 | Amount by which Council Tax income credited to the CIES is different from Council Tax income calculated for the year in accordance with statutory requirements | 2,353 |
| (1,227) | Amount by which National Non-Domestic Rates income credited to the CIES is different from NNDR income calculated for the year in accordance with statutory requirements | 1,309 |
| **(5,187)** | **Balance at 31 March** | **(1,525)** |

## Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund balance is neutralised by transfers to or from the Account.

| 2014/15 £000 | | 2015/16 £000 |
|---|---|---|
| **6,798** | **Balance at 1 April** | **5,607** |
| (6,798) | Settlement or cancellation of accrual made at the end of the preceding year | (5,607) |
| 5,607 | Amounts accrued at the end of the current year | 4,788 |
| **(1,191)** | Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements | **(819)** |
| **5,607** | **Balance at 31 March** | **4,788** |

## Available for Sale Financial Instrument Reserve

The Available for Sale Financial Instruments Reserve contains the gains arising from increases in the fair 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.

| 2014/15 £000 | | 2015/16 £000 |
|---|---|---|
| **-** | **Balance at 1 April** | **(625)** |
| (625) | Fair Value adjustments on Available for Sale Financial Instruments | (610) |
| **(625)** | **Balance at 31 March** | **(1,235)** |

## 27 - 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:

| 2014/15 £000 | | 2015/16 £000 |
|---|---|---|
| 115 | Fees payable with regard to external audit services carried out by the appointed auditor for the year | 88 |
| 2 | Fees payable for the certification of grant claims and returns for the year | 7 |
| - | Fees payable in respect of other services provided during the year | 4 |
| **117** | **Total** | **99** |

## 28 – Notes to the Cash Flow Statement

| 2014/15 £000 | | 2015/16 £000 |
|---|---|---|
| **40,457** | Net (surplus) or deficit on the provision of services | **21,374** |
| | **Adjustments for non-cash movements** | |
| (61,551) | ■ Depreciation, impairment and downward valuations | (59,065) |
| - | ■ Changes in fair value of Investment Properties | 27,101 |
| (1,085) | ■ Amortisations | (1,258) |
| (129) | ■ Increase in impairment for provision of bad debts | (10) |
| 12,591 | ■ Increase / decrease in creditors | (4,149) |
| 6,612 | ■ Increase /decrease in debtors | (8,836) |
| (2) | ■ Increase / decrease in inventories | (71) |
| (18,192) | ■ Movement in Pension liability | (27,308) |
| (32,811) | ■ Carrying amount of non-current assets sold or derecognised | (18,137) |
| (464) | ■ Other non-cash items charged to the net Surplus or Deficit on the provision of services | 346 |
| **(95,032)** | | **(91,387)** |
| | **Adjustment for items that are Investing and Financing activities** | |
| 9,539 | ■ Proceeds from the sale of property, plant and equipment, investment property and intangible assets | 10,340 |
| 42,305 | ■ Any other items for which the cash effects are investing or financing activities | 47,269 |
| **51,844** | | **57,609** |
| **(2,730)** | **Net cash flows from Operating Activities** | **(12,404)** |

## 29 - Pooled Budgets

### Better Care Fund

This is a partnership between the Council and three Clinical Commissioning Groups.

| 2014/15 £000 | | 2015/16 £000 |
|---|---|---|
| - | **Expenditure** | |
| | Better Care Fund | 28,885 |
| **-** | **Total Expenditure** | **28,885** |
| | **Income** | |
| - | Contribution from Buckinghamshire County Council | (2,430) |
| | Contribution from Milton Keynes Clinical Commissioning Group | (340) |
| - | Contribution from Aylesbury Vale Clinical Commissioning Group | (12,409) |
| - | Contribution from Chiltern Clinical Commissioning Group | (13,706) |
| **-** | **Total Income** | **(28,885)** |
| **-** | **Balance** | **-** |

### 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.

| 2014/15 £000 | | 2015/16 £000 |
|---|---|---|
| | **Expenditure** | |
| 8,039 | Integrated mental health provision | 7,952 |
| **8,039** | **Total Expenditure** | **7,952** |
| | **Income** | |
| (2,338) | Contribution from Buckinghamshire County Council | (2,321) |
| (5,701) | Contribution from Oxfordshire and Buckinghamshire Mental Health Trust | (5,631) |
| **(8,039)** | **Total Income** | **(7,952)** |
| **-** | **Balance** | **-** |

### Children and Adolescence Mental Health Services (CAMHS)

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

| 2014/15 £000 | | 2015/16 £000 |
|---|---|---|
| | **Expenditure** | |
| 5,440 | Children and adolescence mental health services | 5,414 |
| **5,440** | **Total Expenditure** | **5,414** |
| | **Income** | |
| (1,282) | Contribution from Buckinghamshire County Council | (1,446) |
| (1,604) | Contribution from Aylesbury Vale Clincial Commissioning Group | (1,549) |
| (2,554) | Contribution from Chiltern Clinical Commissioning Group | (2,419) |
| **(5,440)** | **Total Income** | **(5,414)** |
| - | **Balance** | - |

## Community Equipment Loan Service

This is a partnership between the Council and two Clinical Commissioning Groups. The Council is the host authority for the pooled fund arrangement.

| 2014/15 £000 | | 2015/16 £000 |
|---|---|---|
| | **Expenditure** | |
| **3,384** | Community Equipment Loan Service (CELS) | 5,937 |
| **3,384** | **Total Expenditure** | **5,937** |
| | **Income** | |
| (1,507) | Contribution from Buckinghamshire County Council | (1,772) |
| (654) | Contribution from Aylesbury Vale Clincial Commissioning Group | (1,718) |
| (1,222) | Contribution from Chiltern Clinical Commissioning Group | (2,447) |
| **(3,384)** | **Total Income** | **(5,937)** |
| **-** | **Balance** | **-** |

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

| 2014/15 £000 | Other Pooled Budget Arrangements | 2015/16 £000 |
|---|---|---|
| 2,945 | Integrated Mental Health Provision for Older People Agreement | 3,036 |
| 2,371 | Residential Respite Short Breaks Pooled Fund | 2,371 |
| 2,008 | Speech and Language Therapy | 1,915 |

## 30 - Leases

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

### The Council as Lessee

### Finance Leases

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

The Council has ten properties (libraries and offices) included in its asset register that are finance leases with a net book value of £9.692m (2014/15 £10.137m). 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 2015 £000 | | 31 March 2016 £000 |
|---|---|---|
| 10,137 | Other Land and Buildings | 9,692 |
| **10,137** | **Finance Lease Net Book Value** | **9,692** |

### 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 2015 | | 31 March 2016 |
|---|---|---|
| £000 | | £000 |
| **999** | **Amounts paid during the year** | **852** |
| 788 | Not later than one year | 713 |
| 1,172 | Later than one year and not later than five years | 1,238 |
| 790 | Later than five years | 960 |
| **2,750** | **Total Estimated Future Payments** | **2,911** |

The amounts paid in year comprise the following elements:

| 31 March 2015 | | 31 March 2016 |
|---|---|---|
| £000 | | £000 |
| 999 | Minimum lease payments | 855 |
| (62) | Sublease payments receivable | (3) |
| **937** | **Total Amounts Paid In Year** | **852** |

### 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 CIES 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 CIES).

The gross investment is made up of the following amounts:

| 31 March 2015 | | 31 March 2016 |
|---|---|---|
| £000 | | £000 |
| | Finance lease debtor (net present value of minimum lease payments): | |
| 717 | ■ current | 758 |
| 2,917 | ■ non-current | 2,158 |
| 599 | Unearned finance income | 389 |
| 200 | Unguaranteed residual value of property | 200 |
| **4,433** | **Gross investment in the lease** | **3,505** |

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

| Gross Investment in the Lease 31 March 2015 £000 | Minimum Lease Payments 31 March 2015 £000 | | Gross Investment in the Lease 31 March 2016 £000 | Minimum Lease Payments 31 March 2016 £000 |
|---|---|---|---|---|
| 927 | 927 | Not later than one year | 927 | 927 |
| 3,506 | 3,306 | Later than one year and not later than five years | 2,579 | 2,379 |
| - | - | Later than five years | - | - |
| **4,433** | **4,233** | | **3,506** | **3,306** |

The Council has granted a number finance leases to schools on obtaining Academy status for nil rentals. The value of buildings derecognised totals £105.531 2015/16 (£103.107m 2014/15); 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 2015 £000 | | 31 March 2016 £000 |
|---|---|---|
| 2,172 | Not later than one year | 1,313 |
| 4,731 | Later than one year and not later than five years | 2,336 |
| 3,726 | Later than five years | 3,884 |
| **10,629** | | **7,533** |

# Buckinghamshire County Council Pension Fund

# Statement of Accounts

**For the year ended 31 March 2016**

## DRAFT - AUDITOR’S REPORT TO THE MEMBERS OF BUCKINGHAMSHIRE COUNTY COUNCIL

We have audited the pension fund financial statements of Buckinghamshire County Council (the "Authority") for the year ended 31 March 2016 under the Local Audit and Accountability Act 2014 (the "Act"). 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 2015/16.

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Act and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. 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 Responsibilities for the Statement of Accounts, the Director of Assurance is responsible for the preparation of the Authority’s Statement of Accounts, which includes the pension fund financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16, which 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 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 Authority's Statement of Accounts 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:

- present a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2016 and of the amount and disposition at that date of the fund's assets and liabilities; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 and applicable law.

**Opinion on other matters**

In our opinion, the other information published together with the audited pension fund financial statements in the Authority's Statement of Accounts is consistent with the audited pension fund financial statements.

Emily Hill

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

Grant Thornton House
Euston Square
Melton Street
London
NW1 2EP

To be dated, 2016

## 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. 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 2016. In April 2014 a 50/50 option was introduced 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/

As part of the budget statement in July 2015, the Chancellor announced the Government's intention to work with LGPS administering authorities to develop proposals for the pooling of investments to significantly reduce costs, while maintaining overall investment performance. As a result of the announcement, the Buckinghamshire Fund submitted an initial proposal as part of the Brunel Pension Partnership with the South West Pension Funds and Oxfordshire Pension Fund in February 2016. Further work is ongoing to develop the submission. A Shadow Operations Group (SOG) has been established, the primary purpose of the SOG is to develop the final proposal for the Brunel Pension Partnership. Its role includes defining and arranging delivery of any further work required to enable the implementation of the Brunel Collective Asset Pool (the "Brunel CAP"). A Shadow Oversight Board (SOB) has been established, the primary purpose of the SOB is to support fund officers to develop the final proposal for the Brunel Pension Partnership. Its role includes in particular monitoring, scrutinising and overseeing the SOG as it seeks to develop the final proposal.

## Membership of the Fund

The following summarises the membership of the Fund:

| 31 March 2015 | Membership of the Fund | 31 March 2016 |
|---|---|---|
| 25,112 | Contributors | 24,552 |
| 15,900 | Pensioners | 16,728 |
| 21,791 | Deferred pensioners | 24,362 |
| **62,803** | **Total Membership of the Fund** | **65,642** |

## 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 2016

The Pension Fund Accounts contain two core statements, the Pension Fund Account and the Net Assets Statement. Each of the statements is accompanied by supplementary notes providing additional detail to the figures presented.

| 31 March 2015 £000 | Pension Fund Account | Note | 31 March 2016 £000 |
|---|---|---|---|
| | **Dealings with Members, Employers and Others directly Involved in the Fund** | | |
| | **Income** | | |
| 107,376 | Contributions | 3 | 114,867 |
| 4,238 | Transfers in from other pension funds | 4 | 5,822 |
| 107 | Other income | | 118 |
| **111,721** | | | **120,807** |
| | **Benefits** | 5 | |
| (75,543) | Pensions | | (78,605) |
| (20,542) | Commutation of pensions and lump sums | | (22,302) |
| | **Payments to and on Account of Leavers** | 6 | |
| 172 | Refunds of contributions | | (345) |
| (5,708) | Transfers out to other pension funds | | (3,033) |
| **(101,621)** | | | **(104,285)** |
| **10,100** | **Net Additions from Dealings with Members** | | **16,522** |
| **(15,619)** | **Management expenses** | 7 | **(15,807)** |
| | **Returns on Investments** | | |
| 34,769 | Investment income | 8 | 43,057 |
| 236,012 | Profits and losses on disposal of investments and changes in value of investments | 9 | (27,018) |
| (1,310) | Taxes on income | 16 | (1,259) |
| **269,471** | **Net Returns on Investments** | | **14,780** |
| **263,952** | **Net Increase/(Decrease) in the Net Assets Available for Benefits During the Year** | | **15,495** |
| **1,941,806** | **Net Assets of the Fund Available to Fund Benefits at 1 April** | | **2,205,758** |
| **2,205,758** | **Net Assets of the Fund Available to Fund Benefits at 31 March** | | **2,221,253** |

## Net Assets Statement

| 31 March 2015 £000 | Net Assets Statement | Note | 31 March 2016 £000 |
|---|---|---|---|
| | **Investments** | | |
| | Fixed interest securities | | |
| 23,432 | ▪ Public sector | | 32,425 |
| 194,261 | ▪ Other | | 187,358 |
| 683,237 | Equities - quoted | | 647,352 |
| 87,050 | Index-linked securities | | 88,460 |
| 983,239 | Pooled investment vehicles | | 995,693 |
| 160,074 | Unit trusts - property | | 186,330 |
| 50,197 | Cash deposits | | 69,072 |
| 606 | Derivative contracts | | (298) |
| 6,453 | Dividend income receivable | | 7,157 |
| **2,188,549** | **Net Investments** | 11 | **2,213,549** |
| - | Borrowings - sterling | | - |
| **22,355** | Current assets | 15 | **12,468** |
| **(5,146)** | Current liabilities | 15 | **(4,764)** |
| **2,205,758** | **Net Assets of the Fund Available to Fund Benefits at 31 March** | | **2,221,253** |

## 1. Basis of Preparation

The accounts summarise the fund's transactions for the 2015/16 financial year and its position at year end as at 31 March 2016. 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 a 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 a 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 last such valuation took place as at 31 March 2013. The next valuation will take place as at 31 March 2016. The methodology used is in line with accepted guidelines and in accordance with IAS19.

**Events After The Reporting Date**
Since 31 March 2016, 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 2016, 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 2016 have been included in these accounts.

| 2014/15 £000 | Contributions | 2015/16 £000 |
|---|---|---|
| | **Employers** | |
| 24,669 | Administering authority | 25,997 |
| 48,931 | Scheduled bodies | 49,236 |
| 6,390 | Admitted bodies | 11,026 |
| | **Employers' Augmentation Costs** | |
| - | Administering authority | - |
| - | Scheduled bodies | 400 |
| - | Admitted bodies | - |
| | **Members** | |
| 7,004 | Administering authority | 7,199 |
| 18,153 | Scheduled bodies | 18,098 |
| 2,229 | Admitted bodies | 2,911 |
| **107,376** | **Total Contributions** | **114,867** |

## 4. Transfer Values

| 2014/15 £000 | Transfers in from other pension funds | 2015/16 £000 |
|---|---|---|
| - | Group transfers | - |
| 4,238 | Individual transfers | 5,822 |
| **4,238** | **Total Transfers in from other pension funds** | **5,822** |

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 2016 there were no outstanding transfer values receivable greater than £50k (no outstanding transfer values receivable on 31 March 2015).

On 31 March 2016 there were 3 group transfers to the Fund being negotiated with other Funds (5 on the 31 March 2015), the value of the transfers to the Fund is being negotiated between the Funds' actuaries. The income due to the Fund for the 3 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.

| 2014/15 £000 | Benefits | 2015/16 £000 |
|---|---|---|
| | **Pensions** | |
| 29,791 | Administering authority | 30,610 |
| 40,212 | Scheduled bodies | 42,010 |
| 5,540 | Admitted bodies | 5,985 |
| 18,625 | Commutations of pensions and lump sum retirement benefits | 20,411 |
| 1,917 | Lump sum death benefits | 1,891 |
| **96,085** | **Total Benefits** | **100,907** |

## 6. Payments to and on Account of Leavers

| 2014/15 £000 | Payments to and on Account of Leavers | 2015/16 £000 |
|---|---|---|
| 87 | Refunds to members leaving service | 236 |
| (259) | Payments for members joining the state scheme | 109 |
| 1,900 | Group transfers to other pension funds | 267 |
| 3,808 | Individual transfers to other pension funds | 2,766 |
| **5,536** | **Total Payments to and on Account of Leavers** | **3,378** |

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 2016 there were 5 outstanding individual transfer values payable greater than £50k, for which £513k had not been paid. On 31 March 2015 there were 6 outstanding individual transfer values payable greater than £50k, for which £637k had not been paid.

On 31 March 2016 there were 2 group transfers from the Fund being negotiated with other Funds (2 on the 31 March 2015); the value of the transfers from the Fund is being negotiated between the Funds' actuaries. The expenditure in respect of 2 of the transfers has not been accrued since negotiations are at too early a stage for an estimate of the value to be available. There was an adjustment of £31k following final valuation for the Group Transfer of the Probation Service to the Greater Manchester Pension Fund.

## 7. Management Expenses

| 2014/15 £000 | Management Expenses | 2015/16 £000 |
|---|---|---|
| 1,105 | Administrative costs | 1,382 |
| 13,955 | Investment management expenses | 13,900 |
| 559 | Oversight and governance costs | 525 |
| **15,619** | **Total Management Expenses** | **15,807** |

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. The administrative costs include £25k fees for the Audit Plan for the year ended 31 March 2016 (£25k for the year ended 31 March 2015).

The investment management expenses include £2.038m (£1.281m in the 2014/15 financial year) in respect of performance related fees payable to the fund's investment managers. It also includes £1.601m in respect of transaction costs (£1.554m in the 2014/15 financial year).

## 8. Investment Income

| 2014/15 £000 | Investment Income | 2015/16 £000 |
|---|---|---|
| 9,392 | Interest from fixed interest securities | 10,349 |
| 19,505 | Dividends from equities | 20,305 |
| 808 | Income from index-linked securities | 692 |
| 69 | Interest on cash deposits | 32 |
| 6,443 | Income from property unit trusts | 6,564 |
| (1,418) | Other | 5,115 |
| **34,769** | **Total Investment Income** | **43,057** |

## 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 2015 £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 2016 £000 |
|---|---|---|---|---|---|---|---|
| Fixed interest securities | 217,693 | - | 86,476 | (76,217) | 2,744 | (10,913) | 219,783 |
| Equities - quoted | 683,237 | - | 527,655 | (518,742) | 17,421 | (62,218) | 647,353 |
| Index-linked securities | 87,050 | - | 449,030 | (448,114) | 1,914 | (1,420) | 88,460 |
| Pooled investment vehicles | 983,239 | - | 73,015 | (72,750) | 6,835 | 5,353 | 995,692 |
| Unit Trusts - property funds | 160,074 | - | 53,492 | (40,326) | (872) | 13,962 | 186,330 |
| Derivative contracts | 606 | - | 2,868 | (3,287) | 419 | (904) | (298) |
| Cash deposits | 50,197 | - | - | 18,214 | - | 661 | 69,072 |
| | **2,182,096** | **-** | **1,192,536** | **(1,141,222)** | **28,461** | **(55,479)** | **2,206,392** |
| Investment income due | 6,453 | | | | | | 7,157 |
| | **2,188,549** | | | | | | **2,213,549** |

| 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** |

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 directly in a stock lending programme.

On 31 March 2016 assets which exceed 5% of the total value of the net assets of the Fund are a £138.7m investment in Legal & General's All Stocks Index-Linked Gilt Fund (£136.3m as at 31 March 2015) and a £134.9m investment in Legal & General's Europe (ex UK) Equity Index Fund (£140.9m as at 31 March 2015).

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 2016 was £2,168m (£2,169m at 31 March 2015). 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 2015 | Proportion of Fund 31 March 2016 |
|---|---|---|---|---|
| Aviva Investors | Property | Percentage of fund | 8% | 9% |
| BlackRock | Cash / inflation plus | Percentage of fund | 4% | 4% |
| Blackstone Alternative Asset Management | Hedge fund of funds | Percentage of fund | 4% | 4% |
| Global Thematic Partners | Less constrained global equities | Performance related fee | 7% | 6% |
| Investec Asset Management | Less constrained global equities | Performance related fee | 8% | 8% |
| Legal & General Investment Management | Passive index-tracker | Percentage of fund | 28% | 27% |
| Mirabaud Investment Management Limited | UK equities | Performance related fee | 6% | 5% |
| Pantheon Private Equity | Private equity | Percentage of Funds Committed & Incentive Fee | 6% | 6% |
| Partners Group | Private equity | Percentage of fund | 2% | 2% |
| Royal London Asset Management | Core plus bonds | Performance related fee | 15% | 15% |
| Schroders | Less constrained UK equities | Performance related fee | 7% | 7% |
| Standard Life Investments | Less constrained UK equities | Performance related fee | 5% | 5% |

## 11. Analysis of the Value of Investments

| 31 March 2015 £000 | Analysis of the Value of Investments | 31 March 2016 £000 |
|---|---|---|
| | **Fixed Interest Securities** | |
| 21,060 | UK public sector | 30,092 |
| 2,372 | Overseas public sector | 2,333 |
| 194,261 | UK other | 187,358 |
| - | Overseas other | - |
| **217,693** | **Total Fixed Interest Securities** | **219,783** |
| | **Equities** | |
| 230,586 | UK quoted | 201,877 |
| 452,651 | Overseas quoted | 445,475 |
| **683,237** | **Total Equities** | **647,352** |
| | **Other** | |
| 87,050 | Index-linked securities public sector | 88,460 |
| - | Index-linked securities other | - |
| 983,239 | Pooled Investment vehicles | 995,693 |
| 160,074 | Unit Trusts - property funds | 186,330 |
| 6,453 | Investment income due | 7,157 |
| 606 | Derivatives | (298) |
| 50,197 | Cash deposits - sterling and foreign cash | 69,072 |
| **1,287,619** | **Total Other** | **1,346,414** |
| **2,188,549** | **Total Value of Investments** | **2,213,549** |

## 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 2015 Fair value through profit and loss | 31 March 2015 Loans And Receivables | 31 March 2015 Financial Liabilities At amortised cost | | 31 March 2016 Fair value through profit and loss | 31 March 2016 Loans And Receivables | 31 March 2016 Financial Liabilities At amortised cost |
|---|---|---|---|---|---|---|
| £000 | £000 | £000 | | £000 | £000 | £000 |
| | | | **Financial Assets** | | | |
| 217,693 | - | - | Fixed interest securities | 219,783 | - | - |
| 683,237 | - | - | Equities - quoted | 647,352 | - | - |
| 87,050 | - | - | Index-linked securities | 88,460 | - | - |
| 983,239 | - | - | Pooled investment vehicles | 995,693 | - | - |
| 160,074 | - | - | Property – unit trusts | 186,330 | - | - |
| 606 | - | - | Derivatives | - | - | - |
| 6,453 | - | - | Dividend income receivable | 7,157 | - | - |
| - | 50,197 | - | Cash deposits | - | 69,072 | - |
| - | 14,271 | - | Current assets | - | 4,158 | - |
| **2,138,352** | **64,468** | **-** | | **2,144,775** | **73,230** | **-** |
| | | | **Financial Liabilities** | | | |
| - | - | - | Derivatives | (298) | - | - |
| - | - | - | Borrowings | - | - | - |
| - | - | (4,333) | Current liabilities | - | - | (3,952) |
| - | - | **(4,333)** | | - | - | **(3,952)** |
| **2,138,352** | **64,468** | **(4,333)** | **Total** | **2,144,477** | **73,230** | **(3,952)** |

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

| 31 March 2015 | | 31 March 2016 |
|---|---|---|
| £000 | | £000 |
| | **Financial Assets** | |
| 266,037 | Fair value through profit and loss | 13,525 |
| 1,881 | Loans and receivables | 1,255 |
| - | Financial liabilities measured at amortised cost | - |
| | **Financial Liabilities** | |
| - | Fair value through profit and loss | - |
| (682) | Loans and receivables | 381 |
| - | Financial liabilities measured at amortised cost | - |
| **267,236** | **Total** | **15,161** |

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 2016** | **Quoted Market Price** | **Using Observable Inputs** | **With Significant Unobservable Outputs** | |
|---|---|---|---|---|
| | **Level 1** | **Level 2** | **Level 3** | **Total** |
| | **£000** | **£000** | **£000** | **£000** |
| Fixed interest securities | - | 219,783 | - | 219,783 |
| UK equities - quoted | 201,877 | - | - | 201,877 |
| Overseas equities - quoted | 445,475 | - | - | 445,475 |
| Index-linked securities | - | 88,460 | - | 88,460 |
| Pooled investment vehicles | 612,221 | - | 383,472 | 995,693 |
| Property – unit trusts | - | 186,330 | - | 186,330 |
| Derivatives | - | (298) | - | (298) |
| Dividend income receivable | - | 7,157 | - | 7,157 |
| Cash deposits | - | 69,072 | - | 69,072 |
| Borrowings | - | - | - | - |
| Current assets | - | 12,468 | - | 12,468 |
| Current liabilities | - | (4,764) | - | (4,764) |
| **Total** | **1,259,573** | **578,208** | **383,472** | **2,221,253** |

| Restated 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 | 627,373 | - | 355,866 | 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** | **1,310,610** | **532,011** | **355,866** | **2,198,487** |

The analysis of the fair value hierarchy disclosures have been restated in accordance with the introduction of IFRS 13 for 2015/16 which adds greater clarity around how the fair value disclosures should be presented.

Pooled investment vehicle investments relating to the Legal & General indexed equity and bond funds and Royal London Asset Management Sterling EX Y BD-Z fund have been reclassified from Level 3 to Level 1. The basis for this is that the LGIM investment and RLAM holding both have quoted prices so should be Level 1 even though the underlying assets that they invest in are Level 3.

Property unit trust investments relating to the Aviva investment portfolio have been reclassified from Level 3 to Level 2 since there is available market data.

Dividend income receivable, cash deposits, current assets and current liabilities have been reclassified from Level 1 to Level 2.

| Original Value at 31 March 2015 | Quoted Market Price Level 1 £000 | Using Observable Inputs Level 2 £000 | With Significant Unobservable Outputs Level 3 £000 | Total £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** |

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. In 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 following the triennial valuation, interim strategy reviews can be undertaken if required. Following analysis of historical data and expected investment return movement during the financial year, State Street GS Performance Services have determined that the following movements in market price risk are reasonably possible for the 2015/16 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 2016 £000 | Percentage Change % | Value on increase £000 | Value on decrease £000 |
|---|---|---|---|---|
| Fixed interest securities | 219,783 | 6.01 | 232,992 | 206,574 |
| UK equities – quoted | 201,877 | 10.69 | 223,458 | 180,296 |
| Overseas equities – quoted | 445,475 | 10.51 | 492,294 | 398,656 |
| Index-linked securities | 88,460 | 7.45 | 95,050 | 81,870 |
| Pooled investment vehicles | 620,506 | 11.46 | 691,616 | 549,396 |
| Property - unit trusts | 186,330 | 2.67 | 191,305 | 181,355 |
| Alternatives | 375,187 | 2.61 | 384,979 | 365,395 |
| Derivative contracts | (298) | 2.61 | (290) | (306) |
| Cash deposits | 69,072 | 0.01 | 69,079 | 69,065 |
| Investment income due | 7,157 | 11.46 | 7,977 | 6,337 |
| **Total** | **2,213,549** | | **2,388,460** | **2,038,638** |

Following analysis of historical data and expected investment return movement during the financial year, State Street GS Performance Services has 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 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 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** |

**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 2016** | **£000** | **£000** | **£000** |
| Cash deposits | 69,072 | - | - |
| Cash balances (not forming part of the investment assets) | 2,732 | - | - |
| Fixed interest securities | 219,783 | 2,198 | (2,198) |
| **Total** | **291,587** | **2,198** | **(2,198)** |

| 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)** |

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 2016** | **£000** | **£000** | **£000** |
| Cash deposits / cash and cash equivalents | 32 | 3 | (3) |
| Fixed interest securities | 10,349 | - | - |
| **Total** | **10,381** | **3** | **(3)** |

| 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)** |

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 6.39% movement in exchange rates in either direction for 31 March 2016. This analysis assumes that all variables, in particular interest rates, remain constant. State Street GS Performance Services provided data on currency risk for various currencies, based on the composition of the Fund's currency exposure a 6.39% fluctuation in the currency is considered reasonable. A 6.39% strengthening or weakening of Sterling against the various currencies at 31 March 2016 would have increased or decreased the net assets by the amount shown below.

| Currency Exposure by Asset Type | 31 March 2016 | Value on increase | Value on decrease |
|---|---|---|---|
| | £000 | £000 | £000 |
| | | +6.39% | -6.39% |
| Fixed interest securities | - | - | - |
| Equities – quoted | 416,302 | 442,904 | 389,700 |
| Index-linked securities | - | - | - |
| Pooled investment vehicles | 191,321 | 203,546 | 179,096 |
| Property - unit trusts | 7,927 | 8,434 | 7,420 |
| Cash deposits | 14,599 | 15,532 | 13,666 |
| **Total** | **630,149** | **670,416** | **589,882** |

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 GS Performance Services 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** |

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 6.77% for the EURO was provided by State Street GS Performance Services. Strengthening or weakening of Sterling against US Dollars and EUROs at 31 March 2016 would have increased or decreased the net assets by the amounts shown in the following table.

| **Asset Type** | **31 March 2016** | **Percentage Change** | **Value on increase** | **Value on decrease** |
|---|---|---|---|---|
| | **£000** | **%** | **£000** | **£000** |
| US Dollars | 391,472 | 7.78 | 421,929 | 361,015 |
| EUROs | 138,385 | 6.77 | 147,754 | 129,016 |
| **Total** | **529,857** | | **569,683** | **490,031** |

Data on currency risk of 7.78% for the US Dollar and 6.15% for the EURO was provided by State Street GS Performance Services. 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** |

**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 2016 was £2.709m in an instant access Lloyds TSB account. (On 31 March 2015 £9.067m was invested 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.) 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 2015 | | 31 March 2016 |
|---:|---|---:|
| **£000** | | **£000** |
| 169,885 | Aviva | 188,298 |
| 79,693 | Blackstone | 88,852 |
| 140,206 | Pantheon Private Equity | 145,916 |
| 46,203 | Partners Group | 44,650 |
| 487 | Hg Capital | 522 |
| **436,474** | | **468,238** |

## 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 £1.5m (£1.3m in the 2014/15 year) 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 £33.2m to the Fund in 2015/16 (£31.7m in the 2014/15 year).

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 2016, the Fund had an average investment balance of £7.4m (£11.4m in the 2014/15 year), earning interest of £43k (£75k in the 2014/15 year).

There are no members (31 March 2015 two members) of the Pension Fund Committee who are active members of the Fund, one is a pensioner member (31 March 2015 no pensioner members) and there are no deferred members (31 March 2015 one 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 2015 £000 | Current Assets and Liabilities | 31 March 2016 £000 |
|---|---|---|
| | **Current Assets** | |
| 8,084 | Contributions due from employers 31 March | 8,310 |
| 13,466 | Cash balances (not forming part of the investment assets) | 2,732 |
| 805 | Other current assets | 1,426 |
| **22,355** | **Total Current Assets** | **12,468** |
| | **Current Liabilities** | |
| (640) | Management charges | (1,009) |
| (813) | HM Revenue and Customs | (812) |
| (485) | Unpaid benefits | (1,261) |
| (3,208) | Other current liabilities | (1,682) |
| **(5,146)** | **Total Current Liabilities** | **(4,764)** |
| **17,209** | **Net Current Assets** | **7,704** |

| 31 March 2015 £000 | Current Assets and Liabilities | 31 March 2016 £000 |
|---|---|---|
| | **Current Assets** | |
| 2,365 | Central government bodies | 2,444 |
| 4,910 | Other local authorities | 4,954 |
| 6 | NHS bodies | 5 |
| 13,527 | Public corporations and trading funds | 2,842 |
| 1,547 | All other bodies | 2,223 |
| **22,355** | **Total Current Assets** | **12,468** |
| | **Current Liabilities** | |
| (813) | Central government bodies | (814) |
| (1,907) | Other local authorities | (14) |
| - | NHS bodies | - |
| (1,774) | Public corporations and trading funds | (2,459) |
| (652) | All other bodies | (1,477) |
| **(5,146)** | **Total Current Liabilities** | **(4,764)** |
| **17,209** | **Net Current Assets** | **7,704** |

## 16. Taxes on Income

| 2014/15 £000 | Taxes on Income | 2015/16 £000 |
|---|---|---|
| - | Witholding tax - fixed interest securities | - |
| 1,310 | Witholding tax - equities | 1,259 |
| **1,310** | **Total Taxes on Income** | **1,259** |

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 2016 which showed that the funding level had increased to 85% (31 March 2015 82%) and the average required employer contribution would be 20.4% of payroll (31 March 2015 25.2%) assuming the deficit is to be paid by 2030. The estimated funding position is based on market movements since 31 March 2013 rather than being a full valuation with updated member data.

## 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 2016 is £1,440m (31 March 2015 £1,581m), 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 2015 £000** | | **31 March 2016 £000** |
|---:|---|---:|
| 3,750,269 | Present value of funded obligation | 3,653,503 |
| (2,169,097) | Fair value of scheme assets | (2,213,549) |
| **1,581,172** | **Net Liability** | **1,439,954** |

The Present Value of Funded Obligation consists of £3,508m (£3,581m at 31 March 2015) in respect of Vested Obligation and £145m (£169m at 31 March 2015) 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 2015 | | 31 March 2016 |
|---|---|---|
| 3.2% | RPI increases | 3.3% |
| 2.4% | CPI increases | 2.4% |
| 4.2% | Salary increases | 4.2% |
| 2.4% | Pension increases | 2.4% |
| 3.3% | Discount rate | 3.7% |

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 3.3% 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 0.9% below RPI i.e. 2.4%.

Salaries are then assumed to increase at 1.8% above CPI in addition to a promotional scale.

## 19. Contingent Liabilities and Contractual Commitments

Contractual commitments that the Fund has entered into by 31 March 2016 are:

| Contractual Commitments | Amount Paid as at 31 March 2015 | Amount Paid as at 31 March 2016 | Total Contractual Commitment |
|---|---|---|---|
| | $000 | $000 | $000 |
| Pantheon Asia Fund V LP | 21,425 | 22,688 | 25,000 |
| Pantheon Asia Fund VI LP | 19,035 | 25,521 | 47,000 |
| Pantheon USA Fund VII Limited | 18,318 | 19,274 | 21,250 |
| Pantheon USA Fund VIII Feeder LP | 55,575 | 61,200 | 75,000 |
| Pantheon Global Secondary Fund IV Feeder LP | 9,975 | 9,975 | 15,000 |
| Partners Group Global Resources 2009, LP | 27,237 | 27,527 | 35,000 |
| | **151,565** | **166,185** | **218,250** |
| | **€000** | **€000** | **€000** |
| Pantheon Europe Fund V "A" LP | 15,497 | 16,548 | 18,125 |
| Pantheon Europe Fund VI LP | 49,010 | 53,560 | 65,000 |
| Partners Group Global Real Estate 2008 SICAR | 22,996 | 22,989 | 25,000 |
| Partners Group Global Infrastructure 2009 SICAR | 20,087 | 21,520 | 25,000 |
| | **107,590** | **114,617** | **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 2016 is the same as the total contractual commitment at 31 March 2015.

On 31 March 2016 there were 3 group transfers to the Fund being negotiated with other Funds (5 on the 31 March 2015), the value of the transfers to the Fund is being negotiated between the Funds' actuaries. The income due to the Fund for the 3 transfers has not been accrued since negotiations are at too early a stage for an estimate of the value to be available. On 31 March 2016 there were 2 group transfers from the Fund being negotiated with other Funds (2 on the 31 March 2015), the value of the transfers from the Fund is being negotiated between the Funds' actuaries. The expenditure in respect of 2 of the transfers has not been accrued since negotiations are at too early a stage for an estimate of the value to be available. There is an adjustment of £31k following final valuation for the Group Transfer of the Probation Service to the Greater Manchester Pension Fund.

## 20. Additional Voluntary Contributions (AVCs)

AVC providers secure additional benefits on a money purchase basis for those members electing to pay additional voluntary contributions. The AVC providers to the Fund are Prudential and Clerical Medical. Prudential invests in several funds including with profits accumulation, deposit and discretionary funds. Clerical Medical invests in with profits and unit-linked funds, the financial year for this fund is 1 November to 31 October and the financial information included is for this period. These amounts are not included in the Pension Fund Net Assets Statement in accordance with regulation 5(2)c of the Pension Scheme (Management and Investment of Funds) Regulations 1998 (SI 1998 No 1831).

| **2014/15 £000** | **Prudential** | **2015/16 £000** |
|---:|---|---:|
| 5,207 | Value of AVC fund at beginning of year | 5,441 |
| - | Correction opening value | (1,299) |
| 755 | Employees' contributions and transfers in | 634 |
| 308 | Investment income | 151 |
| (829) | Benefits paid and transfers out | (842) |
| **5,441** | **Value of AVC fund at year end** | **4,085** |

| **1.11.2013 - 31.10.2014 £000** | **Clerical Medical** | **1.11.2014 - 31.10.2015 £000** |
|---:|---|---:|
| 3,913 | Value of AVC fund at beginning of year | 3,788 |
| 198 | Employees' contributions | 149 |
| 197 | Investment income | 235 |
| (520) | Benefits paid and transfers out | (591) |
| **3,788** | **Value of AVC fund at year end** | **3,581** |

## 21. List of Scheduled and Admitted Bodies

### Scheduled Bodies

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

Amersham Town Council
Aston Clinton Parish Council
Aylesbury Town Council
Bletchley & Fenny Stratford Town Council
Broughton & Milton Keynes Parish 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 Bois 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
Longwick-cum-Ilmer Parish Council
Loughton Parish Council
Marlow Town Council
Newport Pagnell Town Council
Newton Longville Parish Council
Olney Town Council
Piddington & Wheeler End Parish Council
Princes Risborough Town Council
Shenley Brook End and Tattenhoe Parish Council
Shenley Church End Parish Council
Stantonbury Parish Council
Stony Stratford Town Council
Waddesdon Parish 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 University Technical College
Burnham Grammar School
Bushfield 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
Great Missenden CoE Combined School
Green Park School
Hamilton Academy
Hazeley Academy
Heronsgate School
Highcrest Academy
Holmer Green Senior School
Ivingswood Academy
John Colet School
John Hampden Grammar School
Kents Hill School
Khalsa Secondary Academy
Lace Hill Academy
Lent Rise Academy
Lord Grey School
Loudwater Combined School
Loughton School
Middleton Primary
Milton Keynes Academy
Milton Keynes College
Milton Keynes Development Partnership
Milton Keynes Service Partnership
NET Academies Trust
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 Thomas Fremantle 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

**Admitted Bodies**

Acorn Childcare
Action for Children
Action for Children (Children's Centres)
Adventure Learning Foundation (BCC)
Adventure Learning Foundation (WDC)
Alliance in Partnership
Ambassadors Theatre Group
AMEY plc
Archgate Cleaning
Ashridge Security Management
Aylesbury Vale Dial-a-Ride
Beacon Housing Association
Birkin Cleaning (John Colet)
Birkin Cleaning (Oakgrove School)
Braybourne Cleaning Services
Bucks Association of Local Councils
Bucks County Museum Trust
Bucks Learning Trust
Capita (WDC)
Chiltern Rangers CIC
Cleantec Services Limited
Connection FS (BCC)
Connexions Buckinghamshire
Enterprise Support Services UK
Excelcare
Frosts (MKC)
Heritage Care
Hertsmere Leisure Trust
Hightown Praetorian & Churches Housing Association
Innovate Ltd
Kids Play Ltd
MK Dons
Mouchel Business Services Ltd
NSL Services Group
Oxfordshire Health NHS Foundation Trust
Oxon PCT (SALT)
Paradigm Housing Association
Places for People Leisure
Police Superintendents Association
Red Kite Community Housing Ltd
Ringway Infrastructure Services Limited
Ringway Jacobs
Risk Management Security Services
SCS Wothorpe Ltd
Serco (MKC)
Serco (MKSP)
Servest Group Limited
Sports Leisure Management
Spurgeons
Stantonbury Arts & Leisure
The Fremantle Trust
Vale of Aylesbury Housing Trust
Wolverton & Watling Way Pools Trust
Wycombe Dial-A-Ride

## Glossary of Terms and Acronyms Used

### Academies

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

### Accrue

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

### Actuary

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

### Additional Voluntary Contributions (AVC)

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

### Amortisation

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

### Appropriations

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

### Balance Sheet

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

### 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 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 the Councils income and expenditure and shows the surplus or deficit.

**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 accounts.

**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 due to be received in less than 1 year , such as stocks, money due from customers 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.

**Current Value**

The basis used for valuing operational assets in their existing use.

**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 refers to when an asset 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.

**Fair Value**

The price that would be received to sell an asset or paid when transferring a liability in an orderly transaction between market participants.

**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 risks.

**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 that cannot be touched and are intended to be used for more than one year. 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 a readers understanding the accounts.

**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 calculated as the cost of an asset, less 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 for goods or services which will not be received until 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.

**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**

Suppliers or other bodies (such as HMRC) to whom the Council owes money.

**Trade and Other Receivables**

Customers or other bodies (such as HMRC or Central Government) who owe money to the Council.

**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.

**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

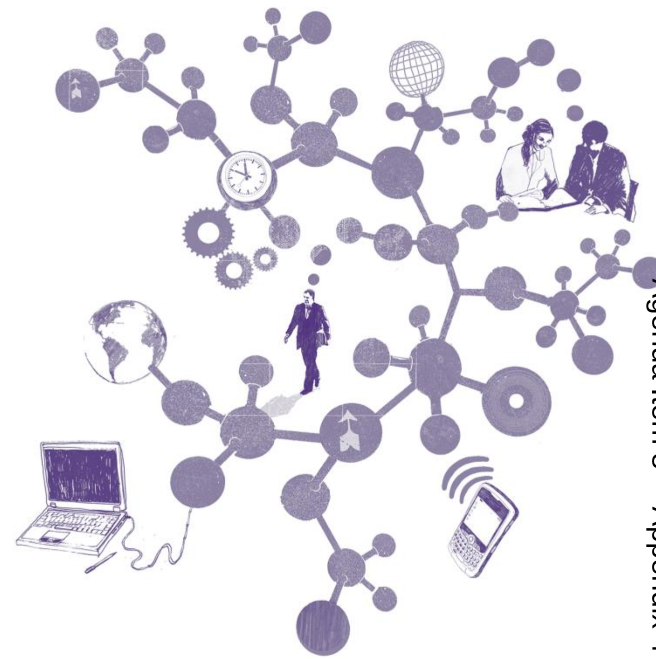
These are loans given to or received by the Council with associated interest payments at less than market rates. Examples of Soft Loans made by the Council include loans to employees. The Code requires the discounted interest rate to be recognised as a reduction in the fair value of the asset when measured 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 2016**

28 July 2016



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28 July 2016

Dear Chairman and Members of the Regulatory and Audit Committee

## Audit Findings for Buckinghamshire County Council for the year ending 31 March 2016

This Audit Findings report highlights the key 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, the Local Audit and Accountability Act 2014 and the National Audit Office Code of Audit Practice.



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. These are designed primarily for the purpose of expressing our opinion on the financial statements and giving a value for money conclusion. 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

## Purpose of this report

This report highlights the key issues affecting the results of Buckinghamshire County Council ('the Council' or 'you') and the preparation of your financial statements for the year ended 31 March 2016. It is also used to report our audit findings to management and those charged with governance in accordance with the requirements of International Standard on Auditing (UK & Ireland) 260, and the Local Audit and Accountability Act 2014 ('the Act').

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion, your financial statements give a true and fair view of your financial position and your income and expenditure 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 consider other information published together with the audited financial statements, whether it is consistent with the financial statements and in line with required guidance.

We are required to carry out sufficient work to satisfy ourselves on whether you have made proper arrangements to secure economy, efficiency and effectiveness in your use of resources ('the value for money (VFM) conclusion').

Auditor Guidance Note 7 (AGN07) clarifies our reporting requirements in the Code and the Act. We are required to provide a conclusion whether in all significant respects you have put in place proper arrangements to secure value for money through economic, efficient and effective use of your resources for the relevant period.

The Act also details the following additional powers and duties for local government auditors, which we are required to report to you if applied:

- a public interest report if we identify any matter that comes to our attention in the course of the audit that in our opinion should be considered by you or brought to the public's attention (section 24 of the Act);
- written recommendations which should be considered by you and responded to publicly (section 24 of the Act);
- application to the court for a declaration that an item of account is contrary to law (section 28 of the Act);
- issue of an advisory notice (section 29 of the Act); and
- application for judicial review (section 31 of the Act)

We are also required to give electors the opportunity to raise questions about the accounts and consider and decide upon objections received in relation to the accounts under sections 26 and 27 of the Act.

## Introduction

In the conduct of our audit we have not had to alter or change our audit approach, which we communicated to you in our Audit Plan dated 3rd February 2016.

Our audit is substantially complete. At the date of writing this report we are finalising our procedures in the following areas:

- obtaining and reviewing outstanding bank and investment confirmations, including in respect of schools
- completion of testing of management's exercise to identify fully depreciated IT and software assets that have not been derecognised from your fixed asset register
- receipt, review and testing of management's exercise to identify errors in the Fixed Asset Register of useful lives for land and buildings, and the impact of this error in misstating depreciation
- receipt and review of the final version of the financial statements
- obtaining and reviewing the management letter of representation
- receipt and review of revised versions of the Annual Governance Statement
- updating our post balance sheet events review, to the date of signing the opinion
- Whole of Government Accounts

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

## Key audit and financial reporting issues

**Financial statements opinion**

We have identified one adjustment affecting your reported financial position, being amendment to the depreciation charge for the year of £4.0m. We identified one unadjusted misstatements which has not been made to the accounts relating to the carrying value of the long term Adult Social Care re-provisioning receivable. We have also recommended a number of adjustments to improve the presentation of the financial statements.

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

- the draft accounts were prepared to a high standard of quality with only minimal audit findings arising from our work
- working papers provided were generally of a good quality standard and were provided on time at the start of the audit
- the bringing forward of the accounts preparation process to achieve early closure of the audit has been largely successful. There remain some areas of improvement in the underlying controls and in relation to schools reconciliations. Subject to the clearance of the outstanding matters, we anticipate completion of the audit by the end of July, two months earlier than in previous years.

Further details are set out in section two of this report. We anticipate providing a unqualified audit opinion in respect of the financial statements (see Appendix B).

**Other financial statement responsibilities**

As well as an opinion on the financial statements, we are required to give an opinion on whether other information published together with the audited financial statements is consistent with the financial statements. This includes:

- whether the Annual Governance Statement meets the disclosure requirements set out in the CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit.

## Controls

**Roles and responsibilities**

Your 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:

- There were a number of vehicles included within the opening balance as at 1 April for property, plant and equipment that had been disposed of in previous years but not written out of the asset register, due to a member of staff not following your control processes in relation to asset disposals.
- There are no processes or controls in place for ensuring that the asset register is updated for IT equipment that has been taken out of use and needs to be de-recognised.
- We have identified that a large number of useful lives for land and building assets recorded on the Fixed Asset Register were not recorded correctly.
- A number of school bank reconciliations were not prepared on time and did not set out a proper reconciliation to the general ledger.
- For vehicles, plant, furniture and equipment assets we found one case where records could not be provided to show on what basis an appropriate useful life had been determined.
- Seven IT control issues were identified in relation to segregation of duties for SAP users.

Further details are provided within section two of this report.

## Value for Money

Our review of your arrangements to secure economy, efficiency and effectiveness has considered the following issue which will give rise to a qualified/adverse VFM conclusion.

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 have made significant progress to date in addressing the arrangements that led to the inadequate rating. In October 2015, you asked the LGA to undertake a peer review of your children's services to measure progress since the Ofsted inspection. This review identified that there have been some clear improvements while also highlighting a number of areas where further development was needed. Furthermore, in January 2016, the Department for Education undertook an independent case review at the Council and recognised that there are signs of progress. The Department also noted that additional progress was needed in terms of ensuring consistency of social work practice and in articulating a clear vision and strategy for children's services.

That there have been improvements in the arrangements during 2015/16 is evident. Full completion of the improvement programme is not due to be completed until later in 2016/17 and, as such, you remain in the process of bringing arrangements into line with required standards. As was communicated to you in February 2016 by the Minister of State for Children and Families, in light of the findings from the DFE review, the Department has chosen to maintain their current level of intervention in relation to the children's services function, while also recognising the significant efforts that you are making to address the weaknesses which Ofsted identified.

Based on our review, with the exception of the matter set out above in relation to arrangements for management of children's services, 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 2016.

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

## Other statutory powers and duties

We have not identified any issues that have required us to apply our statutory powers and duties under the Act.

## The way forward

Matters arising from the financial statements audit and our review of your arrangements for securing economy, efficiency and effectiveness in its 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 at Appendix A. Recommendations have been discussed and agreed with the Director of Assurance and the finance team.

## Acknowledgement

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

**Grant Thornton UK LLP**
**July 2016**

# Section 2: Audit findings

# Materiality

In performing our audit, we apply the concept of materiality, following the requirements of International Standard on Auditing (UK & Ireland) (ISA) 320: Materiality in planning and performing an audit. The standard states that 'misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements'.

As we reported in our audit plan, we determined overall materiality to be £15,206k (being 2% of 2014/15 gross revenue expenditure). We have considered whether this level remained appropriate during the course of the audit and have made no changes to our overall materiality.

We also set an amount below which misstatements would be clearly trivial and would not need to be accumulated or reported to those charged with governance because we would not expect that the accumulated effect of such amounts would have a material impact on the financial statements. We have defined the amount below which misstatements would be clearly trivial to be £760k. This remains the same as reported in our audit plan.

# 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. | **The revenue cycle includes fraudulent transactions**<br>Under ISA (UK&I) 240 there is a presumed risk that revenue may be misstated due to the improper recognition of revenue.<br>This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition. | Having considered the risk factors set out in ISA240 and the nature of the revenue streams at Buckinghamshire County Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:<br>• there is little incentive to manipulate revenue recognition<br>• opportunities to manipulate revenue recognition are very limited; and<br>• the culture and ethical frameworks of local authorities, including Buckinghamshire County Council, mean that all forms of fraud are seen as unacceptable.<br><br>We have tested all of your material revenue streams and have noted no indicators of fraudulent transactions from our work performed. | Our audit work has not identified any issues in respect of revenue recognition. |
| 2. | **Management over-ride of controls**<br>Under ISA (UK&I) 240 it is presumed that the risk of management over-ride of controls is present in all entities. | We have undertaken the following work in response to this risk:<br>• risk-based testing of journal entries<br>• review of accounting estimates, judgements and decisions made by management<br>• review of unusual significant transactions | Our audit work has not identified any evidence of management over-ride of controls. In particular the findings of our review of journal controls and testing of journal entries has not identified any significant issues.<br>We set out later in this section of the report our work and findings on key accounting estimates and judgements. |

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# Audit findings against significant risks continued

We have also identified the following significant risks of material misstatement from our understanding of the entity. We set out below the work we have completed to address these risks.

| | Risks identified in our audit plan | Work completed | Assurance gained and issues arising |
|---|---|---|---|
| 3. | **Valuation of property, plant and equipment**<br>You revalue your assets on a rolling basis over a five year period. The Code requires that the Council ensures that the carrying value at the balance sheet date is not materially different from the current value. This represents a significant estimate by management in the financial statements. | • Agreement of revaluation adjustments to the report of the external valuer<br>• Review of the appropriateness of the methodology and assumptions applied in performance of revaluations<br>• Review of management's processes and assumptions for the calculation of the estimate.<br>• Review of the competence, expertise and objectivity of any management experts used.<br>• Review of the instructions issued to valuation experts and the scope of their work<br>• Discussions with your external valuer about the basis on which the valuation was carried out, challenging the key assumptions.<br>• Review and challenge of the information used by the valuer to ensure it was robust and consistent with our understanding.<br>• Testing of revaluations made during the year to ensure they were input correctly into your asset register<br>• Evaluation of the assumptions made by management for those assets not revalued during the year and how management satisfied themselves that these were not materially different to current value. | We have noted a £2m presentational error in relation to the upward and downward revaluation movements to the revaluation reserve arising from the revaluation exercise as disclosed within Note 26 "Unusable Reserves" (see page 22 of this report for further details).<br>We have identified errors in the useful lives recorded on your fixed asset register. These will result in errors in the depreciation charged and, therefore, the net book value of your assets. We are awaiting management's updated working papers to be able to ascertain the value of this error. We do not anticipate the error will be material.<br>In all other respects, subject to the completion of outstanding matters above and 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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# 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 (Operating expenses understated) | We have undertaken the following work in relation to this risk:<br>• Undertaken a walkthrough of the key controls to assess the whether those controls were in line with our documented understanding<br>• Tested the reconciliation of operating expenditure recorded in the general ledger to the subsidiary systems and interfaces<br>• Testing of operating expenditure payments<br>• Testing of year end payable balances<br>• Procedures to test whether the cut-off of expenditure is appropriate | We identified three separate errors during our sample testing of operating expenditure.<br>• A receipt of £4,333 received in October 2015 in respect of a deceased client to be paid on to their family was incorrectly not recognised as a payable balance at year end<br>• An accrual for gas invoices payable at a school was understated by £1,200 due to an error in calculation<br>• Expenditure of £28,075 was recognised in 2015/16 in respect of services received in March 2015 that had incorrectly not been accrued for at the 2014/15 year end.<br>In response to these issues we performed additional work and have satisfied ourselves that none of the issues identified are indicative of material misstatements of the accounts. As such we have not reported any of these points in detail and have not requested any amendment to the accounts in respect of the findings noted. Our audit work has not noted any other issues in relation to the risk identified in relation to operating expenses. |

# Audit findings against other risks (continued)

| Transaction cycle | Description of risk | Work completed | Assurance gained & issues arising |
|---|---|---|---|
| **Employee remuneration** | Employee remuneration accruals understated (Remuneration expenses not correct) | We have undertaken the following work in relation to this risk:<br>• Undertaken a walkthrough of the key controls to assess the whether those controls were in line with our documented understanding<br>• Tested the reconciliation of payroll expenditure recorded in the general ledger to the subsidiary systems and interfaces<br>• Completed a trend analysis and risk identification for monthly payroll costs<br>• Tested payroll payments, assessing whether payments are made in accordance with the individual's contract of employment | Subject to the satisfactory resolution of outstanding matters 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 | Review 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 your group assessment. |
| Buckinghamshire Care | Limited company 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 | Review the expected final reporting position for 2015/16 to confirm whether the company is material to the Council's accounts | Our audit work has not identified any issues in respect of your 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 | Review the expected final reporting position for 2015/16 to confirm whether the company is material to the Council's accounts | Our audit work has not identified any issues in respect of your group assessment. |
| Buckinghamshire Learning Trust | Charity delivering services to schools and early year settings | Not under the control of the Council | Review 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 your group assessment. |
| Buckinghamshire Museum Trust | Charity overseeing the running of Buckinghamshire County Museum | Not under the control of the Council | Review 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 your group assessment. |

# Accounting policies, estimates and 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 |
|---|---|---|---|
| **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 management's assessment and are satisfied that the going concern basis is appropriate for the 2015/16 financial statements. | ● Green |
| **Revenue recognition** | You have three principal revenue streams<br>• Council tax income, which is recognised in the year that the tax was levied<br>• Grant income, which is recognised in accordance with the grant, whether specific or non-specific;<br>• Income from fees and charges in the provision of services, which is recognised when the service has been provided or when the 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 |



**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 and judgements continued

| Accounting area | Summary of policy | Comments | Assessment |
|---|---|---|---|
| **Judgements and estimates** | Significant estimates and judgements include:<br>• Group boundaries<br>• Useful life of capital equipment<br>• Pension fund valuations and settlements<br>• Land and building revaluations<br>• Expenditure accruals<br>• Allowance for doubtful debt<br>• Accounting for re-provisioning of social care long-term receivable<br>• Financial instruments fair values<br>• Accounting treatment for the Energy from Waste scheme | • From our testing of depreciation we have noted that remaining useful lives had been recorded incorrectly for a number of land and building assets.<br>• In response to our finding your finance team undertook a review and found for a number of land and building assets listing on the Fixed Asset Register the remaining useful life had been recorded incorrectly. Management have proposed to amend the accounts in response to this issue and as at the time of publication of this report the exercise to post the necessary adjustments to the Fixed Asset Register was still in progress.<br>• For the fair value disclosures for financial instruments set out within Note 21, your advisor Arlingclose has prepared the fair value estimate for Public Works Loans Board (PWLB) loans using an assumption that a market rate of interest for similar loans is the most applicable discount rate to use when estimating fair value. We consider that the interest rate on offer by PWLB for new loans as at 31 March is a more appropriate discount rate to use. We have calculated our own fair value estimate for your PWLB loans as at 31 March 2016. In our view, the fair value of your loans is £8.6m higher than the estimate produced by Arlingclose and disclosed within the financial statements. This is not a material difference and as such we are satisfied that the estimation technique used by Arlingclose is materially correct. As this is a difference of view in respect of estimation technique, we do not consider this to be a misstatement.<br>• 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. | ● Red |
| **Other accounting policies** | We have reviewed the Council's policies against the requirements of the CIPFA Code and accounting standards. | We have reviewed your policies against the requirements of the CIPFA Code of Practice. Your accounting policies are appropriate and consistent with previous years. | ● 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, as auditors, are required by auditing standards and the Code 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 procedures. |
| 2. | **Matters in relation to related parties** | • From the work we carried out, we have not identified any related party transactions which have not been disclosed. |
| 3. | **Matters in relation to laws and regulations** | • You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work. |
| 4. | **Written representations** | • A standard letter of representation has been requested from management |
| 5. | **Confirmation requests from third parties** | • We obtained direct confirmations from Dexia Crédit Local, Europäische Pfandbrief, 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. As at the time of publication of this report we were still waiting for a number of our bank and investment confirmations to be returned. |
| 6. | **Disclosures** | • Our review found no material omissions in the disclosures set out within the financial statements. |
| 7. | **Matters on which we report by exception** | We are required to report on a number of matters by exception in a number of areas:<br>• If the Annual Governance Statement does not meet the disclosure requirements set out in the CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit<br>• The information in the Narrative Report is materially inconsistent with the information in the audited financial statements or our knowledge of the Group/Council acquired in the course of performing our audit, or otherwise misleading.<br>We have not identified any such issues we would be required to report by exception. |
| 8. | **Specified procedures for Whole of Government Accounts** | We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions.<br><br>As the Council exceeds the specified group reporting threshold of £500m we are required to examine and report on the consistency of the WGA consolidation pack with your audited financial statements. This work has not yet been undertaken due to a delay in the submission of the WGA DCT tool by the Department, which was not released to local authorities until early July. We will complete our WGA review in line with the national timetable. |

# 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, operating expenses, valuation of property, plant and equipment and valuation of the net pension fund liability as set out on pages 10 to 13 above.

The matters that we identified during the course of our audit are 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. | ● Significant deficiency | • There is no process in place for identifying fully depreciated IT assets on the Fixed Asset Register that have been disposed of and require to be written out.<br>• If disposals of IT and software assets are not identified and posted to the Fixed Asset Register, misstatement of the gross cost and accumulated depreciation balances for IT and software assets will arise | • Establish a process for ensuring that when IT and software assets are taken out of use or disposed of that this fact is communicated to the finance team and the Fixed Asset Register appropriately updated. |
| 2. | ● Significant deficiency | • There were a number of vehicles included within the opening balance as at 1 April for property, plant and equipment that had been disposed of in previous years but not written out of the asset register due to an officer not following your control processes in relation to vehicle disposals. | • Ensure that all staff involved in the processing of asset disposals are aware of their responsibilities for recording the disposal appropriately. |
| 3. | ● Significant deficiency | • We have noted a significant number of errors in useful lives for land and buildings input onto the Fixed Asset Register. This has led to an audit adjustment of £4.0m to the depreciation charge for the year.<br>• If useful lives are recorded incorrectly then the depreciation charge will be misstated. | • Ensure accurate asset useful lives are input into the Fixed Asset Register. |

**Assessment**
- ● Significant deficiency – risk of significant misstatement
- ● Deficiency – risk of inconsequential misstatement

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.

 

# Internal controls (continued)

| | Assessment | Issue and risk | Recommendations |
|---|---|---|---|
| 4. | Significant deficiency | • A number of the school bank reconciliations requested as part of our testing of cash at bank did not reconcile to the general ledger. There was also significant delay in receiving one reconciliation, for Prestwood Lodge School, which had not been completed as at the time of commencement of our audit and was not completed by the school and supplied to us until early July. | • Ensure further progress is made to resolve the issues identified around school bank reconciliations |
| 5. | Deficiency | • You have an accounting policy for basing useful lives to be recorded on the Fixed Asset Register in respect of vehicles, plant, furniture and equipment assets on the estimated useful life "advised by a suitably qualified officer". For one asset that we tested there were no records available recording the basis for the useful life adopted.<br>• If records are not kept in relation to the basis of setting of asset useful lives then there is a risk that inappropriate useful lives will not be identified. | • Ensure that records are kept in all cases in relation to the basis for setting of useful lives on the Fixed Asset Register for vehicles, plant, furniture and equipment assets |
| 6. | Deficiency | • We have identified seven control weaknesses in relation to segregation of duties and user access rights on SAP. These are not individually significant and we have communicated these issues to the SAP Service Manager. | • Resolve the segregation of duties and user access rights issues identified on SAP |

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**Assessment**
- Significant deficiency – risk of significant misstatement
- Deficiency – risk of inconsequential misstatement

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.

# Adjusted misstatements

A number of adjustments to the draft accounts 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 accounts have been adjusted by management. The table below summarises the adjustments arising from the audit which have been processed by management.

### Impact of adjusted misstatements

All adjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year.

| | Detail | Comprehensive Income and Expenditure Statement £'000 | Balance Sheet £'000 | Impact on total net expenditure £000 |
|---|---|---|---|---|
| 1 | Reduction in the depreciation charge for the year, arising from amendment of incorrect useful lives for buildings recorded on the Fixed Asset Register | £(3,970) | £3,970 | £(3,970) |
| | | | | |
| | **Overall impact** | **£(3,970)** | **£3,970** | **£(3,970)** |

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# Unadjusted misstatements

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

| | Detail | Comprehensive Income and Expenditure Statement £'000 | Balance Sheet £'000 | Reason for not adjusting |
|---|---|---|---|---|
| 1 | 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 £1.8m. | 1,834 | £(1,834) | 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** | **£1,834** | **£(1,834)** | |

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# Misclassifications and 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 set of financial statements.

| | Adjustment type | Account balance | Impact on the financial statements |
|---|---|---|---|
| 1 | Misclassification | Property, plant and equipment | We noted that the gross cost and accumulated depreciation for the "vehicles, plant and equipment" class of property, plant and equipment were overstated by £12,994k in respect of assets that had been taken out of use but not written out of the accounts. |
| 2 | Misclassification | Intangible assets | We noted that the gross cost and accumulated amortisation for intangible were overstated by £2,487k in respect of software assets that had been taken out of use but not written out of the accounts. |
| 3 | Misclassification | Revaluation reserve | There is a classification error of £2m between upward and downwards movements on the revaluation reserve arising from the in year revaluation disclosed within Note 26 "Unusable Reserves" |
| 4 | Disclosure | Financial instruments | For the financial instruments fair value disclosure figures provided in Note 12 in respect of financial liabilities, the 2014/15 comparative should be restated to ensure that the 2014/15 and 2015/16 disclosures are prepared on a consistent basis. |
| 5 | Disclosure | General disclosures | We have identified a number of other areas where minor disclosure amendments are required. |

# Section 3: Value for Money

## Background

We are required by section 21 of the Local Audit and Accountability Act 2014 ('the Act') and the NAO Code of Audit Practice ('the Code') to satisfy ourselves that you have put in place proper arrangements for securing economy, efficiency and effectiveness in your use of resources. This is known as the Value for Money (VFM) conclusion.

We are required to carry out sufficient work to satisfy ourselves that proper arrangements are in place. The Act and NAO guidance state that for local government bodies, auditors are required to give a conclusion on whether the you have put proper arrangements in place.

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In carrying out this work, we are required to follow the NAO's Auditor Guidance Note 3 (AGN 03) issued in November 2015. AGN 03 identifies one single criterion for auditors to evaluate:

> *In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.*

AGN03 provides examples of proper arrangements against three sub-criteria but specifically states that these are not separate criteria for assessment purposes and that auditors are not required to reach a distinct judgement against each of these.

## Risk assessment

We carried out an initial risk assessment in January 2016 and identified the following significant risks, which we communicated to you in our Audit Plan dated 3 February 2016.

We identified risks in respect of specific areas of proper arrangements using the guidance contained in AGN03. These risks identified are set out on page 23 of this report.

We have continued our review of relevant documents up to the date of giving our report, and have not identified any further significant risks where we need to perform further work.

We carried out further work only in respect of the significant risks we identified from our initial and ongoing risk assessment. Where our consideration of the significant risks determined that arrangements were not operating effectively, we have used the examples of proper arrangements from AGN 03 to explain the gaps in proper arrangements that we have reported in our VFM conclusion.

## Significant qualitative aspects

AGN 03 requires us to disclose our views on significant qualitative aspects of your arrangements for delivering economy, efficiency and effectiveness.

We have focused our work on the significant risks that we identified in your arrangements. In arriving at our conclusion, we took into account the following matter:

- There have been improvements in the arrangements during 2015/16. Full completion of the improvement programme is not due to be completed until later in 2016/17 and, as such, you remain in the process of bringing arrangements into line with required standards. The Department for Education has decided to maintain the current level of intervention in respect of children's services. Accordingly, we have qualified our Value for Money conclusion in respect of Children's Services for 2015-16.



We have set out more detail on the risks we identified, the results of the work we performed and the conclusions we drew from this work later in this section.

## Overall conclusion

Based on the work we performed to address the significant risks, we concluded that:

- except for the matter set out above in respect of children's services, you had proper arrangements in all significant respects.

We therefore propose to give a qualified 'except for' conclusion on your arrangements for securing economy, efficiency and effectiveness in your use of resources. The text of our proposed report can be found at Appendix B.

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## Key findings

We set out below our key findings against the significant risks we identified through our initial risk assessment and further risks identified through our ongoing review of documents.

| Significant risk | Work to address | Findings and conclusions |
|---|---|---|
| **Ofsted inspection of children's services**<br>Ofsted issued a report on your children's services in August 2014 which rated these as 'inadequate'. The Council is currently subject to follow up review. | We discussed with the Managing Director of Children's Social Care & Learning and other relevant officers developments during the year. We also reviewed reports taken to the Improvement Panel and correspondence with the Department for Education and took these into account in forming our conclusion. | During 2015/16, you have continued on the improvement journey to develop and improve children's services in response to the findings identified by Ofsted. You have continued to invest in developing the children's services function and have ensured that delivering the improvement plan is a key priority of the Council.<br><br>In October 2015 you asked the Local Government Association (LGA) to undertake a Peer Review of Children's Safeguarding Services in Buckinghamshire. The review noted that improvements had been made in relation to the findings of Ofsted, but there remained a number of areas whether there is a need for further improvement, including around managing the pace of change and the need to ensure the consistency of good social work practice.<br><br>Later in the year, the Department for Education visited to review progress and commissioned further case file auditing to be undertaken in January 2016. This review noted that in many areas your children's services function is now performing at an acceptable level, though further improvements are still required before quality of service is sufficient across all areas.<br><br>In February 2016, the Minister of State for Children and Families sent a letter to you stating that in light of the recent reviews of performance within children's services the current level of DfE intervention at the Council would be maintained. The minister recognised that "significant efforts" had been made by the Council to address the concerns of Ofsted and that there were "clear signs of progress", but also highlighted further improvements were still needed.<br><br>You continue to undertake work to improve your arrangements for managing risks effectively and maintaining a sound system of internal control, demonstrating and applying the principles and values of good governance, and planning, organising and developing the workforce effectively to deliver strategic priorities. You recognise that as at the year end children's services were not yet performing consistently at a level that would be sufficient to avoid a qualified Ofsted rating. Whilst recognising the significant progress you have made in response to the Ofsted report, in line with your strategic plan your work in these areas is on-going and, accordingly, we propose to qualify our value for money conclusion in this respect. |

## Key findings (continued)

| Significant risk | Work to address | Findings and conclusions |
|---|---|---|
| **Financial planning**<br>In light of the increasing pressures that you face, there is a risk that you will not be able to generate new revenue streams or deliver saving cuts of sufficient scale to maintain a balanced budget over the period covered by the medium term financial plan. | We have reviewed recent performance against the budget and have considered the reasonableness of the assumptions upon which the medium term financial plan (MTFP) is based. | We note that you have effective arrangements in place for financial planning and that you have performed well in 2015/16 from a financial control perspective, delivering a small overspend of £0.36m while delivering significant savings to mitigate an £11.2m reduction in central government funding compared to the previous year.<br><br>Though overall performance against the budget was good in 2015/16, there were overspends on certain portfolio areas. In particular, there was a £2.4m overspend on the Health and Wellbeing portfolio due to pressures from increased nursing placement costs and client transport, and a £2.1m overspend on Children's Services due to increases in the number of referrals and overspend on agency staff due to continued difficulties in recruiting permanent staff. Both of these portfolios have also recorded budget overspends as at the end of quarter 1 in 2016-17. We note that you are taking steps to mitigate portfolio level overspends while ensuring that services continue to be delivered to the required standard of quality and that these overspends have been subsidised by surpluses on other portfolios and at a corporate level. However in the longer term you will need to ensure that all portfolios perform within budget and ensure accurate assumptions over demand and activity are taken into account in setting budgets.<br><br>Though you have a strong recent track record on delivering budgets and savings plans, in common with other local authorities you face a challenging financial settlement going forward. Your revenue support grant is set to fall from just over £60m in 2013/14 to zero by 2019/20 while over the same period demand your services is forecast to increase. This will require you to continue with implementing savings plans and developing new income streams on an ambitious scale over the period covered by the medium term financial plan. You have spent considerable effort seeking to mitigate these risks in your medium term financial plans and, whilst the challenge increases year on year, have demonstrated a strong history of being able to meet these challenges and delivering planned financial targets.<br><br>On the basis of the work completed we have concluded that the risk was sufficiently mitigated and that you have proper arrangements. |

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## Key findings (continued)

| Significant risk | Work to address | Findings and conclusions |
|---|---|---|
| **Contract management**<br>There is a risk that your contract management procedures do not allow you to procure and monitor supplies and services effectively. | We have reviewed committee reports and other relevant document, including the reports of internal audit, relating to the contract management arrangements in place. We have also reviewed documents relating to the Better Care Fund arrangements established in year with your health partners. | During the year, you have taken significant steps to improve arrangements for effective contract management. In 2014/15, internal audit noted a number of concerns around use of the Contract Management Application and highlighted that controls for monitoring contracts through the system were not effective. We note that management have appropriately responded to these findings and that contract management arrangements have improved during 2015/16.<br><br>Another area of concern that has been brought to attention from the work of internal audit is deficiencies around contract management relating to services commissioned from Alternative Delivery Models. This was in response to concerns noted around the adequacy of governance arrangements and contract monitoring in respect of Buckinghamshire Learning Trust. New arrangements have been implemented in response to these findings to strengthen contract management arrangements relating to alternative delivery models and as such we have no residual Value for Money concerns to report in relation to this issue.<br><br>2015/16 has also seen the commencement of the Better Care Fund arrangements for Buckinghamshire. This has seen the establishment of a pooled budget with NHS Aylesbury Vale and NHS Chiltern Clinical Commissioning Groups, with the County acting as the host. We have noted no significant concerns in relation to contract management in the context of the new Better Care Fund structures and arrangements.<br><br>On the basis of the work completed we have concluded that the risk was sufficiently mitigated and that you have proper arrangements. |

## Key findings (continued)

| Significant risk | Work to address | Findings and conclusions |
|---|---|---|
| **Future Shape**<br>There is a risk that governance arrangements in relation to the roll-out of the Future Shape project and the extension of the programme to adults' and children's services will not be sufficient to deliver strategic priorities. | We have reviewed committee reports and other relevant documents relating to the roll-out of Future Shape including plans relating to the roll-out of Future Shape to adults' and children's services. | Future Shape is an innovative programme for transformation of service delivery that aims to re-shape how you operate to give the Council a more entrepreneurial and commercial culture and to allow you to develop a more lean and flexible workforce. Given the current challenging financial settlement that you face, the Future Shape programme is key to helping you become more self-sufficient and less reliant on central government funding.<br><br>Future Shape went live for all directorates of the Council except adults' and children's services on 1 April 2015. Overall we can see that the programme has largely been a success and based upon our discussions with officers we note that the expected cultural changes and new ways of working are becoming embedded.<br><br>The Future Shape programme went live for children's and adult's services on 1st April 2016. We have reviewed the business cases for their implementation and are satisfied that the governance arrangements in place in relation to the implementation are reasonable.<br><br>We note however that the Future Shape implementation has exposed some legacy weaknesses in systems of internal control. This has lad to 50% of audits completed by internal audit in 2015/16 being given "limited assurance " opinions and resulted in the Chief Internal Auditor issuing a qualified Head of Internal Audit opinion for the year. We have reviewed internal audit reports for the year and are satisfied that none of the issues identified by internal audit are on a sufficient scale to give rise to a need for qualification of our Value for Money conclusion, but nevertheless we highlight this as an area of concern where further improvement is required.<br><br>On the basis of the work completed we have concluded that the risk was sufficiently mitigated and that you have proper arrangements. |

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### Significant difficulties in undertaking our work

We did not identify any significant difficulties in undertaking our work on your arrangements which we wish to draw to your attention.

### Significant matters discussed with management

There were no matters where no other evidence was available or matters of such significance to our conclusion or that we required written representation from management or those charged with governance.

### Any other matters

There were no other matters from our work which were significant to our consideration of your arrangements to secure value for money in your use of resources.

# **Section 4:** Fees, non-audit services and independence

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

## Fees

| | Proposed fee £ | Final fee £ |
|---|---|---|
| Council audit | 88,088 | 88,088 |
| Audit of Buckinghamshire Care Group | 18,000 | 18,000* |
| **Total audit fees (excluding VAT)** | **106,088** | **106,088** |

The proposed fees for the year were in line with the scale fee set by Public Sector Audit Appointments Ltd (PSAA)

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* the audit of Buckinghamshire Care is currently in progress and the final fee will be determined on completion of the audit

## Fees for other services

| Service | Fees £ |
|---|---|
| **Audit related services:**<br>Certification of teachers pension return and testing of Skills Funding Agency sub-commissioning arrangements | 11,000 |
| **Non-audit related services:**<br>Tax services for Buckinghamshire Care group | 3,750 |

## Independence and ethics

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

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

# Section 5: Communication of audit matters

# Communication to those charged with governance

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

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

## Respective responsibilities

The Audit Findings Report has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by Public Sector Audit Appointments Limited (http://www.psaa.co.uk/appointing-auditors/terms-of-appointment/)

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 at the time of our appointment. As external auditors, we have a broad remit covering finance and governance matters.

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Our annual work programme is set in accordance with the Code of Audit Practice ('the Code') issued by the NAO (https://www.nao.org.uk/code-audit-practice/about-code/). Our work considers the Council'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.<br>Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged<br>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 | | ✓ |
| Non compliance with laws and regulations | | ✓ |
| Expected modifications to auditor's report | | ✓ |
| Uncorrected misstatements | | ✓ |
| Significant matters arising in connection with related parties | | ✓ |
| Significant matters in relation to going concern | | ✓ |

# Appendices

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# Appendix A: Action plan

## Priority

**High** - Significant effect on control system
**Medium** - Effect on control system
**Low** - Best practice

| Rec No. | Recommendation | Priority | Management response | Implementation date & responsibility |
|---|---|---|---|---|
| 1 | Ensure that all staff involved in the processing of asset disposals are aware of their responsibilities for recording the disposal appropriately | High | Asset disposal process notes will be updated to ensure they are complete. Refresher training will be provided at year-end. | Update of process notes by 30 September 16<br>Refresher training 31 March 2017.<br>Elspeth O'Neill Financial Accountancy Manager |
| 2 | Implement a process for ensuring that the asset register is updated for IT equipment that has been taken out of use | High | Asset disposal process notes will be updated to include IT equipment.<br>Year-end process to incorporate analysis of asset additions for potential de-recognition plus confirmation from the Chief Information Officer (CIO). | Update of process notes by 30 September 16<br>Elspeth O'Neill Financial Accountancy Manager |
| 3 | Ensure accurate asset useful lives are input into the Fixed Asset Register | High | Revaluation process notes will be updated to include adjustment for expired useful economic life. | Update of process notes by 30 September 16<br>Elspeth O'Neill Financial Accountancy Manager |
| 4 | Ensure further progress is made to resolve the issues identified around school bank reconciliations | High | We will report all missing or incomplete Schools 3-ways recs on a termly basis as part of the Assurance checklist to FD and Director of Assurance and tighten up year-end processes. Further control improvements will be implemented following the upcoming internal audit of this area. | 30 September 2016<br>Clare Bradshaw |
| 5 | Ensure that records are kept in all cases in relation to the basis for setting of useful lives on the Fixed Asset Register for vehicles, plant, furniture and equipment assets | Medium | The process notes for asset additions will be updated to include attaching a record for the basis for useful lives for assets not covered by Fleet and ICT asset registers | Update of process notes by 30 September 16<br>Elspeth O'Neill Financial Accountancy Manager |
| 6 | Resolve the segregation of duties and user access rights issues identified in SAP | Medium | We have developed an action plan to address the 7 control weaknesses and are monitoring the implementation through the SAP governance Board. | Completion due by 31 December 2016.<br>Mark Preston, Finance Director BSP. |

# Appendix B: Audit opinion

**We anticipate we will provide you with a modified audit report**

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

We have audited the financial statements of Buckinghamshire County Council (the "Authority") for the year ended 31 March 2016 under the Local Audit and Accountability Act 2014 (the "Act"). 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 2015/16.

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Act and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. 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 Responsibilities for the Statement of Accounts, 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 2015/16, which give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

**Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Authority'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 Narrative Report and the Annual Governance Statement 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:
- present a true and fair view of the financial position of the Authority as at 31 March 2016 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 and applicable law.

**Opinion on other matters**

In our opinion, the other information published together with the audited financial statements in the Narrative Report and the Annual Governance Statement is consistent with the audited financial statements.

Matters on which we are required to report by exception

We are required to report to you if:
- in our opinion the Annual Governance Statement does not comply with the guidance included in '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 24 of the Act; or
- we make a written recommendation to the Authority under section 24 of the Act; or
- we exercise any other special powers of the auditor under the Act.

We have nothing to report in these respects.

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**Conclusion on the Authority's arrangements to secure value for money through economic, efficient and effective use of its resources**

**Respective responsibilities of the Authority and 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 20(1)(c) of the Act to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources and to report to you if we are not satisfied that the Authority has made proper arrangements. 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 the Authority's arrangements to secure value for money through economic, efficient and effective use of its resources**

We have undertaken our review in accordance with the Code of Audit Practice prepared by the Comptroller and Auditor General as required by the Act (the "Code"), having regard to the guidance on the specified criteria issued by the Comptroller and Auditor General in November 2015, as to whether the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined these criteria as those necessary for us to consider under the Code in satisfying ourselves whether the Authority put in place proper arrangements to secure value for money through the economic, efficient and effective use of its resources for the year ended 31 March 2016.

We planned our work in accordance with the Code. 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 has put in place proper arrangements to secure value for money through economic, efficient and effective use of its resources.

**Basis for qualified conclusion**
In considering the Authority's arrangements for securing efficiency, economy and effectiveness we identified the following matter:
In August 2014, Ofsted issued its report on the inspection of the Authority's services for children in need of help and protection, children looked after and care leavers. The overall judgement was that children's services were rated as inadequate.

Reviews of children's services undertaken by the Local Government Association in the form of a peer review in October 2015 and the Department of Education in January 2016 found that progress had been made in response to the Ofsted findings, but that further improvements were required in a number of areas.

Following these reviews, the Minister of State for Children and Families wrote to the Authority in February 2016, confirming that, although the Authority had made "significant efforts" to address the recommendations made by Ofsted, further improvements were still needed, and the Authority remained subject to intervention by the Department for Education.

This matter is evidence of weaknesses in proper arrangements for understanding and using appropriate and reliable financial and performance information to support informed decision making and performance management, and for planning, organising and developing the workforce effectively to deliver strategic priorities.

**Qualified conclusion**
On the basis of our work, having regard to the guidance on the specified criteria issued by the Comptroller and Auditor General in November 2015, except for the effects of the matter described in the Basis for qualified conclusion paragraph, we are satisfied that, in all significant respects, the Authority put in place proper arrangements to secure value for money through economic, efficient and effective use of its resources for the year ended 31 March 2016.

**Certificate**
We certify that we have completed the audit of the accounts of the Authority in accordance with the requirements of the Act and the Code.

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

Grant Thornton House
Euston Square
Melton Street
London
NW1 2EP

To be dated 2016

**grant-thornton.co.uk**

# The Audit Findings Report for Buckinghamshire Pension Fund

**Year ended 31 March 2016**

28 July 2016



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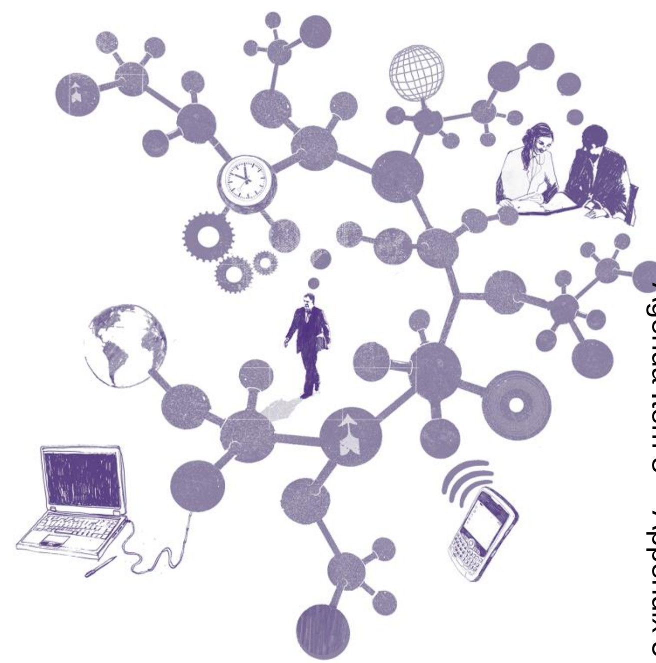

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28 July 2016

Dear Chairman and Members of the Regulatory and Audit Committee

**Audit Findings for Buckinghamshire Pension Fund for the year ending 31 March 2016**

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 Pension Fund, the Regulatory and Audit Committee), as required by International Standard on Auditing (UK & Ireland) 260, the Local Audit and Accountability Act 2014 and the National Audit Office Code of Audit Practice. Its contents have been discussed with the Director of Assurance.

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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, pension administration team and other staff during our audit.

Yours sincerely

Emily Hill, Engagement lead

# Contents

# Section 1: Executive summary

## Purpose of this report

This report highlights the key issues affecting the results of Buckinghamshire Pension Fund ('the Fund') and the preparation of the fund's financial statements for the year ended 31 March 2016. It is also used to report our audit findings to management and those charged with governance in accordance with the requirements of International Standard on Auditing (UK & Ireland) 260, and the Local Audit and Accountability Act 2014 ('the Act').

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion, the Fund's financial statements give a true and fair view of the financial position of the fund and its income and expenditure 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 consider other information published together with the audited financial statements, whether it is consistent with the financial statements and in line with required guidance. This includes the Narrative Report and Pension Fund Annual Report.

## Introduction

In the conduct of our audit we have not had to alter or change our audit approach, which we communicated to you in our Audit Plan dated February 2016.

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

- receipt of the year end balance confirmation from Lloyds Bank
- review of the final version of the financial statements
- obtaining and reviewing the management letter of representation and
- updating our post balance sheet events review, to the date of signing the opinion.

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

We anticipate providing a unqualified audit opinion in respect of the financial statements (see Appendix B). We have also included our anticipated opinion on the Annual Report at Appendix C.

## Key audit and financial reporting issues

**Financial statements opinion**

We have identified no adjustments affecting the Fund's reported financial position, with the financial statements for the year ended 31 March 2016 recording net assets available for benefits during the year of £2,221m.

We recommended a small number of adjustments to improve the presentation of the financial statements in relation to the disclosures around the classification of investments within the fair value hierarchy; these are set out in further detail on page 18 of this report and have been amended in the final financial statements.

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

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

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## Controls

**Roles and responsibilities**

The Fund'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 Fund.

**Findings**

We draw your attention in particular to a control issue we noted from our testing of controls around new starters into the scheme. For a number of new starters, statutory notice letters had not been sent out.
Further details are provided within section two of this report.

## The way forward

Matters arising from the financial statements audit have been discussed with the Director of Assurance and the Pensions and Investments Manager.

We have made a single recommendation, which is set out in the action plan at Appendix A. The recommendation has been discussed and agreed with the Director of Assurance and the finance team.

## Acknowledgement

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

**Grant Thornton UK LLP**
**July 2016**

# Section 2: Audit findings





This section summarises the findings of the audit, we report on the final level of materiality used and the work undertaken against the risks we identified in our initial audit plan. We also conclude on the accounting policies, estimates and judgements used and highlight any weaknesses found as part of the audit in internal controls. As required by auditing standards we detail both adjusted and unadjusted misstatements to the accounts and their impact on the financial statements.

# Materiality

In performing our audit, we apply the concept of materiality, following the requirements of International Standard on Auditing (UK & Ireland) (ISA) 320: Materiality in planning and performing an audit. The standard states that 'misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements'.

As we reported in our audit plan, we determined overall materiality to be £22,058k (being 1% of net assets as per the net assets statement in the 2014/15 accounts). We have considered whether this level remained appropriate during the course of the audit and have made no changes to our overall materiality.

We also set an amount below which misstatements would be clearly trivial and would not need to be accumulated or reported to those charged with governance because we would not expect that the accumulated effect of such amounts would have a material impact on the financial statements. We have defined the amount below which misstatements would be clearly trivial to be £1,102k. This remains the same as reported in our audit plan.

# 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. | **The revenue cycle includes fraudulent transactions**<br>Under ISA(UK&I)240 there is a presumed risk that revenue may be misstated due to the improper recognition of revenue.<br><br>This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition. | Having considered the risk factors set out in ISA(UK&I)240 and the nature of the revenue streams at Buckinghamshire Pension Fund, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:<br>• there is little incentive to manipulate revenue recognition<br>• opportunities to manipulate revenue recognition are very limited; and<br>• the culture and ethical frameworks of local authorities, including Buckinghamshire County Council as the administering authority, mean that all forms of fraud are seen as unacceptable.<br><br>We have tested investment income and contributions and have noted no indicators of fraudulent revenue recognition from the work performed. | Our audit work has not identified any material issues in respect of revenue recognition. |
| 2. | **Management over-ride of controls**<br>Under ISA(UK&I)240 it is presumed that the risk of management over-ride of controls is present in all entities. | We have completed the following procedures<br>• testing of journal entries<br>• review of accounting estimates, judgements and decisions made by management<br>• review of unusual significant transactions | Our audit work has not identified any evidence of management over-ride of controls. In particular the findings of our review of journal controls and testing of journal entries has not identified any significant issues.<br>We set out later in this section of the report our work and findings on key accounting estimates and judgements. |

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# Audit findings against significant risks (continued)

We have also identified the following significant risks of material misstatement from our understanding of the entity. We set out below the work we have completed to address these risks.

| | Risks identified in our audit plan | Work completed | Assurance gained and issues arising |
|---|---|---|---|
| 3. | **Level 3 Investments – Valuation is incorrect**<br><br>Under ISA(UK&I)315 significant risks often relate to significant non-routine transactions and judgemental matters. 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 in relation to this risk:<br>• Completed walkthrough tests of controls on investments.<br>• Tested a sample of investments by obtaining and reviewing the audited accounts at latest date for individual investments and agreeing these to the fund manager reports at that date. Those values were then reconciled to the values at 31 March with reference to known movements in the intervening period.<br>• Reviewed the qualifications of fund managers as experts to value the level 3 investments at year end and gain an understanding of how the valuation of these investments has been reached.<br>• Reviewed the nature and basis of estimated values and considered what controls are in place and what assurance management has over the year end valuations provided for these types of investments.<br>• Reviewed the competence, expertise and objectivity of any management experts used. | • We have noted that:<br>  • The Legal & General indexed equity and bond funds should be reclassified as level 1 investments<br>  • The Aviva investment portfolio in unit trust and indirect property investments should be reclassified as level 2 investments<br>  • The Royal London Asset Management Sterling EX Y BD-Z fund should be reclassified as level 1 investments.<br>• Our audit has noted no other concerns in relation to the valuation of Level 3 investments. |

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# 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 |
|---|---|---|---|
| **Investment purchases and sales** | Investment valuation not correct. (Valuation gross or net) | **We have undertaken the following work in relation to this risk:**<br>• We have performed a walkthrough to gain assurance that the in-year controls were operating in accordance with our documented understanding.<br>• We have reviewed the reconciliation of information provided by the fund managers, the custodian and the Pension Fund's own records and sought explanations for variances.<br>• Tested a sample of purchases and sales to ensure they are appropriate. | Our audit work has not identified any significant issues in relation to the risk identified. |
| **Investment values – Level 2 investments** | Fair value measurements priced using inputs that are observable either directly or indirectly not correct (Valuation gross)<br><br>Fair value measurements priced using inputs based on observable market data not correct (Valuation gross) | **We have undertaken the following work in relation to this risk:**<br>• We have performed a walkthrough to gain assurance that the in-year controls were operating in accordance with our documented understanding.<br>• Tested a sample of level 2 investments to independent information from the custodian and fund manager. | Our audit work has not identified any significant issues in relation to the risk identified. |

# Audit findings against other risks (continued)

| Transaction cycle | Description of risk | Work completed | Assurance gained & issues arising |
|---|---|---|---|
| **Contributions** | Recorded contributions not correct (Occurrence) | **We have undertaken the following work in relation to this risk:**<br>• We have performed a walkthrough to gain assurance that the in-year controls were operating in accordance with our documented understanding.<br>• Controls testing over occurrence, completeness and accuracy of contributions made in respect of Buckinghamshire County Council,<br>• Tested a sample of contributions in respect of scheduled and admitted bodies to source data to gain assurance over their accuracy and occurrence.<br>• Trend analysis of scheme contributions across the year.<br>• Rationalised contributions received with reference to changes in member body payrolls and numbers of contributing pensioners and ensured that any unexpected trends were satisfactorily explained. | Our audit work has not identified any significant issues in relation to the risk identified. |
| **Benefits payable** | Benefits improperly computed/claims liability understated (Completeness, accuracy and occurrence) | **We have undertaken the following work in relation to this risk:**<br>• We have performed a walkthrough to gain assurance that the in-year controls were operating in accordance with our documented understanding.<br>• Controls testing over, completeness, accuracy and occurrence of benefit payments,<br>• Tested a sample of individual pensions in payment by reference to member files.<br>• Trend analysis of benefit payments across the year to assess the completeness of benefit payments.<br>• Rationalised pensions paid with reference to changes in pensioner numbers and increases applied in the year and ensured that any unusual trends were satisfactorily explained. | Our audit work has not identified any significant issues in relation to the risk identified. |

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# Audit findings against other risks (continued)

| Transaction cycle | Description of risk | Work completed | Assurance gained & issues arising |
|---|---|---|---|
| **Member Data** | Member data not correct. (Rights and Obligations) | **We have undertaken the following work in relation to this risk:**<br>• We have performed a walkthrough to gain assurance that the in-year controls were operating in accordance with our documented understanding.<br>• Controls testing over annual reconciliations and verifications with individual members.<br>• Sample tested changes to member data made during the year to source documentation. | We noted from out testing of controls around new starters into the scheme that for a number of new starters, statutory notice letters had not been sent out. In all other respects these two cases had been treated correctly and we are satisfied that both have been recorded on the Altair system correctly.<br>Our audit work has not identified any other significant issues in relation to the risk identified. |

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# Accounting policies, estimates and judgements

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

| Accounting area | Summary of policy | Comments | Assessment |
|---|---|---|---|
| **Revenue recognition** | • Contributions 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.<br>• Gains/losses in the market value of investments is determined by the bid market price ruling on the final day of the accounting period. | The revenue recognition policies are appropriate and in accordance with the CIPFA Code of Practice and International Financial Reporting Standards (IFRS). | Green |
| **Judgements and estimates** | • Key estimates and judgements include:<br>– Valuation of level 3 investments<br>– Actuarial estimate disclosures | In all significant respects judgements and estimates have been disclosed appropriately and adequately in accordance with appropriate accounting policies. No evidence has been identified during our audit to suggest management has not exercised appropriate and reasonable judgement. | Green |
| **Going concern** | Officers have a reasonable expectation that the services provided by the Fund 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 officers' assessment and are satisfied with management's assessment that the going concern basis is appropriate for the 2015/16 financial statements. | Green |

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**Assessment**
- Marginal accounting policy which could potentially attract attention from regulators (Red)
- Accounting policy appropriate but scope for improved disclosure (Amber)
- Accounting policy appropriate and disclosures sufficient (Green)

# Accounting policies, estimates and judgements continued

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| Accounting area | Summary of policy | Comments | Assessment |
| --- | --- | --- | --- |
| **Other accounting policies** | We have reviewed the Council's policies against the requirements of the CIPFA Code and accounting standards. | We have reviewed the Fund's policies against the requirements of the CIPFA Code of Practice. We consider the Fund's accounting policies are appropriate and consistent with previous years. | ● 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

# Other communication requirements

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code 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 internal audit. 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 procedures. |
| 2. | **Matters in relation to related parties** | • From the work we carried out, we have not identified any related party transactions which have not been disclosed. |
| 3. | **Matters in relation to laws and regulations** | • You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work. |
| 4. | **Written representations** | • A standard letter of representation has been requested from the Fund. |
| 5. | **Confirmation requests from third parties** | • We requested from management permission to send confirmation requests to the fund custodian BNY Mellon, fund managers and Lloyds Bank. This permission was granted and the requests were sent. Our request to the custodian and all of our requests to fund managers were returned with positive confirmation, however a the date of issue of this report we are still waiting for the bank confirmation from Lloyds to be received. |
| 6. | **Disclosures** | • We noted that a small number of amendments to the fair value hierarchy disclosures within Note 12 were required.<br>• Our review found no other material omissions in the financial statements. |
| 7. | **Matters on which we report by exception** | • We are required to report by exception where the Narrative Report and Pension Fund Annual Report is inconsistent with the financial statements. We have not identified any issues we wish to report. |

# 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, Contributions, Benefits Payable, and Member Data as set out on pages 9 to 13 above.

The matter that we identified during the course of our audit is set out in the table below. This, together with management responses, is included in the action plan attached at Appendix A.

| | Assessment | Issue and risk | Recommendations |
|---|---|---|---|
| 1. | ● Amber | • We noted from out testing of controls around new starters into the scheme that for a number of new starters, statutory notice letters had not been sent out despite the new starters having been employed for several months. | • Ensure that statutory notice letters for new starters are sent out in a timely manner. |



**Assessment**
- ● Significant deficiency – risk of significant misstatement (Red)
- ● Deficiency – risk of inconsequential misstatement (Amber)

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.

 

# Misclassifications and disclosure changes

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

| | Adjustment type | Value £'000 | Account balance | Impact on the financial statements |
|---|---|---|---|---|
| 1 | Misclassification | - | Fair value hierarchy disclosures | The following amendments to the financial instruments fair value disclosures presented within Note 12 have been noted as required:<br>- Pool investment vehicle investments of £612,221k relating to the Legal & General indexed equity and bond funds and Royal London Asset Management Sterling EX Y BD-Z fund should be reclassified from Level 3 to Level 1<br>- Property – unit trust investments of £186,330k relating to the Aviva investment portfolio should be reclassified from Level 3 to Level 2<br>- Dividend income receivable, cash deposits, current assets and current liabilities of £7,157k, £69,072l, £12,468k and £(4,764)k respectively should be reclassified from Level 1 to Level 2 |

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# **Section 3:** Fees, non-audit services and independence

We confirm below our final fees charged for the audit.

## Fees

| | Proposed fee per Audit Plan £ | Actual fees £ |
|---|---|---|
| Pension fund scale fee | 25,033 | 25,033 |
| **Total audit fees (excluding VAT)** | **25,033** | **25,033** |

The proposed fees for the year were in line with the scale fee set by Public Sector Audit Appointments Ltd (PSAA).

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## Fees for other services

| Service | Fees £ |
|---|---|
| No other services have been provided | - |

## Independence and ethics

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

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

# Section 4: Communication of audit matters

# Communication to those charged with governance

International Standards on Auditing ISA(UK&I)260, as well as other ISA(UK&I)s, 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 Public Sector Audit Appointments Limited (http://www.psaa.co.uk/appointing-auditors/terms-of-appointment/)

We have been appointed as the Fund's independent external auditors by the Audit Commission, the body responsible for appointing external auditors to local public bodies in England at the time of our appointment. 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 issued by the NAO (https://www.nao.org.uk/code-audit-practice/about-code/). Our work considers the Fund's key risks when reaching our conclusions under the Code of Audit Practice.

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



| Our communication plan | Audit Plan | Audit Findings |
|---|---|---|
| Respective responsibilities of auditor and management/those charged with governance | ✓ | |
| Overview of the planned scope and timing of the audit. Form, timing and expected general content of communications | ✓ | |
| Views about the qualitative aspects of the entity's accounting and financial reporting practices, significant matters and issues arising during the audit and written representations that have been sought | | ✓ |
| Confirmation of independence and objectivity | ✓ | ✓ |
| A statement that we have complied with relevant ethical requirements regarding independence, relationships and other matters which might be thought to bear on independence.<br>Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged<br>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 | | ✓ |
| Non compliance with laws and regulations | | ✓ |
| Expected modifications to auditor's report | | ✓ |
| Uncorrected misstatements | | ✓ |
| Significant matters arising in connection with related parties | | ✓ |
| Significant matters in relation to going concern | | ✓ |

# Appendices

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# Appendix A: Action plan

**Priority**
**High** - Significant effect on control system
**Medium** - Effect on control system
**Low** - Best practice

| Rec No. | Recommendation | Priority | Management response | Implementation date & responsibility |
|---|---|---|---|---|
| 1. | Ensure that statutory notice letters for new starters are sent out in a timely manner. | High | The printing of statutory notices was ceased due to an issue with the content of the letter. This took some time to resolve and a backlog of letters built up. The statutory notices have now all been sent and will be issued in a timely manner from now on. | Julie Edwards (Pension Fund Manager), 18th July 2016 |

# Appendix B: Audit opinion

**We anticipate we will provide the Fund with an unmodified audit.**

**DRAFT - Independent auditor's report to the members of Buckinghamshire County Council**

We have audited the pension fund financial statements of Buckinghamshire County Council (the "Authority") for the year ended 31 March 2016 under the Local Audit and Accountability Act 2014 (the "Act"). 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 2015/16.

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Act and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. 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.

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**Respective responsibilities of the Director of Assurance and auditor**
As explained more fully in the Statement of Responsibilities for the Statement of Accounts, the Director of Assurance is responsible for the preparation of the Authority's Statement of Accounts, which includes the pension fund financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16, which 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 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 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 Authority's Statement of Accounts and Annual Governance Statement 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 financial statements**
In our opinion the financial statements:

- present a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2016 and of the amount and disposition of the fund's assets and liabilities as at 31 March 2016; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 and applicable law.

**Opinion on other matters**
In our opinion, the other information published together with the audited pension fund financial statements in the Authority's Statement of Accounts and Annual Governance Statement is consistent with the audited pension fund financial statements.

**Certificate**
We certify that we have completed the audit of the accounts of the Pension Fund in accordance with the requirements of the Act and the Code.

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

Grant Thornton House
Euston Square
Melton Street
London
NW1 2EP

To be dated, 2016

# Appendix C: Proposed audit opinion on the annual report

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

**DRAFT - Independent auditor's report to the members of Buckinghamshire County Council on the consistency of the pension fund financial statements included in the pension fund annual report**

The accompanying pension fund financial statements of Buckinghamshire County Council (the "Authority") for the year ended 31 March 2016 which comprise the pension fund account, the net assets statement and the related notes are derived from the audited pension fund financial statements for the year ended 31 March 2016 included in the Authority's Statement of Accounts. We expressed an unmodified audit opinion on the pension fund financial statements in the Statement of Accounts in our report dated to be dated. The pension fund annual report, and the pension fund financial statements, do not reflect the effects of events that occurred subsequent to the date of our report on the Statement of Accounts. Reading the pension fund financial statements is not a substitute for reading the audited Statement of Accounts of the Authority.

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 paragraph 20(5) of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our work has been undertaken so that we might state to the members of the Authority 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.

**Director of Assurance responsibilities for the pension fund financial statements in the pension fund annual report**

Under the Local Government Pension Scheme Regulations 2013 the Director of Assurance is responsible for the preparation of the pension fund financial statements, which must include the pension fund account, the net asset statement and supporting notes and disclosures prepared in accordance with proper practices. Proper practices for the pension fund financial statements in both the Authority Statement of Accounts and the pension fund annual report are set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

**Auditor's responsibility**

Our responsibility is to state to you whether the pension fund financial statements in the pension fund annual report are consistent with the pension fund financial statements in the Authority's Statement of Accounts in accordance with International Standard on Auditing 810, Engagements to Report on Summary Financial Statements.

In addition we read the other information contained in the pension fund annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the pension fund financial statements. The other information consists of Introduction from the Finance Director (Business Services Plus), Management and Financial Performance Report, Investment Policy and Performance Report, Scheme Administration Report, Governance Statements, Pensions Administration Strategy Report, Communications Policy Statement, Funding Strategy Statement, Statement of Investment Principles, Additional Information for the Scheme Annual Report and Actuary's Statement as at 31 March 2016.

**Opinion**

In our opinion, the pension fund financial statements in the pension fund annual report derived from the audited pension fund financial statements in the Authority Statement of Accounts for the year ended 31 March 2016 are consistent, in all material respects, with those financial statements in accordance with proper practices as defined in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 and applicable law.

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

Grant Thornton House
Melton Street
Euston Square
London
NW1 2EP

To be dated, 2016

Grant Thornton



**grant-thornton.co.uk**

**Buckinghamshire County Council**

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

# Regulatory and Audit Committee

**Title:** Final Annual Governance Statement

**Date:** Thursday 28 July 2016

**Author:** Maggie Gibb, Head of Business Assurance (and Chief Auditor)

**Contact officer:** Maggie Gibb – 01296 387327

**Local members affected:**

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

**Summary**

This report contains the Final Annual Governance Statement for 2015/16 (Appendix 1). The Annual Governance Statement (AGS) has been completed by giving due consideration to the Council's sources of assurance on internal control and is structured in accordance with CIPFA guidance.

The draft Annual Governance Statement was presented to the Regulatory and Audit Committee on 25 May 2016, where it was approved. The final version has been updated with minor changes to reflect 2015/16 work completed since that date (see Appendix 2 with tracked changes).

The role of the Regulatory and Audit Committee is to review the AGS to provide assurance that it reflects the evidence considered by the Committee over the year, and that the actions identified are appropriate. Once the Committee has approved the final statement it will be presented to the Chief Executive and Leader of the Council for signing, and published on the Buckinghamshire County Council website.

**Recommendation**

The Committee is **RECOMMENDED TO APPROVE** the Annual Governance Statement 2015/16.

## Background Papers

None

**Appendix 1**

## Final Annual Governance Statement 2015/2016

### 1. Scope of responsibility

1.1 Buckinghamshire County Council (BCC) is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for and used economically, efficiently and effectively. BCC also has a duty, under the Local Government Act 1999, to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

1.2 In discharging this overall responsibility, BCC is responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions. Good corporate governance means that:

- The purpose and vision of the Council is clear to everyone;
- The Council has clear values, focusing on customers and the way we work;
- There is robust engagement and consultation with local people and stakeholders;
- Councillors and officers have clear functions, roles and responsibilities and training;
- Standards of conduct and behaviour are high, and meet the values of the Council;
- Decisions are taken in an informed, transparent and accountable way, focusing on outcomes for the community;
- Decisions are the subject of review and scrutiny;
- Risks are considered and managed to a reasonable level;
- There are strong and effective system of internal control; and that

1.3 The Council has approved and adopted a Constitution, and an internal Operating Framework and Procedure Report, which sets out the corporate governance framework for the Council consistent with the principles of the CIPFA/SOLACE Framework “Delivering Good Governance in Local Government”. The Buckinghamshire County Council Constitution is on the BCC website, www.buckscc.gov.uk.

1.4 This statement describes the BCC corporate governance and compliance in 2015/16, and up to the date of the approval of the Statement of Accounts. This Annual Governance Statement is required by Regulation 6(1) (b) of the Accounts and Audit (England) Regulations 2015.

### 2. The purpose of the governance framework

2.1 The governance framework comprises the systems and processes, culture and values by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads its communities. The framework enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money

2.2 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of not achieving policies, aims and objectives and can therefore only provide a reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the Council of not meeting its policies, aims and objectives, to evaluate the likelihood and potential impact of those risks being realised, and to manage them efficiently, effectively and economically.

2.3 On 1 April 2015, the Council adopted the new management structures and operating framework; including changes to the Constitution, developed under the "Future Shape" Programme in 2014/15. The Constitution has been subject to minor changes in 2015/16, approved by the Regulatory and Audit Committee; the Operating Framework is being reviewed as planned during the first quarter of 2016/17, informed by the learning from the first year of operation.

## 3. The Governance Framework

3.1 BCC has the following arrangements in place regarding its key systems and processes which comprise the authority's governance framework:

**Policy, Planning and Decision Making**

3.2 The Council has a Strategic Plan 2015-2017 which is focussed on delivery of three themes:

- Safeguarding our Vulnerable
- Creating Opportunities and Building Self Resilience
- Keeping Buckinghamshire Thriving and Attractive

The Council's Strategic Plan 2015-2017, and the Strategic Plan priorities are available on the public website, http://www.buckscc.gov.uk/about-your-council/our-plans/

3.3 The Strategic Plan provides the focus for the improvements and changes in service delivery that are being made in all areas of the Council. Underpinning the Strategic Plan are five Business Unit Plans which act as action plans, bringing together budget, performance, and project and risk data under several objectives. The Strategy and Policy team facilitates delivery of the Strategic Plan working closely with Business Units and Partners to spread best practice, track performance and create links with budget and risk data whilst also strengthening performance against local targets.

3.4 Policy and decision making is undertaken via a Leader and Cabinet Structure with Cabinet Member portfolios. All key policies are equality impact assessed. In addition to the Council and Cabinet, there are six standing committees and 19 established Local Area Forums/Local Community Partnerships. The local area forums/local community partnerships have a remit to discuss and propose local issues to the Cabinet through local area planning arrangements and to advise on council expenditure. Members of the public can raise issues of local concern and discuss these with their councillors. Every Committee report is subject to a review by the Director (Legal); the Council's Monitoring Officer; and, the Director of Assurance, to ensure that the Council is acting lawfully and that the risk implications of reports requiring a decision have been identified. Cross-organisation joint committees are established where it is appropriate.

3.5 The Council has a statutory Regulatory and Audit Committee which oversees the regulatory and governance functions of the Council such as reviewing the work of the Business Assurance Team (including Internal Audit and Risk Management) and External Audit. This Committee are the custodians of the Councils Constitution and provide independent assurance to the Council on risk management and internal control, and the effectiveness of the arrangements the Council has for these matters. This Committee also provides overview to the financial reporting process. The Committee meets at least quarterly and seeks to strengthen the assurance framework of the Council and also receives quarterly progress reports on internal control and risk management. There is a Risk Management Group which operates under the direction of the Committee, chaired by the Chairman of the Regulatory and Audit Committee and comprises of members of the Committee, the Chief Internal Auditor, S151 Officer, Monitoring Officer, and the Business Assurance Manager. This Group is responsible for monitoring and reviewing the adequacy and effectiveness of the risk management strategy and processes. The Group routinely reports to the Regulatory and Audit Committee.

3.6 The Council operates a Code of Conduct. The Regulatory and Audit Committee has the responsibility for ensuring that the Council continues to uphold high standards of behaviour and oversee standards policy and strategy development and member training, while hearings relating to standards complaints will be heard by members of the Appeal and Complaints Committee, that will be formed as required from the group of members on the Regulatory and Audit Committee.

3.7 The Council operates a scrutiny function through four Select Committees: Children's Social Care and Learning Select Committee; Transport, Environment and Communities Select Committee; Finance, Performance and Resources Select Committee; and, the Health and Adult Social Care Select Committee.

3.8 The Council obtains stakeholder views through a number of different ways, as outlined on the public website, coordinated by Strategy and Policy. Stakeholder views are considered as part of standard reporting that underpins decision-making.

### Monitoring of Performance and Compliance

3.9 The Council has a duty to ensure that it acts in accordance with the law and various regulations, including European Commission Directives, in the performance of its functions. The Council has developed policies and procedures for its members and staff to ensure that, as far as possible, all understand their responsibilities both to the authority and the public. These procedures and policies are laid down in the Constitution, Standing Orders, Financial Regulations, Local Management in Schools Handbook and service procedure documentation.

3.10 The Council has adopted Codes of Conduct for its Members and staff and provides training in these areas as part of induction programmes. The Council's Monitoring Officer is responsible for monitoring and reporting on significant breaches of the Member code to the Regulatory and Audit Committee. Member training events are frequently held and attendance is recorded. The Council's Anti-Fraud and Corruption Framework (which includes whistle blowing) applies to all stakeholders, and is reviewed annually by the Regulatory and Audit Committee.

3.11 The Council has established an Operating Framework which outlines the Council's commitment to conducting its operations in accordance with good governance principles. The operating framework co-ordinates the various strands of governance across the organisation. A system of assurance has been developed to monitor the compliance with the Operating Framework across the organisation, and the effectiveness of the governance arrangements; risk management; and, the system of internal control. The Business Assurance Team is responsible for monitoring the assurance framework, and for the routine reporting to the One Council Board (OCB) and the Regulatory and Audit Committee.

3.12 There is a "Professional Lead" identified for the key control systems that underpin good governance within the Council. Their role is to provide a corporate oversight of the quality and effectiveness of the key systems. They form part of the Assurance Framework, and have provided an assurance opinion on the key control systems to support this AGS. It is expected in 2016/17 that the Professional Leads will routinely report on their level of assurance, to the OCB and the Regulatory and Audit Committee as part of a standard governance reporting cycle. The overall assurance opinion from the Professional Lead is as follows:

| Key Control System | Opinion |
|---|---|
| Asset Management | Limited |
| Business Continuity Planning | Limited |
| Commissioning/Contract Management | Reasonable |
| Communications | Reasonable |
| Decision Making | Reasonable |
| Financial Management | Reasonable |
| Health and Safety | Reasonable |
| Human Resources | Reasonable |
| ICT | Reasonable |
| Project Management | Limited |
| Risk Management | Reasonable |

3.13 In addition to the key control systems, assurance maps of the main services in the Transport, Environment and Economy (TEE), and the Business Services Plus (BSP), Business Units have been prepared. In 2016/17 assurance maps will be prepared for the main services within Communities Health and Adult Social Care (CHASC), and Children's Social Care and Learning (CSC&L). In 2016/17 the Managing Directors will routinely report on the level of assurance of their main services as part of the standard governance reporting cycle.

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- The Chief Auditor had operational management responsibility for the Risk Management and Strategic Insurance functions, so is not wholly independent. The risk of conflict of interest is managed through the Risk Management Group who under the direction of the Chairman of the Regulatory and Audit Committee, monitors and reviews the adequacy and effectiveness of the risk management strategy and process; and, where audit activity is undertaken in areas where the Chief Auditor has operational responsibility, the Business Assurance Manager reports directly to the Director of Assurance (S151 Officer). From 1 April 2016, the Chief Auditor responsibilities have been reallocated, so the officer holding to position of Chief Auditor no longer has operational responsibility for Strategic Insurance.
- An Internal Audit Charter is being drafted.; and,
- A Quality Assurance and Improvement Programme is being drafted and will be presented to the Regulatory and Audit Committee with the Internal Audit Charter in September 2016.

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3.19 There were 10 "limited assurance" reports issued by Internal Audit during the year, concluding that there were not the necessary controls in place to give assurance that the system's objectives will be met:

- General Ledger (incl. interfaces)
- Accounts Receivable (incl. Cash Receipting)
- Client Transport – Safeguarding
- BLT Governance
- Commissioning – Residential Placements
- Special Education Needs
- Beechview School
- Hannah Ball School
- Elmhurst School
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Actions plans are in place to address the issues raised by the audits.

3.20 In 2010 the Chartered Institute of Public Finance and Accountancy (CIPFA) issued a Statement on the "Role of the Head of Internal Audit in public service organisations". This outlines the principles that define the core activities and behaviours that belong to the role of the Head of Internal Audit and the governance requirements needed to support them. The Council's arrangements conform with the governance requirements of the CIPFA statement as outlined below:

- The Chief Auditor objectively assesses the adequacy of governance and management of existing risks, commenting on responses to emerging risks and proposed developments; and
- Gives an objective and evidence based opinion on all aspects of governance, risk management and internal control.
- The Chief Auditor is a Senior Manager with regular and open engagement across the organisation, including the Leadership Team and the Regulatory and Audit Committee;
- Leads and directs an internal audit service that is resourced to be fit for purpose; and, is professionally qualified and suitably experienced.

**Financial Management of the Council**

3.21 The Council has a statutory responsibility under the Accounts and Audit Regulations 2015 for ensuring that the financial management arrangements are adequate and effective and that there is a sound system of internal control that facilitates the effective exercise of the Council's functions. The Director of Assurance has the statutory responsibility under Section 151 of the Local Government Act 1972 for the proper administration of the Council's financial affairs and specifically to:

- Maintain accounts and financial records to meet the requirements of Statutes, Regulations, Accounting Conventions and Codes of Practice.
- Be responsible for maintaining an independent audit function to carry out an examination of accounting, financial and other operations of the Council.
- Put in place financial standards across the Council to deliver a framework for financial control, provide accurate, timely and consistent monitoring information and sound advice on financial decisions to be made by officers and members.

3.22 In 2010 the Chartered Institute of Public Finance and Accountancy (CIPFA) issued a Statement on the "Role of the Chief Financial Officer in Local Government". This outlines the principles that define the core activities and behaviours that belong to the role of Chief Financial Officer and the governance requirements needed to support them. The Director of Assurance undertakes the role of the Chief Finance Officer, conforming with the governance requirements of the CIPFA statement as outlined below:

- The Director of Assurance is a member of the One Council Board, helping it to develop and implement strategy and to resource and deliver the County Council's strategic objectives.
- The Director of Assurance is actively involved in, and able to bring influence to bear on, all material business decisions to ensure immediate and longer term implications, opportunities and risks are fully considered, and aligned with the Medium Term Financial Strategy.
- The Director of Assurance leads the promotion and delivery by the County Council of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently and effectively.
- The Director of Assurance leads and directs a finance function that is adequately resourced to be fit for purpose.
- The Director of Assurance is professionally qualified and suitably experienced.

3.23 The Council currently has a four year medium term financial strategy, under which it plans its finances. This is considered by the Cabinet and OCB and approved by the Council. The Council sets annual revenue and capital budgets that are reviewed by the Finance, Performance and Resources Select Committee. Budgets are monitored throughout the year.

3.24 The Council has a set of Financial Regulations and Standing Orders as to Contracts which form part of the Constitution. Managing Directors are required to maintain systems and processes within their Business Unit ensure they keep accurate financial records, comply with the financial control framework and take timely actions to keep spend within budget. There is a Finance Director within each Business Unit with responsibility for ensuring that financial management and financial control is operating effectively.

3.25 Under the management structures within each Business Unit, accountable to the Managing Directors, Service Managers have considerable responsibility with respect to finance. These responsibilities include maintaining a proper system of budgetary control, maximising income and ensuring grant claims are submitted on time and ensuring that adequate financial controls are in place. Each service operates a Scheme of Financial Delegation that sets out the type and level of financial delegation given to named officers within the service. The Schemes of Financial Delegation are approved by the Managing Director and by the Director of Assurance / S151 Officer.

3.26 Finance staff collate financial information provide financial advice to the managers, help to implement the financial control framework and ensure sound financial administrative systems are in place. Contract Standing Orders and Financial Regulations are kept under regular review to ensure that guidance is up to date and relevant.

3.27 The Council's external auditors provide independent scrutiny of the control mechanisms and the accuracy and legitimacy of the Council's financial transactions. The external auditors also consider the Financial Management arrangements, and provide an opinion on value for money systems. Auditor reports are considered by the Regulatory and Audit Committee.

3.28 A Scheme of Delegation that sets out the powers delegated to officers, the Financial Regulations and Contract Standing Orders form part of the Constitution. The Constitution is reviewed regularly by the Monitoring Officer and is available on the Internet; any recommended amendments are considered by the Regulatory and Audit Committee, and reported for approval by full Council.

**Economic, Effective and Efficient Use of Resources and Continuous Improvement**

3.29 Service Managers are responsible for ensuring that they adopt the principles of continuous improvement and value for money. Finance Directors in each Business Unit provide monitoring and scrutiny of the financial management processes. The Procurement Team work with all Business Units to ensure purchasing decisions maximise the economic, effective and efficient use of resources.

## 4. Review of effectiveness

4.1 BCC has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework, including the system of internal control. The Council's review of effectiveness is an on-going process, using outcomes from many of the procedures described above. All outcomes are considered by the officers responsible for developing the Annual Governance Statement.

4.2 The review which has been undertaken for the purposes of this statement has relied upon the work of the Chief Executive, Director of Assurance/S151, the Monitoring Officer, Professional Leads and the Business Assurance Team. We have also used the assurances provided by the Business Units Managing Directors through their signing of the "Certificate of Assurance".

**The Council**:

- Agrees our annual budget in accordance with the Council Plan priorities;
- Receives the Treasury Management Strategy and an annual report;
- Has agreed the Constitution that sets out the decision making structure, delegated authority and Financial Regulations which underpin the internal control framework.

**The Cabinet:**

- Monitors performance against the Corporate Objectives;
- Makes key decisions subject to inclusion on the forward plan;
- Considers and reviews budget monitoring reports on a quarterly basis;

**The Regulatory and Audit Committee:**

- Consider external auditor reports;
- Consider annual and quarterly reports from Internal Audit;
- Review and agree this Statement;
- Review and agree the final accounts;
- Consider issues of key risk identified by the Corporate Risk Register or specifically raised by the Chief Auditor
- Reviews the Treasury Management Strategy and Annual Report

**Select Committees:**

- Oversees and scrutinises decisions made by the Cabinet.

**Pension Fund Committee:**

- Oversees all matters relating to the BCC Pension Fund.

**Management Teams:**

- OCB receive regular reports in relation to assurance (e.g. financial, risk, audit, performance).

**Internal Audit and Risk Management (Business Assurance Team):**

- Provide objective and independent assurance to the Council on operational and financial controls via delivery of an agreed audit plan;
- Where identified as a result of audit work, significant internal control weaknesses have been reported to Managing Directors and Service Directors at the conclusion of each audit. A quarterly report of significant findings is made to the Regulatory and Audit Committee.

**Professional Leads**

- Responsible for ensuring policies and procedures are maintained and complied with across the Council, providing an evidence based assurance opinion; and

**External Audit and Inspectorates:**

- The Director of Assurance meets the External Auditors on a monthly basis and any concerns they have regarding the internal control environment are raised. These meetings become more frequent during the closing of the accounts process when any material weaknesses or issues are raised;
- The External Auditor’s reports are considered by the Regulatory and Audit Committee.
- The External Auditor, Director of Assurance, and the Chief Auditor meet regularly to discuss areas of risk and to agree work plans to ensure good co-ordination of resources.
- The outputs from the various Inspectorates are used by Service Directors where applicable to inform their certificate of assurance self- assessment.

## 5. Significant governance issues

5.1 It should be noted that governance issues facing the organisation are not necessarily always a result of weaknesses within the internal control framework. The following are the key matters arising from the review of 15/16, including the outcome of the actions set out in last year's AGS. The 2015/16 AGS Action Plan is set out in appendix 1:

5.2 The 2014/15 annual governance statement identified five key actions to improve the governance framework, the outcome of the action plan is as follows:

**Non-conformance with the Public Sector Internal Audit Standards**

There were two areas of non-conformance requiring action; the preparation of a continuous improvement plan; and, the production of an Internal Audit Charter. The documents are being drafted ready for OCB and Regulatory and Audit Committee approval.

**On-going development of the Contract Management Framework**

Compliance with the use of the Contract Management Application (CMA) software, and routine management reporting established to provide assurance over the performance and effectiveness of contract management arrangements for all major contracts.

The OCB agreed resources for the development of the CMA, and the contract management framework, which has been an on-going process during 2015/16. Progress reports have been routinely provided to the Regulatory and Audit Committee, the latest in April 2016. Management reporting has been developed and tested; the Regulatory and Audit Committee has requested a further update to include performance information on major contracts, and on the contract pipeline to be assured that commissioning and procurement is being undertaken on a timely basis.

**Business Continuity Plans**

Business Continuity Plans to be maintained with reasonable assurance over completeness and application

The Regulatory and Audit Committee received an update in February but was not assured by the progress so a further update has been requested. In addition, In their year-end statement of assurance, the Professional Lead for Business Continuity has concluded only limited assurance over completeness of business continuity plans; and highlighted a further weakness in the system of assurance over business continuity where there are dependencies in the supply chain (also identified as a weakness by the internal audit of business continuity in 2014/15). Business Continuity is retained as a key action in this 2015/16 Annual Governance Statement.

**Governance over Alternative Delivery Vehicles**

Review of the governance of ADV's and the effectiveness in providing assurance over the interests of the Council in those bodies.

The OCB has reviewed the existing arrangements with current ADV's and strengthened the governance arrangements. The Regulatory and Audit Committee has received regular updates on the governance improvements for the Bucks Learning Trust ADV. For all existing ADV's the business cases are being refreshed for further consideration in 2016. The OCB has agreed new procedures for considering the business cases for any future ADV's.

**Embedding the Operating Framework and system of assurance**

Implementing the Assurance Framework with routine reporting to the OCB and Regulatory and Audit Committee.

The Regulatory and Audit Committee approved the Assurance and Risk Management Strategy, which has been implemented in 2015/16. Delivery of the strategy remains on-going but good progress has been made; however, practices and procedures are still being developed in particular the management reporting; and, assurance mapping of key services in both CHASC and CSC&L are to be completed. This will remain an action for 2016/17, to ensure the assurance framework is embedded and an integrated part of the governance reporting process

5.3 In 2015/16 Internal Audit issued ten audit reports with a conclusion of 'Limited' assurance over the system of internal control. Management actions have been agreed, and positive assurance received from the Managers that actions are being taken, either through the Audit Action Tracking system, or directly through managers reporting progress to the Regulatory and Audit Committee. Follow up audits will be undertaken in 2016/17 to provide assurance to the Committee that the actions are complete and the improved controls are operating effectively.

5.4 The Internal Audits of financial systems and a number of unplanned investigations into financial irregularity has highlighted weaknesses with compliance and in process and procedures. The Professional Lead for Financial Management has also identified that the management controls and corporate oversight are restricted due to capacity and access to data, therefore limiting the assurance that can be provided. There are plans in place for improving the existing weaknesses; however as financial control is key in underpinning the governance and operation of the Council, it has been highlighted as a key action in this AGS.

5.5 Three Professional Leads have provided an opinion of "limited assurance" within their key control system, so actions have been included in Appendix 1:

**Business Continuity**

This is an area highlighted for improvement in 2014/15, as stated in section 5.2 above. The Professional Lead's opinion confirms that assurance in this area remains limited.

**Property Management**

There is reasonable assurance on compliance matters on major projects; however there is only limited assurance over "cyclical inspection and maintenance of plant and equipment". This is because the records which would provide such assurance are not complete. Data improvement has been identified for action:

**Project Management**

The Programme Management Office is a new service within HQ, and as such the assurance framework is under development; however the Professional Lead has identified areas for improvement in the overall governance of this area, including the need to: review and relaunch the Project Management toolkit; update the gateway process for revenue projects; develop more robust criteria for identifying major transformational change projects and programmes to be included under the single view of change procedure; ensure key decision makers have access to the single view of change register; review training requirements; and ensure monitoring of benefits realisation is undertaken.

## 6 Declaration

6.1 We have been advised on the implications of the result of the review of effectiveness by the Regulatory and Audit Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

Signed ………………….. Signed …………………………..
Chief Executive Leader of the Council

27 July 2016

## Appendix 1 – AGS ACTION PLAN

| Governance Issue | Action to be taken | Responsible Officer | Timescale for completion |
|---|---|---|---|
| Business Continuity Plans | Business Continuity Plans to be maintained with reasonable assurance over completeness and application, including through the supply chain. | Resilience Manager | March 2017 |
| Financial Management – Financial Control | Actions identified by the Professional Lead to improve the management controls, and actions arising from the 2015/16 Internal Audits to be implemented and tested to ensure confidence in their application and effectiveness. | Director of Assurance/Head of Strategic Finance | March 2017 |
| Embedding the Operating Framework and system of assurance | Implementing the Assurance Framework with routine reporting to the OCB and the Regulatory and Audit Committee. | Director of Assurance/Chief Auditor | March 2017 |
| Data Quality for the management of cyclical maintenance and inspection of plant and equipment. | Actions identified by the Professional Lead to be implemented and tested to ensure confidence in their application and effectiveness. | Head of Strategic Assets | March 2017 |
| Management oversight of the governance of project and programme management. | Develop the professional lead role to provide the management oversight of programmes and projects; and, develop the support and guidance to management and staff responsible for the delivery of projects. | Programme Management Officer | March 2017 |

**Appendix 2**

# Final Annual Governance Statement 2015/2016

## 1. Scope of responsibility

1.1 Buckinghamshire County Council (BCC) is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for and used economically, efficiently and effectively. BCC also has a duty, under the Local Government Act 1999, to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

1.2 In discharging this overall responsibility, BCC is responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions. Good corporate governance means that:

- The purpose and vision of the Council is clear to everyone;
- The Council has clear values, focusing on customers and the way we work;
- There is robust engagement and consultation with local people and stakeholders;
- Councillors and officers have clear functions, roles and responsibilities and training;
- Standards of conduct and behaviour are high, and meet the values of the Council;
- Decisions are taken in an informed, transparent and accountable way, focusing on outcomes for the community;
- Decisions are the subject of review and scrutiny;
- Risks are considered and managed to a reasonable level;
- There are strong and effective system of internal control; and that

1.3 The Council has approved and adopted a Constitution, and an internal Operating Framework and Procedure Report, which sets out the corporate governance framework for the Council consistent with the principles of the CIPFA/SOLACE Framework "Delivering Good Governance in Local Government". The Buckinghamshire County Council Constitution is on the BCC website, www.buckscc.gov.uk.

1.4 This statement describes the BCC corporate governance and compliance in 2015/16, and up to the date of the approval of the Statement of Accounts. This Annual Governance Statement is required by Regulation 6(1) (b) of the Accounts and Audit (England) Regulations 2015.

## 2. The purpose of the governance framework

2.1 The governance framework comprises the systems and processes, culture and values by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads its communities. The framework enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money

2.2 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of not achieving policies, aims and objectives and can therefore only provide a reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the Council of not meeting its policies, aims and objectives, to evaluate the likelihood and potential impact of those risks being realised, and to manage them efficiently, effectively and economically.

2.3 On 1 April 2015, the Council adopted the new management structures and operating framework; including changes to the Constitution, developed under the "Future Shape" Programme in 2014/15. The Constitution has been subject to minor changes in 2015/16, approved by the Regulatory and Audit Committee; the Operating Framework is being reviewed as planned during the first quarter of 2016/17, informed by the learning from the first year of operation.

## 3. The Governance Framework

3.1 BCC has the following arrangements in place regarding its key systems and processes which comprise the authority's governance framework:

### Policy, Planning and Decision Making

3.2 The Council has a Strategic Plan 2015-2017 which is focussed on delivery of three themes:

- Safeguarding our Vulnerable
- Creating Opportunities and Building Self Resilience
- Keeping Buckinghamshire Thriving and Attractive

The Council's Strategic Plan 2015-2017, and the Strategic Plan priorities are available on the public website, http://www.buckscc.gov.uk/about-your-council/our-plans/

3.3 The Strategic Plan provides the focus for the improvements and changes in service delivery that are being made in all areas of the Council. Underpinning the Strategic Plan are five Business Unit Plans which act as action plans, bringing together budget, performance, and project and risk data under several objectives. The Strategy and Policy team facilitates delivery of the Strategic Plan working closely with Business Units and Partners to spread best practice, track performance and create links with budget and risk data whilst also strengthening performance against local targets.

3.4 Policy and decision making is undertaken via a Leader and Cabinet Structure with Cabinet Member portfolios. All key policies are equality impact assessed. In addition to the Council and Cabinet, there are six standing committees and 19 established Local Area Forums/Local Community Partnerships. The local area forums/local community partnerships have a remit to discuss and propose local issues to the Cabinet through local area planning arrangements and to advise on council expenditure. Members of the public can raise issues of local concern and discuss these with their councillors. Every Committee report is subject to a review by the Director (Legal); the Council's Monitoring Officer; and, the Director of Assurance, to ensure that the Council is acting lawfully and that the risk implications of reports requiring a decision have been identified. Cross-organisation joint committees are established where it is appropriate.

3.5 The Council has a statutory Regulatory and Audit Committee which oversees the regulatory and governance functions of the Council such as reviewing the work of the Business Assurance Team (including Internal Audit and Risk Management) and External Audit. This Committee are the custodians of the Councils Constitution and provide independent assurance to the Council on risk management and internal control, and the effectiveness of the arrangements the Council has for these matters. This Committee also provides overview to the financial reporting process. The Committee meets at least quarterly and seeks to strengthen the assurance framework of the Council and also receives quarterly progress reports on internal control and risk management. There is a Risk Management Group which operates under the direction of the Committee, chaired by the Chairman of the Regulatory and Audit Committee and comprises of members of the Committee, the Chief Internal Auditor, S151 Officer, Monitoring Officer, and the Business Assurance Manager. This Group is responsible for monitoring and reviewing the adequacy and effectiveness of the risk management strategy and processes. The Group routinely reports to the Regulatory and Audit Committee.

3.6 The Council operates a Code of Conduct. The Regulatory and Audit Committee has the responsibility for ensuring that the Council continues to uphold high standards of behaviour and oversee standards policy and strategy development and member training, while hearings relating to standards complaints will be heard by members of the Appeal and Complaints Committee, that will be formed as required from the group of members on the Regulatory and Audit Committee.

3.7 The Council operates a scrutiny function through four Select Committees: Children's Social Care and Learning Select Committee; Transport, Environment and Communities Select Committee; Finance, Performance and Resources Select Committee; and, the Health and Adult Social Care Select Committee.

3.8 The Council obtains stakeholder views through a number of different ways, as outlined on the public website, coordinated by Strategy and Policy. Stakeholder views are considered as part of standard reporting that underpins decision-making.

### Monitoring of Performance and Compliance

3.9 The Council has a duty to ensure that it acts in accordance with the law and various regulations, including European Commission Directives, in the performance of its functions. The Council has developed policies and procedures for its members and staff to ensure that, as far as possible, all understand their responsibilities both to the authority and the public. These procedures and policies are laid down in the Constitution, Standing Orders, Financial Regulations, Local Management in Schools Handbook and service procedure documentation.

3.10 The Council has adopted Codes of Conduct for its Members and staff and provides training in these areas as part of induction programmes. The Council's Monitoring Officer is responsible for monitoring and reporting on significant breaches of the Member code to the Regulatory and Audit Committee. Member training events are frequently held and attendance is recorded. The Council's Anti-Fraud and Corruption Framework (which includes whistle blowing) applies to all stakeholders, and is reviewed annually by the Regulatory and Audit Committee.

3.11 The Council has established an Operating Framework which outlines the Council's commitment to conducting its operations in accordance with good governance principles. The operating framework co-ordinates the various strands of governance across the organisation. A system of assurance has been developed to monitor the compliance with the Operating Framework across the organisation, and the effectiveness of the governance arrangements; risk management; and, the system of internal control. The Business Assurance Team is responsible for monitoring the assurance framework, and for the routine reporting to the One Council Board (OCB) and the Regulatory and Audit Committee.

3.12 There is a "Professional Lead" identified for the key control systems that underpin good governance within the Council. Their role is to provide a corporate oversight of the quality and effectiveness of the key systems. They form part of the Assurance Framework, and have provided an assurance opinion on the key control systems to support this AGS. It is expected in 2016/17 that the Professional Leads will routinely report on their level of assurance, to the OCB and the Regulatory and Audit Committee as part of a standard governance reporting cycle. The overall assurance opinion from the Professional Lead is as follows:

| Key Control System | Opinion |
|---|---|
| Asset Management | Limited |
| Business Continuity Planning | Limited |
| Commissioning/Contract Management | Reasonable |
| Communications | Reasonable |
| Decision Making | Reasonable |
| Financial Management | Reasonable |
| Health and Safety | Reasonable |
| Human Resources | Reasonable |
| ICT | Reasonable |
| Project Management | Limited |
| Risk Management | Reasonable |

3.13 In addition to the key control systems, assurance maps of the main services in the Transport, Environment and Economy (TEE), and the Business Services Plus (BSP), Business Units have been prepared. In 2016/17 assurance maps will be prepared for the main services within Communities Health and Adult Social Care (CHASC), and Children's Social Care and Learning (CSC&L). In 2016/17 the Managing Directors will routinely report on the level of assurance of their main services as part of the standard governance reporting cycle.

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3.19 There were 10 "limited assurance" reports issued by Internal Audit during the year, concluding that there were not the necessary controls in place to give assurance that the system's objectives will be met:

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- Leads and directs an internal audit service that is resourced to be fit for purpose; and, is professionally qualified and suitably experienced.

**Financial Management of the Council**

3.21 The Council has a statutory responsibility under the Accounts and Audit Regulations 2015 for ensuring that the financial management arrangements are adequate and effective and that there is a sound system of internal control that facilitates the effective exercise of the Council’s functions. The Director of Assurance has the statutory responsibility under Section 151 of the Local Government Act 1972 for the proper administration of the Council’s financial affairs and specifically to:

- Maintain accounts and financial records to meet the requirements of Statutes, Regulations, Accounting Conventions and Codes of Practice.
- Be responsible for maintaining an independent audit function to carry out an examination of accounting, financial and other operations of the Council.
- Put in place financial standards across the Council to deliver a framework for financial control, provide accurate, timely and consistent monitoring information and sound advice on financial decisions to be made by officers and members.

3.22 In 2010 the Chartered Institute of Public Finance and Accountancy (CIPFA) issued a Statement on the “Role of the Chief Financial Officer in Local Government”. This outlines the principles that define the core activities and behaviours that belong to the role of Chief Financial Officer and the governance requirements needed to support them. The Director of Assurance undertakes the role of the Chief Finance Officer, conforming with the governance requirements of the CIPFA statement as outlined below:

- The Director of Assurance is a member of the One Council Board, helping it to develop and implement strategy and to resource and deliver the County Council's strategic objectives.
- The Director of Assurance is actively involved in, and able to bring influence to bear on, all material business decisions to ensure immediate and longer term implications, opportunities and risks are fully considered, and aligned with the Medium Term Financial Strategy.
- The Director of Assurance leads the promotion and delivery by the County Council of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently and effectively.
- The Director of Assurance leads and directs a finance function that is adequately resourced to be fit for purpose.
- The Director of Assurance is professionally qualified and suitably experienced.

3.23 The Council currently has a four year medium term financial strategy, under which it plans its finances. This is considered by the Cabinet and OCB and approved by the Council. The Council sets annual revenue and capital budgets that are reviewed by the Finance, Performance and Resources Select Committee. Budgets are monitored throughout the year.

3.24 The Council has a set of Financial Regulations and Standing Orders as to Contracts which form part of the Constitution. Managing Directors are required to maintain systems and processes within their Business Unit ensure they keep accurate financial records, comply with the financial control framework and take timely actions to keep spend within budget. There is a Finance Director within each Business Unit with responsibility for ensuring that financial management and financial control is operating effectively.

3.25 Under the management structures within each Business Unit, accountable to the Managing Directors, Service Managers have considerable responsibility with respect to finance. These responsibilities include maintaining a proper system of budgetary control, maximising income and ensuring grant claims are submitted on time and ensuring that adequate financial controls are in place. Each service operates a Scheme of Financial Delegation that sets out the type and level of financial delegation given to named officers within the service. The Schemes of Financial Delegation are approved by the Managing Director and by the Director of Assurance / S151 Officer.

3.26 Finance staff collate financial information provide financial advice to the managers, help to implement the financial control framework and ensure sound financial administrative systems are in place. Contract Standing Orders and Financial Regulations are kept under regular review to ensure that guidance is up to date and relevant.

3.27 The Council's external auditors provide independent scrutiny of the control mechanisms and the accuracy and legitimacy of the Council's financial transactions. The external auditors also consider the Financial Management arrangements, and provide an opinion on value for money systems. Auditor reports are considered by the Regulatory and Audit Committee.

3.28 A Scheme of Delegation that sets out the powers delegated to officers, the Financial Regulations and Contract Standing Orders form part of the Constitution. The Constitution is reviewed regularly by the Monitoring Officer and is available on the Internet; any recommended amendments are considered by the Regulatory and Audit Committee, and reported for approval by full Council.

**Economic, Effective and Efficient Use of Resources and Continuous Improvement**

3.29 Service Managers are responsible for ensuring that they adopt the principles of continuous improvement and value for money. Finance Directors in each Business Unit provide monitoring and scrutiny of the financial management processes. The Procurement Team work with all Business Units to ensure purchasing decisions maximise the economic, effective and efficient use of resources.

## 4. Review of effectiveness

4.1 BCC has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework, including the system of internal control. The Council's review of effectiveness is an on-going process, using outcomes from many of the procedures described above. All outcomes are considered by the officers responsible for developing the Annual Governance Statement.

4.2 The review which has been undertaken for the purposes of this statement has relied upon the work of the Chief Executive, Director of Assurance/S151, the Monitoring Officer, Professional Leads and the Business Assurance Team. We have also used the assurances provided by the Business Units Managing Directors through their signing of the "Certificate of Assurance".

**The Council**:

- Agrees our annual budget in accordance with the Council Plan priorities;
- Receives the Treasury Management Strategy and an annual report;
- Has agreed the Constitution that sets out the decision making structure, delegated authority and Financial Regulations which underpin the internal control framework.

**The Cabinet:**

- Monitors performance against the Corporate Objectives;
- Makes key decisions subject to inclusion on the forward plan;
- Considers and reviews budget monitoring reports on a quarterly basis;

**The Regulatory and Audit Committee:**

- Consider external auditor reports;
- Consider annual and quarterly reports from Internal Audit;
- Review and agree this Statement;
- Review and agree the final accounts;
- Consider issues of key risk identified by the Corporate Risk Register or specifically raised by the Chief Auditor
- Reviews the Treasury Management Strategy and Annual Report

**Select Committees:**

- Oversees and scrutinises decisions made by the Cabinet.

**Pension Fund Committee:**

- Oversees all matters relating to the BCC Pension Fund.

**Management Teams:**

- OCB receive regular reports in relation to assurance (e.g. financial, risk, audit, performance).

**Internal Audit and Risk Management (Business Assurance Team):**

- Provide objective and independent assurance to the Council on operational and financial controls via delivery of an agreed audit plan;
- Where identified as a result of audit work, significant internal control weaknesses have been reported to Managing Directors and Service Directors at the conclusion of each audit. A quarterly report of significant findings is made to the Regulatory and Audit Committee.

**Professional Leads**

- Responsible for ensuring policies and procedures are maintained and complied with across the Council, providing an evidence based assurance opinion; and

**External Audit and Inspectorates:**

- The Director of Assurance meets the External Auditors on a monthly basis and any concerns they have regarding the internal control environment are raised. These meetings become more frequent during the closing of the accounts process when any material weaknesses or issues are raised;
- The External Auditor's reports are considered by the Regulatory and Audit Committee.
- The External Auditor, Director of Assurance, and the Chief Auditor meet regularly to discuss areas of risk and to agree work plans to ensure good co-ordination of resources.
- The outputs from the various Inspectorates are used by Service Directors where applicable to inform their certificate of assurance self- assessment.

## 5. Significant governance issues

5.1 It should be noted that governance issues facing the organisation are not necessarily always a result of weaknesses within the internal control framework. The following are the key matters arising from the review of 15/16, including the outcome of the actions set out in last year's AGS. The 2015/16 AGS Action Plan is set out in appendix 1:

5.2 The 2014/15 annual governance statement identified five key actions to improve the governance framework, the outcome of the action plan is as follows:

**Non-conformance with the Public Sector Internal Audit Standards**

There were two areas of non-conformance requiring action; the preparation of a continuous improvement plan; and, the production of an Internal Audit Charter. The documents are being drafted ready for OCB and Regulatory and Audit Committee approval.

**On-going development of the Contract Management Framework**

Compliance with the use of the Contract Management Application (CMA) software, and routine management reporting established to provide assurance over the performance and effectiveness of contract management arrangements for all major contracts.

The OCB agreed resources for the development of the CMA, and the contract management framework, which has been an on-going process during 2015/16. Progress reports have been routinely provided to the Regulatory and Audit Committee, the latest in April 2016. Management reporting has been developed and tested; the Regulatory and Audit Committee has requested a further update to include performance information on major contracts, and on the contract pipeline to be assured that commissioning and procurement is being undertaken on a timely basis.

**Business Continuity Plans**

Business Continuity Plans to be maintained with reasonable assurance over completeness and application

The Regulatory and Audit Committee received an update in February but was not assured by the progress so a further update has been requested. In addition, In their year-end statement of assurance, the Professional Lead for Business Continuity has concluded only limited assurance over completeness of business continuity plans; and highlighted a further weakness in the system of assurance over business continuity where there are dependencies in the supply chain (also identified as a weakness by the internal audit of business continuity in 2014/15). Business Continuity is retained as a key action in this 2015/16 Annual Governance Statement.

**Governance over Alternative Delivery Vehicles**

Review of the governance of ADV’s and the effectiveness in providing assurance over the interests of the Council in those bodies.

The OCB has reviewed the existing arrangements with current ADV’s and strengthened the governance arrangements. The Regulatory and Audit Committee has received regular updates on the governance improvements for the Bucks Learning Trust ADV. For all existing ADV’s the business cases are being refreshed for further consideration in 2016. The OCB has agreed new procedures for considering the business cases for any future ADV’s.

**Embedding the Operating Framework and system of assurance**

Implementing the Assurance Framework with routine reporting to the OCB and Regulatory and Audit Committee.

The Regulatory and Audit Committee approved the Assurance and Risk Management Strategy, which has been implemented in 2015/16. Delivery of the strategy remains on-going but good progress has been made; however, practices and procedures are still being developed in particular the management reporting; and, assurance mapping of key services in both CHASC and CSC&L are to be completed. This will remain an action for 2016/17, to ensure the assurance framework is embedded and an integrated part of the governance reporting process

5.3 In 2015/16 Internal Audit issued ten audit reports with a conclusion of 'Limited' assurance over the system of internal control. Management actions have been agreed, and positive assurance received from the Managers that actions are being taken, either through the Audit Action Tracking system, or directly through managers reporting progress to the Regulatory and Audit Committee. Follow up audits will be undertaken in 2016/17 to provide assurance to the Committee that the actions are complete and the improved controls are operating effectively.

5.4 The Internal Audits of financial systems and a number of unplanned investigations into financial irregularity has highlighted weaknesses with compliance and in process and procedures. The Professional Lead for Financial Management has also identified that the management controls and corporate oversight are restricted due to capacity and access to data, therefore limiting the assurance that can be provided. There are plans in place for improving the existing weaknesses; however as financial control is key in underpinning the governance and operation of the Council, it has been highlighted as a key action in this AGS.

5.5 Three Professional Leads have provided an opinion of “limited assurance” within their key control system, so actions have been included in Appendix 1:

**Business Continuity**

This is an area highlighted for improvement in 2014/15, as stated in section 5.2 above. The Professional Lead's opinion confirms that assurance in this area remains limited.

**Property Management**

There is reasonable assurance on compliance matters on major projects; however there is only limited assurance over "cyclical inspection and maintenance of plant and equipment". This is because the records which would provide such assurance are not complete. Data improvement has been identified for action:

**Project Management**

The Programme Management Office is a new service within HQ, and as such the assurance framework is under development; however the Professional Lead has identified areas for improvement in the overall governance of this area, including the need to: review and relaunch the Project Management toolkit; update the gateway process for revenue projects; develop more robust criteria for identifying major transformational change projects and programmes to be included under the single view of change procedure; ensure key decision makers have access to the single view of change register; review training requirements; and ensure monitoring of benefits realisation is undertaken.

## 6 Declaration

6.1 We have been advised on the implications of the result of the review of effectiveness by the Regulatory and Audit Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

| | |
|---|---|
| Signed ………………….. | Signed ………………………….. |
| Chief Executive | Leader of the Council |

27 July 2016

### Appendix 1 – AGS ACTION PLAN

| Governance Issue | Action to be taken | Responsible Officer | Timescale for completion |
|---|---|---|---|
| Business Continuity Plans | Business Continuity Plans to be maintained with reasonable assurance over completeness and application, including through the supply chain. | Resilience Manager | March 2017 |
| Financial Management – Financial Control | Actions identified by the Professional Lead to improve the management controls, and actions arising from the 2015/16 Internal Audits to be implemented and tested to ensure confidence in their application and effectiveness. | Director of Assurance/Head of Strategic Finance | March 2017 |
| Embedding the Operating Framework and system of assurance | Implementing the Assurance Framework with routine reporting to the OCB and the Regulatory and Audit Committee. | Director of Assurance/Chief Auditor | March 2017 |
| Data Quality for the management of cyclical maintenance and inspection of plant and equipment. | Actions identified by the Professional Lead to be implemented and tested to ensure confidence in their application and effectiveness. | Head of Strategic Assets | March 2017 |
| Management oversight of the governance of project and programme management. | Develop the professional lead role to provide the management oversight of programmes and projects; and, develop the support and guidance to management and staff responsible for the delivery of projects. | Programme Management Officer | March 2017 |

# Regulatory and Audit Committee

| | |
|---|---|
| **Title:** | Business Assurance Update |
| **Date:** | Thursday 28 July 2016 |
| **Author:** | Maggie Gibb, Head of Business Assurance |
| **Contact officer:** | Maggie Gibb – 01296 387327 |

**Local members affected:**

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

**Summary**

The attached report details the progress on planned and reactive activity for the Business Assurance function, including risk management, internal audit and counter fraud.

**Recommendation**

**To note the report.**

**Background Papers**

2016/17 Business Assurance Strategy

**Buckinghamshire County Council**

# Business Assurance Update

# 2016/17

## Regulatory and Audit Committee

## July 2016

## Contents

## Introduction

1. The Business Assurance Team is responsible for implementing the Council's Assurance and Risk Strategy through delivery of work programmes covering the following areas of activity:

    - Risk Management;
    - Internal Audit;
    - Counter Fraud; and
    - Assurance Framework.

2. Delivery of the Business Assurance work programmes helps ensure that there is an appropriate governance and control framework in place and that risk management is embedded across the Council.

3. The Internal Audit Plan will evolve during the year as the combined assurance model matures; as the assurance mapping exercises in CHASC and CSC&L develop, and as new risks emerge. A priority in the first quarter has been to complete the audit activity which was been "carried forward" from the 2015/16 Internal Audit Plan due to a number of unplanned investigations and urgent audit activity placing constraints on the Business Assurance Team.

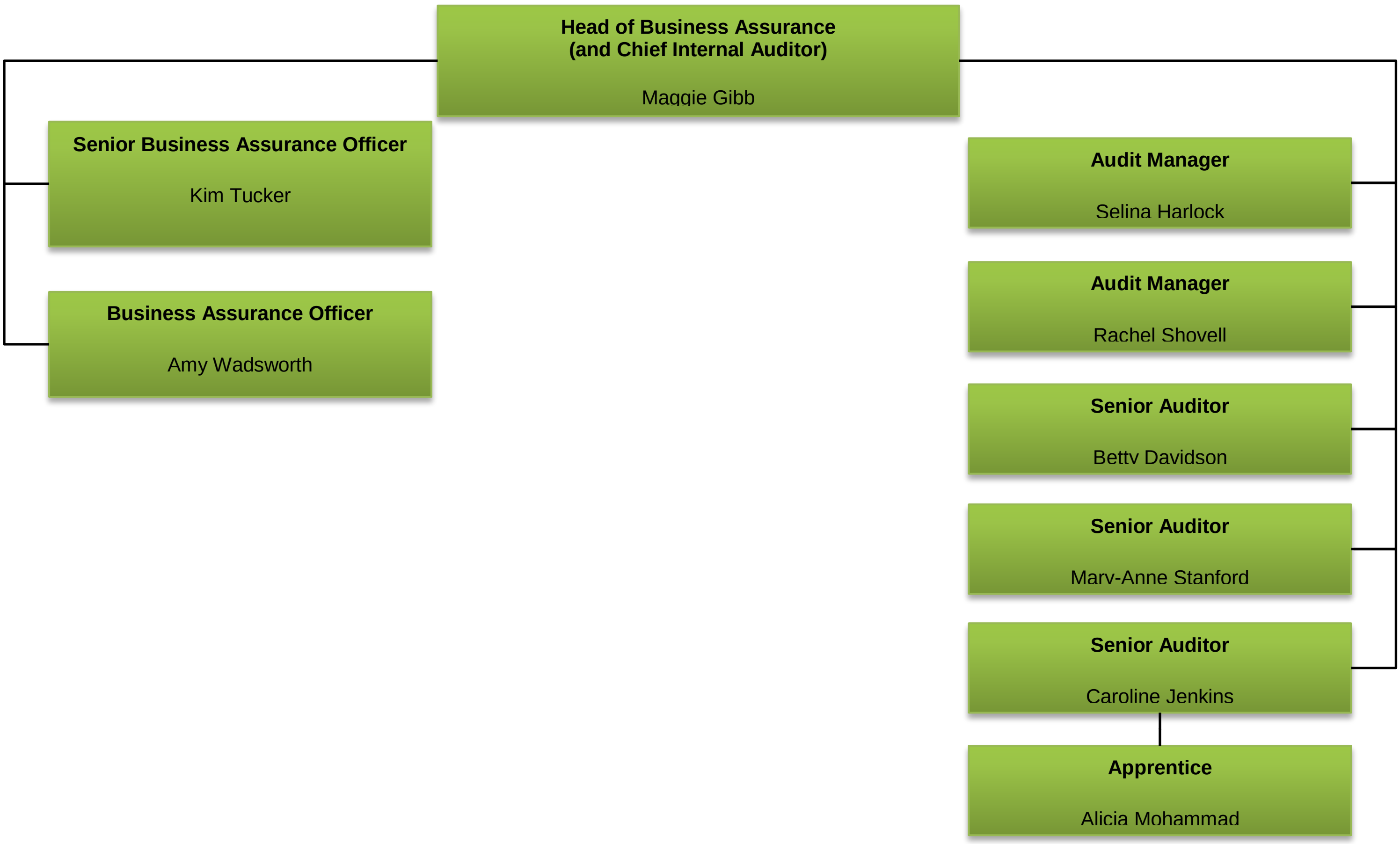
4. Counter-fraud remains a key responsibility for the Business Assurance Team to lead on, and in 2016/17 continual focus will be placed upon overseeing the investigation of NFI data matches, and responding to referrals of suspected fraud and financial irregularity, as well as the proactive activity detailed above.

5. This report provides details of progress to date against each of the agreed work programmes included in the Business Assurance Strategy as approved by the Regulatory and Audit Committee in May 2016.

## Resources

6. The Business Assurance Team is now fully resourced and consists of seven members of staff. The Business Assurance Officer returned from maternity leave in June; however we have one Audit Manager due to commence maternity leave from August. Outsourced arrangements via a Framework Agreement have been agreed with the London Borough of Croydon to cover the Audit Manager and to provide specialist Internal Audit services in the delivery of the IT and contract audits planned for this year.

   An Apprentice has been appointed and joined the Business Assurance Team on 18 July 2016. We will also have a CIPFA Trainee on secondment from August until January 2017, who will assist in the delivery of the Internal Audit activities.



## Risk Management

7. A project is underway to implement a new corporate Risk Management System to replace the interim solution currently in use. As part of this project, and following a request at the Risk Management Group (RMG) meeting, a full detailed review is being carried out to challenge/cleanse the risk data held within each of the Business Unit risk registers to ensure that the data transferred to the new system is of the appropriate quality. This exercise is being facilitated by the Business Assurance Team and assisted by each of the Risk Champions within the Business Units.

8. The Risk Management Group met on 5 July 2016, and an update from that meeting is included as a separate item on the Regulatory and Audit Committee agenda.

9. The Assurance and Risk Strategy is due for review and will be presented to the Regulatory and Audit Committee for approval in September. The Operating Framework was reviewed and updated during Q1, including the relevant section relating to Assurance and Risk, and a training and awareness plan will be communicated in due course.

## Internal Audit

10. In Q1 the Internal Audit function has been working on completing the carry forward activities from the prior year and progressing with the 2016/17 audit assignments. There have been seven audits finalised since the last update report, and two that are currently at draft report stage. A summary of the completed audits is provided in Appendix 3.

**Internal Audit Activity since last update report:**

| Service | Audit | Opinion |
|---|---|---|
| BSP | **2015/16 Accounts Payable Audit**<br>The audit reviewed the Council's process for raising orders and paying invoices, to ensure only authorised goods are paid for. | Reasonable |
| BSP | **2015/16 Pensions Audit**<br>This audit reviewed the Council's processes for managing the Pension Fund, as well as the processes for administering members of the scheme. | Reasonable |
| BSP | **2015/16 Accounts Receivable (incl. Cash Receipting)**<br>This review focused on the effectiveness of the processes and controls adopted by the Council for administering income due and managing its debts. The audit also included a review of the Council's cash receipting processes. | Limited |
| BSP | **2015/16 Payroll**<br>The audit reviewed the processes for delivering payroll services to ensure that employees are paid correct amounts on a timely basis. | Reasonable |
| TEE | **TfB Street Lantern Replacement Audit**<br>The audit focused specifically on the Street Lantern Replacement Scheme and included a review of the: programme of work, Salix funding, approval and completion of works, payments and management information. | Final Draft (for OCB) |
| CSC&L | **SEN**<br>The audit reviewed the adequacy of and compliance with controls for mitigating risks in the following SEN areas: Policies, Procedures and Training; EHC Needs Assessment; Special School Admissions; SENDIST Appeals; Transfer of | Limited |
| CH&ASC | **Safeguarding**<br>The audit evaluated the controls in place over, the Safeguarding Quality Assurance Framework, performance reporting, accuracy of client based information and Governance. | Draft Report |
| CSC&L | **Meadows School Follow-Up**<br>This was a follow-up of the audit actions identified in the limited opinion IA report. | Management Letter - Reasonable |
| CSC&L | **Beechview School**<br>Testing focused on the adequacy and effectiveness of the system of internal control that is in place to manage and mitigate financial and non-financial risks. | Limited |

Two audits relating to LEP (Local Enterprise Partnership) and LGF (Local Growth Fund) grants were undertaken; both are verification audits checking the accuracy and completeness of grant claims and statement of accounts. There were no significant issues arising from these audits.

## Internal Audit Action Tracker

11. A detailed forensic review of the Internal Audit Action Tracker was undertaken at the request of the Regulatory and Audit Committee. There are currently 105 audit actions that are open and in-progress. The table below highlights the status of all the actions in the tracker from 2011/12 to date; and Appendix 2 provides a detailed summary on actions that are over one year past the due date for implementation.

## Internal Audit Action Tracker as at 30 June 2016

| Audit Title | Year | High | | | Medium | | | Total |
|---|---|---|---|---|---|---|---|---|
| | | Completed | In Progress | N/A | Completed | In Progress | N/A | |
| **TEE = 17 Actions are currently In Progress** | | | | | | | | |
| Capital Contract Management Iver Village Junior School | 2011/12 | - | - | 1 | - | - | 3 | **4** |
| Client Transport Safeguarding | 2015/16 | - | **2** | | - | - | | **2** |
| Governance and Financial Management (CBE) | 2013/14 | - | - | - | 1 | **1** | - | **2** |
| Governance and Financial Management (CBE) | 2014/15 | 1 | **1** | - | 2 | - | - | **4** |
| Highways Contract Capital Maintenance Programme | 2013/14 | 3 | - | - | 14 | - | - | **17** |
| Planning Application (14/00519/APP) | 2014/15 | 1 | **2** | - | 4 | - | - | **7** |
| Property Contract Process and Procedure | 2014/15 | 2 | **1** | - | 7 | **5** | - | **15** |
| S106 and CIL | 2014/15 | 5 | **2** | - | 3 | - | - | **10** |
| TEE Financial Management | 2015/16 | 3 | - | - | 3 | **3** | - | **9** |
| **Total** | | **15** | **8** | **1** | **34** | **9** | **3** | **70** |
| **HQ = 15 Actions are currently In Progress** | | | | | | | | |
| Contract Management Application | 2014/15 | - | **7** | - | - | **1** | - | **8** |
| Data Security Follow Up | 2012/13 | 1 | - | - | - | - | - | **1** |
| Governance and Financial Management (BE & BSP) | 2014/15 | 3 | **2** | - | 2 | **2** | - | **9** |
| Governance and Financial Management (PPC) | 2014/15 | 2 | **1** | - | 2 | **1** | - | **6** |
| Review of Charges | 2013/14 | - | - | - | - | **1** | - | **1** |
| **Total** | | **6** | **10** | | **4** | **5** | | **25** |
| **CSC&L = 20 Actions are currently In Progress** | | | | | | | | |
| Buckinghamshire Learning Trust Governance | 2015/16 | 15 | - | 1 | 10 | - | - | 26 |
| Client Transport Safeguarding | 2015/16 | - | **1** | - | - | - | - | 1 |
| Commissioning Residential Placements | 2015/16 | - | **7** | - | - | **1** | - | 8 |
| CYP Safeguarding | 2013/14 | 6 | **5** | - | 3 | **1** | - | 15 |
| Governance and Financial Management CYP | 2014/15 | 1 | **2** | - | - | **2** | - | 5 |
| Income Management | 2011/12 | - | - | - | 1 | - | - | 1 |
| S106 and CIL | 2014/15 | 6 | - | - | 4 | - | - | 10 |
| Schools Accounts Payable | 2012/13 | 1 | **1** | - | 2 | - | 2 | 6 |
| Schools Governance Framework | 2012/13 | - | - | - | 3 | - | - | 3 |
| SEN | 2012/13 | 3 | - | - | 2 | - | - | 5 |
| **Total** | | **32** | **16** | **1** | **25** | **4** | **2** | **80** |
| **BSP Non-Financial = 2 Actions are currently In Progress** | | | | | | | | |
| Data Security Follow Up | 2012/13 | - | **1** | - | - | - | 1 | 2 |
| Governance and Financial Management (BE & BSP) | 2014/15 | 2 | - | - | 1 | - | 1 | 4 |
| Health & Safety | 2012/13 | 1 | **1** | - | 1 | - | - | 3 |
| **Total** | | **3** | **2** | - | **2** | - | **2** | **9** |

| Audit Title | Year | High | | | Medium | | | Total |
|---|---|---|---|---|---|---|---|---|
| | | Completed | In Progress | N/A | Completed | In Progress | N/A | |
| **BSP - Financial = 42 Actions are currently In Progress** | | | | | | | | |
| Accounts Payable | 2011/12 | - | - | - | 1 | - | 1 | 2 |
| Accounts Payable | 2013/14 | 2 | 1 | 2 | 4 | 1 | 3 | 13 |
| Accounts Payable | 2014/15 | - | - | 2 | - | 1 | 2 | 5 |
| Accounts Receivable | 2012/13 | 1 | - | - | - | - | - | 1 |
| Accounts Receivable | 2013/14 | 2 | - | - | - | - | - | 2 |
| Accounts Receivable | 2014/15 | - | - | - | 4 | - | 1 | 5 |
| Accounts Receivable | 2015/16 | 2 | 5 | - | 3 | - | - | 10 |
| Feeder Systems | 2014/15 | - | 1 | 1 | 6 | 5 | 2 | 15 |
| General Ledger | 2014/15 | 1 | - | - | 1 | 1 | 2 | 5 |
| General Ledger | 2015/16 | 4 | 7 | - | 3 | 5 | - | 19 |
| Payroll | 2013/14 | 5 | 1 | - | 3 | - | 1 | 10 |
| Payroll | 2014/15 | - | - | - | 4 | - | 1 | 5 |
| Payroll | 2015/16 | - | 6 | - | - | 5 | - | 11 |
| Pensions | 2013/14 | 2 | - | 1 | 7 | - | 3 | 13 |
| Pensions | 2014/15 | 1 | 1 | - | 4 | 2 | 1 | 9 |
| Review of Charges | 2013/14 | 1 | - | - | 1 | - | - | 2 |
| Treasury Management | 2015/16 | 1 | - | - | - | - | - | 1 |
| **Total** | | **22** | **22** | **6** | **41** | **20** | **17** | **128** |
| **CH&ASC = 9 Actions are currently In Progress** | | | | | | | | |
| AFW Debt Management | 2014/15 | 11 | - | - | 8 | 1 | - | 20 |
| AFW Payments to Providers | 2014/15 | 7 | - | 1 | 7 | - | 1 | 16 |
| AFW Safeguarding Follow Up | 2014/15 | 2 | - | - | - | - | - | 2 |
| ASC Payments to Providers Follow Up | 2015/16 | - | 1 | - | - | 2 | - | 3 |
| Business Continuity Management (BCM) | 2014/15 | 15 | 1 | 1 | 1 | 2 | - | 20 |
| Client Transport Safeguarding | 2015/16 | - | 1 | - | - | - | - | 1 |
| Direct Payments | 2014/15 | - | - | - | 4 | - | - | 4 |
| Governance and Financial Management AFW | 2013/14 | 3 | - | - | 8 | - | - | 11 |
| Governance and Financial Management AFW | 2014/15 | 2 | 1 | - | 1 | - | - | 4 |
| Review of Charges | 2013/14 | - | - | - | 1 | - | - | 1 |
| Swift Data Quality Follow Up | 2012/13 | - | - | - | 2 | - | - | 2 |
| **Total** | | **40** | **4** | **2** | **32** | **5** | **1** | **84** |

***Note:***

- *Between FY 2011/12 to date, Internal Audit have completed 55 audits where management actions were raised.*
- *A total of 396 management audit actions are recorded in the tracker.*
- *To date, 256 of the actions have been completed and 35 are no longer relevant.*
- *105 actions are in-progress consisting of, 62 HIGH priority and 43 MEDIUM priority.*

## Counter - Fraud

12. There have been a number of irregularities reported to the Business Assurance Team under the Council's Anti-Fraud and Corruption Strategy that have required investigation and management review. The Business Assurance Team is either involved directly in the investigation activity, or have an overseeing role of management investigations.

13. Internal Audit is currently investigating a report of potential conflicts of interest and financial irregularity relating to a third party contractor engaged with a number of schools. The investigation is on-going with the support of legal colleagues and the MOD Police.

14. Internal Audit has been working with CHASC and the Department of Work and Pensions (DWP) to investigate a potential fraud relating to a Direct Payments case. The DWP have confirmed that sufficient evidence has been found to proceed with further action, and we will collaborate with them on next steps.

15. An end of contract review of a major provider within CHASC highlighted concerns over the accuracy of payments to the provider, and specifically the Council being charged for services in breach of the contract. Internal Audit carried out some further verification work on the time recording information and care records and confirmed that there were irregularities. The situation has been referred to the Deputy Head of Legal for advice, and is currently being progressed.

## Business Assurance

16. The Assurance and Risk Strategy is currently under review, and will be presented to the Regulatory and Audit Committee in September for approval. The review will be carried out with consideration of the new Risk Management System with an aim of increasing the understanding and visibility of risks across the Council. The review will also incorporate learnings from the first year of working towards a Combined Assurance approach. The Business Assurance Team is liaising with the Professional Leads to ensure that actions are being implemented, and progress will be reported through the Risk Management Group.

17. The Assurance Mapping activity for CSC&L and the Joint Commissioning Unit (JCU) has now started and will potentially influence changes to the Risk and Internal Audit plans.

Maggie Gibb,
Head of Business Assurance (and Chief Internal Auditor)
July 2016

# APPENDIX 1

## Regulatory & Audit Committee 28 July 2016 - Progress against 2016/17 Plan

| Business Unit | Audit Title | Timing | Scope/ Objective of Audit | Progress as at 13 July 2016 (Bold = complete) |
|---|---|---|---|---|
| HQ | Decision Making/ Business Cases (Project Management) | **Q3** | The audit will review the policies and procedures in place to ensure the effective management of projects. This will include a review of the tools that are available, how these are being utilised and the management information that is available to ensure effective and timely decision making. | |
| HQ | Capital Programme | **Q2** | The objective of the audit is to ensure that the capital programme effectively links capital expenditure and investments needs and supports the delivery of the Authority’s objectives/ priorities. | |
| HQ | Income Generation | **Q3** | The objective of the audit is to ensure that the Income Generation Strategy has been embedded across the organisation. This will include an understanding of how the Council is maximising its potential to generate income, how income generation opportunities are identified and initiated. | |
| HQ | Complaints Process | **Q3** | The audit will review the policies and procedures in place to manage complaints. This will include a review of how complaints are recorded, addressed and reported. | |
| HQ | HQ BU Management Audit | **Q3** | The purpose of this review will be to continue to strengthen our Corporate Governance position, align with leading practices and identify any potential gaps that may require further prioritisation. | |
| | | | | |
| BSP | Contract Management - Bilfinger Contract | **Q3** | The objective of the audit is to ascertain service contract management arrangements in place, including reviewing the accuracy, completeness and timeliness of management information to enable effective and efficient decision making | |
| BSP | P2P - including contract review of e-invoicing service provider and process mapping | **Q2** | End-to-end review of the P2P system to understand processes in place and adequacy of controls | |
| BSP | General Ledger Audit | **Q4** | The main objective of the audit is to ensure that quality and integrity of financial data recorded on the General Ledger is accurate and complete to be used to prepare the annual accounts. | |
| BSP | Payroll Audit | **Q4** | The main objective of the Payroll process is to pay the right person the right amount at the right time, and to produce all the required statutory returns. | |
| BSP | Pensions Audit | **Q4** | The main objective of the Pension function is to ensure that the correct employer and employee contributions are received; retirees are paid the right amount at the right time, and the Pension Fund is management effectively and in line with legislative requirements. | |
| BSP | Accounts Receivable/ Accounts Payables | **Q4** | The Accounts Receivable Audit is concerned with billing, income collection and debt management. The primary objective of the AP function is to provide timely, accurate and efficient disbursement services to the organisation | |

| Business Unit | Audit Title | Timing | Scope of Audit | Progress as at 13 July 2016 (Bold = complete) |
|---|---|---|---|---|
| BSP | BU Management Audit | **Q3** | The purpose of this review will be to continue to strengthen our Corporate Governance position, align with leading practices and identify any potential gaps that may require further prioritisation. | |
| BSP | P-Cards - System Audit | **Q1** | To ensure the continued success of the Purchasing Card ("P-Card") Program; to determine if the established policies and procedures are adequate; and to ensure the amounts paid were valid, appropriately reviewed, and properly supported. | In Progress |
| BSP | P-Cards & Expenses Continuous Auditing | **Q1 - 4** | This will entail a review of expense reports and p-card usage for adherence to the Corporate policy | In Progress |
| BSP | Financial Management Audit | **Q1** | 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. | In Progress |
| BSP | PSN Audit (Network security and infrastructure resilience) | **Q2** | Review project implementation of PSN across the business including a review of expected benefits. | |
| BSP | Shop 4 Support (E-Commerce System), including contract review | **Q2/3** | Review the new e-commerce system, including understanding the data quality and integrity, PCI compliance, interface feeds to SAP and management reporting. | |
| BSP | PSN Audit (Contract and Performance Management) | **Q2** | Review contract and performance management, project implementation of PSN across the business and schools; including a review of realised benefits against expected benefits per the initial business | |
| BSP | IT Asset Management | **Q2/3** | Review of policies and procedures in place to track and monitor IT assets including; hardware, servers, circuits, and software license compliance. | |
| | | | | |
| CH & ASC | Public Health Contracts & Commissioning/Payment to Providers | **Q2** | The objective of the audit is to ascertain service contract management arrangements in place, including reviewing the accuracy, completeness and timeliness of management information to enable effective and efficient decision making | Planning |
| CH & ASC | CHASC - Financial Management* | **Q1-2** | 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. | In Progress |
| CH & ASC | Client Charging | **Q3** | The audit will review the arrangements in place for client charging, including policies and procedures, financial assessments, quality of data and governance arrangements. | |
| CH & ASC | Direct Payments* | **Q1-2** | The audit will cover the arrangements currently in place for the management of direct payments including: Direct Payments Use, Nominated Person, Direct Payments Assessments and Arrangements, Client Contributions and Top Ups. The audit will also follow up on the management actions noted in the previous Direct Payments audit. | In Progress |

| Business Unit | Audit Title | Timing | Scope of Audit | Progress as at 13 July 2016 (Bold = complete) |
|---|---|---|---|---|
| CH & ASC | Better Care Fund | **Q4** | The audit will review the high level governance arrangements in place to support the management of the Better Care Fund and relationship with the CCGs. | |
| CH & ASC | Safeguarding* | **Q1-2** | The audit will evaluated the controls in place over, the Safeguarding Quality Assurance Framework, performance reporting, accuracy of client based information and Governance. | **Complete (Draft Report)** |
| CH & ASC | BU Management Audit | **Q2** | The purpose of this review will be to continue to strengthen our Corporate Governance position, align with leading practices and identify any potential gaps that may require further prioritisation. | |
| CH & ASC | Market Resilience | **Q4** | This is a cross cutting theme included by Neil Gibson for both Adults and Children's. The purpose of the audit is to focus is on the business continuity, providing assurance that services can continue to be delivered where viability or performance concerns are raised. | |
| | | | | |
| CSC&L | Schools | **Q2-Q4** | A sample of schools to be audited based on: limited assurance reports, gaps in financial controls, academy status and/ or other intelligence received from the business. | |
| CSC&L | DSG* | **Q1-2** | This audit will review the assurance on how it is managed, including: allocation, monitoring and how the funds are spent. | |
| CSC&L | Safeguarding | **Q2** | The audit will evaluate the controls in place over, the Safeguarding Quality Assurance Framework, performance reporting, accuracy of client based information and Governance. This will take into account the OFSTED Report and the outcome of the last Internal Audit Report. | |
| CSC&L | Safeguarding (Transport Follow-Up) | **Q4** | This will be a follow-up of the audit actions identified in the limited opinion IA report. | |
| CSC&L | Financial Management | **Q2** | 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. | |
| CSC&L | Families First - Grant Funding | **Q3** | This is a review of how the grant is spent and compliances against the terms and conditions. | |
| CSC&L | Market Resilience | **Q2** | This is a cross cutting theme included by Neil Gibson for both Adults and Children's. The purpose of the audit is to focus is on the business continuity, providing assurance that services can continue to be delivered where viability or performance concerns are raised. | |
| CSC&L | BU Management Audit | **Q3** | The purpose of this review will be to continue to strengthen our Corporate Governance position, align with leading practices and identify any potential gaps that may require further prioritisation. | |

| Business Unit | Audit Title | Quarter Start | Scope of Audit | Progress as at 13 July 2016 (Bold = complete) |
|---|---|---|---|---|
| TEE | Client Transport | **Q3** | The objective of the audit is to ascertain service management arrangements in place, including governance (decision making framework), budget monitoring, safeguarding, dispute resolution and reviewing the accuracy, completeness and timeliness of management information (financial and performance) to enable effective and efficient decision making. | |
| TEE | TfB Contract (Quality of Information/ Open Book Accounting) | **Q2** | The objective of the audit is to ascertain service contract management arrangements in place, including financial management, reviewing the quality, integrity and timeliness of financial and performance information to enable effective and efficient decision making. | |
| TEE | Waste | **Q4** | The objective of the audit is to ascertain service contract management arrangements in place, including reviewing the accuracy, completeness and timeliness of management information to enable accurate, effective and efficient payments and management decisions to be made. The review will also consider agreements and relationships in place with other organisations and third parties. | |
| TEE | Planning and Development Management | **Q4** | The main objective of the audit is to review the decision making process, roles and responsibilities and interaction with local parishes. | |
| TEE | BU Management Audit | **Q2** | The purpose of this review will be to continue to strengthen our Corporate Governance position, align with leading practices and identify any potential gaps that may require further prioritisation. | |

# APPENDIX 2

## Summary of Audit Actions > 1 Year Overdue

| Business Unit | Audit Period (Yr) | Audit Title | Risk | Management Action | Internal Audit Status Update |
|---|---|---|---|---|---|
| **HIGH PRIORITY ACTIONS** | | | | | |
| BSP (Non-Financial) | 2012/13 | Health & Safety | New staff maybe unaware of their health and safety responsibilities, resulting in increased injuries and possible claims made against the Council. | There is currently a strategic HR project which is reviewing Corporate Induction. The Corporate Training Advisor will liaise with the project lead to ensure that the Induction programme includes H&S awareness. This links to action point 5a. | Action is 30 months overdue and an update has not been received since 27/01/2016. |
| | 2012/13 | Data Security Follow Up | If information is not classified as to its security ranking, it may be handled incorrectly and not adequately protected. | The Information Asset Register will be fully populated and made available internally and externally. | 3 years overdue, the action owner notes that this should be closed. However as risk remains IA is working with the BU to understand how risk is being managed until resolution. |
| TEE | 2014/15 | Planning Application (14/00519/APP) | Without a robust file of correspondence, discussions, meetings or site visits, there is a risk that any recommendations could be challenged and there is a perceived lack of transparency in the consultation process. | The team will introduce a Procedure Manual and / or Process Notes including details of records that should be maintained to support verbal conversations, site visits and office meetings, which clarify and provide a trail for any recommendation. The approach to maintaining any documentation will be based on scale of development. Once collated, the procedure will be circulated to all team members, to make them aware of the requirements. | This action is 12 months overdue. Process flows for all Highways DM activities have been created by the Business Improvement Team following a review undertaken by WSP/ Parsons Brinkerhoff. However the update received in July 2016 confirmed that the implementation of WSP/ Parsons Brinkerhoff review recommendations remains subject to resource. |
| | 2014/15 | Planning Application (14/00519/APP) | Without appropriate application supervision and clearly defined delegated authority, there is a risk that incorrect consultation decisions might be made. | A procedure will be introduced that clearly details what supervision and sign off is required for statutory responses. Once collated, the procured will be circulated to all relevant staff. Management will also undertake checks to ensure that the review and sign off procedure is being complied with. | This action is over 12 months overdue, however the action owner confirmed that they are awaiting the Deed of Delegation to be updated by Legal. |
| BSP (Financial) | 2013/14 | Accounts Payable | There is a risk that management are not receiving all relevant reports that enable them to make decisions based on up to date information. | The outcome of the Procure to Pay Project will include a suite of clear KPIs and there will be reporting to management on these KPIs. | Action is 30 months overdue, and the implementation of the action is reliant on the roll-out of the e-invoicing solution. KPIs are to be agreed once the solution has been embedded across the business. |
| | 2013/14 | Payroll | There is a risk that if not all reports are run and actioned data on SAP is not corrected leading to payroll errors. | Reports are currently being reviewed to understand resource requirements and deadline dates so we can ensure this is properly established within Employee Lifecycle Team as | This action is 26 months overdue. Internal Audit followed up progress against the action as part of the 15/16 Payroll audit and it was confirmed that implementation is still WIP with a revised |

| Business Unit | Audit Period (Yr) | Audit Title | Risk | Management Action | Internal Audit Status Update |
|---|---|---|---|---|---|
| | | | | part of Business As Usual | implementation date of March 2017. |
| CSC&L | 2012/13 | Schools Accounts Payable | There is a risk that payments are made to false vendors or to persons that should be on the payroll and therefore in breach of HMRC tax law. | Schools Financial Instructions will be reviewed and the checks required for new vendors/creditors and changes to vendor details will be defined. | Action is 30 months overdue. Update received in June 2016 and action owner confirmed that due to resourcing issues and pending changes in school financing, this action is on hold |
| CSC&L | 2013/14 | CYP Safeguarding | Where supervisions are not held on a regular basis there is a risk that officers are not having adequate management oversight of casework and opportunity to support and challenge care management practice. | A mechanism will be in place to monitor and report on the frequency, quality and recording of weekly unit team meetings and formal monthly individual supervisions as part of the Quality Assurance Framework. The expectations in respect to supervision will be built into employee DSP objectives. | Internal Audit performed a follow up audit in October 2015. All actions are being addressed as part of the Children's Improvement Plan.<br>There is a CYP Safeguarding audit that is on the 2016/17 audit plan, this audit actions will be followed up as part of this audit. |
| | 2013/14 | CYP Safeguarding) | Where there is no quality assurance activity being undertaken in respect to the new model of weekly unit team meetings and formal individual monthly supervisions, there is a risk that the quality of casework scrutiny may not be adequate. | A mechanism will be in place to monitor and report on the frequency, quality and recording of weekly unit team meetings and formal monthly individual supervisions as part of the Quality Assurance Framework. The expectations in respect to supervision will be built into employee DSP objectives. | Internal Audit performed a follow up audit in October 2015. All actions are being addressed as part of the Children's Improvement Plan.<br>There is a CYP Safeguarding audit that is on the 2016/17 audit plan, this audit actions will be followed up as part of this audit. |
| | 2013/14 | CYP Safeguarding | Where Bucks cannot clearly demonstrate in the recording that there has been a management decision within one working day, there is a risk that we are not compliant with legislative guidance. | Referral records will be completed within one working day in accordance with the legislative guidance. The Information Management Framework referred to below will assist in reviewing compliance with the response time. | Internal Audit performed a follow up audit in October 2015. All actions are being addressed as part of the Children's Improvement Plan.<br>There is a CYP Safeguarding audit that is on the 2016/17 audit plan, this audit actions will be followed up as part of this audit. |
| | 2013/14 | CYP Safeguarding) | In the absence of an Information Management Framework there is a risk that reports may be duplicated, and/or reports do not provide operational and strategic benefits to the service by highlighting key issues. | An Information Management Framework will be compiled to capture all of the reports produced, the frequency and reporting structure to enable the service to review where there are gaps and additional data as required. | Internal Audit performed a follow up audit in October 2015. All actions are being addressed as part of the Children's Improvement Plan.<br>There is a CYP Safeguarding audit that is on the 2016/17 audit plan, this audit actions will be followed up as part of this audit. |
| | 2013/14 | CYP Safeguarding | Where Senior Management are not in the position where their performance reporting requirements have been fully appraised, there is a risk that data provided does not meet operational and strategic data that highlights key issues. | An Information Management Framework will be compiled to capture all of the reports produced, the frequency and reporting structure to enable the service to review where there are gaps and additional data as required. | Internal Audit performed a follow up audit in October 2015. All actions are being addressed as part of the Children's Improvement Plan.<br>There is a CYP Safeguarding audit that is on the 2016/17 audit plan, this audit actions will be followed up as part of this audit. |

| Business Unit | Audit Period (Yr) | Audit Title | Risk | Agreed Management Action | Internal Audit Status Update |
|---|---|---|---|---|---|
| **MEDIUM PRIORITY ACTIONS** | | | | | |
| HQ | 2013/14 | Review of Charges | If a directory of fees and charges is not available on the Internet there is a risk that service users are unaware of the level of charge for a particular service and/or the justification behind the charge which may lead to a challenge. | It had previously been agreed that there should be a single landing page for fees and charges. The intention was for it to link to the service pages which hold the charges. There may be cases where the charges are not up to date, or even present within services pages, and we would not necessarily be sighted on where these are missing, so work will need to be undertaken with services to ensure they have their pages up-to-date. | Action is 21 months overdue. The Income Generation Strategy has been developed and approved. The charges are to go alongside the strategy and the Head of Strategic Finance is currently obtaining this information from business units. |
| | 2014/15 | Governance and Financial Management (BE & BSP) | Unless mechanisms are in place to identify and comply with statutory and regulatory requirements, there is a risk that staff may not be aware of legislation that is relevant to their role. | An approach to cascading legislative changes and updates will be included within the Assurance Framework Guidance. Once agreed, the guidance will be circulated to Business Units to adopt. | The Assurance Mapping activity for CHASC and CSC&L is now at a planning stage, resource has been allocated and the initial draft will be completed by the end of July. Last update was received on 23 June 2016. |
| TEE | 2013/14 | Governance and Financial Management (CBE) | There is a risk that in an emergency situation staff will be unaware of the procedure to follow leading to a possible loss of critical services. | The Business Continuity Plan will be reviewed and updated and will reflect any relevant issues identified in Exercise Trigger. Staff will be made aware of the procedure to follow in an emergency situation. | This action is 22 months overdue. TEE was asked by the Head of Resilience and Community Safety to rework the signed off BCP. The rework required included the Pandora Exercise from November, however due to resources and structural changes the rework is still working in progress. |
| CSC&L | 2013/14 | CYP Safeguarding | Where the governance arrangements for the QA Framework are not fully operational there is a risk that the monitoring of the effectiveness of the new social work model is not occurring. | The QA Group will ensure that they receive evidence from the strands of assurance activity that the practical application of the Quality Assurance Framework is effective. Where non-compliance is noted this will be escalated as appropriate. | Internal Audit performed a follow up audit in October 2015. All actions from this safeguarding audit are being addressed as part of the Children's Improvement Plan. |
| BSP (Financial) | 2013/14 | Accounts Payable | There is a risk of non-compliance with Financial Instructions that may result in purchases not following the full procurement process. | The Procure to Pay Project will include use of Invoices without Reference to Purchase Order. | The process for invoices without purchase orders is being developed as part of the e-invoicing solution. The e-invoicing solution is now live and is being rolled out across the business. |
| | 2014/15 | Pensions | Where procedure notes are not in place and regularly reviewed there is a risk of inconsistent and/or ineffective working practices being adopted within the Team. | The procedure notes for the pension administration processes are currently in production. The Principal Pensions Officer (Administration) has set a deadline of 31 December 2014 for these to be completed. These will then be reviewed and distributed to staff. | Internal Audit performed a follow up audit of this action as part of the 2015/16 audit plan. It was confirmed that this action was not being progressed due to resource pressures, which have now been addressed. Action expected to be completed by September 2016. |

# APPENDIX 3
# 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. |

**Accounts Payable (AP)**

The primary objective of the AP function is to provide timely, accurate and efficient disbursement services to the organisation.

The audit activity focussed on the following key risk areas identified in the processes relating to the AP system:

- Risk Management
- Accounts Payable Framework
- System Access and Data Security
- Vendor Creation and Amendments
- Purchase Order Creation and Invoice Processing
- Payments
- Supplier Credit/ Refunds
- Control Account Reconciliations

The overall conclusion for AP is **Reasonable** Assurance. This is based on the adequacy of risk management techniques, the existing control framework and compliance with the existing framework. There have been five high priority actions agreed with Senior BSP Managers.

The key issues identified during the audit are:

- No compliance reports produced relating to fragmentation of orders;
- Inappropriate SAP role access;
- Retrospective creation of vendor accounts after order has been placed;
- Duplicate vendor accounts;
- Retrospective orders and no reporting of non-compliance;

**Pensions**

The main objective of the Pension function is to ensure that the correct employer and employee contributions are received; retirees are paid the right amount at the right time, and the Pension Fund is managed effectively and in line with legislative requirements.

The audit activity focussed on the following key risk areas identified in the processes relating to the Pensions system:

- Risk and Performance Management
- Pension Fund Governance and Strategy
- Pension Fund Transactions and Assets
- Pension Administration Framework and System
- Pension Scheme Administration and Transactions
- System Access, Data Security and Integrity
- Other Pension Schemes

The overall conclusion for Pensions is **Reasonable** Assurance. This is based on the adequacy of risk management techniques, the existing control framework and compliance with the existing framework. There have been three high and three medium priority actions agreed with Senior BSP Managers.

The key issues identified during the audit are:

- Provider contracts in place out of date and no contract extensions or renewals had been approved;
- Scheme members not notified of their Annual Allowance in a timely manner,
- Shared user accounts.

**Accounts Receivable (AR)**

The primary objective of the AR function is to provide billing, income collection and debt management services across the organisation.

The audit activity focussed on the following key risk areas identified in the processes relating to the AR system:

- Risk Management
- Income Management Framework
- System Access and Data Security
- Customer Creation and Invoice Collection
- Cash Receipting
- Debt Recovery and Enforcement
- Debit and Credit Card Payments
- Control Account Reconciliations
- Bank Reconciliations

The overall conclusion for AR 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 six high and three medium priority actions agreed with Senior BSP Managers.

The key issues identified during the audit are:

- Roles and responsibilities for Corporate Debt Management not clearly communicated and understood;
- Debt write-offs not approved in accordance with the Financial Instructions;
- Debt recovery action not taken in accordance with the strategy;
- Legal advice regarding debt write offs not actioned in a timely manner;
- Business Units not pursuing debts in accordance with the Corporate Debt Management Strategy.

The report was presented to One Council Board in May 2016, and their response was as follows:

*The One Council Board has considered the final audit report for Accounts Receivable and the management responses to the issues raised. The report highlights a series of significant issues which need to be addressed as a matter of priority. We support the management actions raised and monitoring of implementation of the actions will be reported to Regulatory and Audit Committee through the Internal Audit Action Tracker.*

**Payroll**

The main objective of the Payroll process is to pay the right person the right amount at the right time, and to produce all the required statutory returns. The payroll processing function is responsible for making the monthly payments to all employees and Councillors at BCC. This includes payment of salary, overtime, expenses and making deductions where appropriate. BCC also provides payroll processing services to 23 external customers, which consist of Academies and Charities.

The audit activity focussed on the following key risk areas identified in the processes relating to the Pensions system:

- Policies and Procedures
- System Access and Data Security
- Starters and Leavers
- Expenses
- Variations
- Overpayments
- Monthly Pay Run Totals
- Reconciliations and Suspense Accounts
- Deductions
- Master Data
- Other Payrolls

The overall conclusion for Payroll is **Reasonable** Assurance. This is based on the adequacy of risk management techniques, the existing control framework and compliance with the existing framework. There have been five high and five medium priority actions agreed with Senior BSP Managers.

The key issues identified during the audit are:

- Inappropriate access to SAP HR/Payroll roles
- Salary increases processed without the appropriate approval
- Receipts not retained for expense claims and the incorrect tax treatment applied
- Overpayment debts are not reported to Business Units
- Control account reconciliations not performed on a monthly basis
- National Fraud Initiative (NFI) data matches for payroll not investigated
- Use of long-term contractors with no formal contracts in place

**Special Education Needs (SEN)**

The audit activity focussed on the following key risk areas identified in the processes relating to the SEN:

- Education, Health and Care (EHC) Needs Assessment and EHC Plans
- Special School Admissions
- Special Educational Needs and Disability Tribunal (SENDIST) Appeals
- Conversion of SEN Statements to EHC Plans
- Annual Reviews of EHC Plans and Statements
- Allocation of Funding
- Policies, Procedures and Training

The audit also took into consideration the changes introduced since September 2014 following the Special Educational and Disability (SEND) Reforms, governance structures and risk management.

The overall conclusion for SEN 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 seven high priority and one medium priority actions agreed with Senior CSC&L Managers.

The key issues identified during the audit are:

- Professionals not providing information within statutory timescales;
- Completion of EHC plans not within statutory timescales;
- No contract/SLA in place for outsourced provider producing EHC plans;
- Panel decision sheets not completed in full or not available;
- Out of Area Placements paperwork not completed in full;
- Conversion of SEN statements to EHC Plans not within DfE timescales; and
- Annual reviews not completed.

The report was presented to One Council Board in June 2016, and their response was as follows:

*The One Council Board has considered the final audit report and the management response. The report highlights a series of significant issues which need to be addressed as a matter of priority, and will be linked with the various other work streams currently underway relating to SEN. We support the management actions raised and monitoring of implementation of the actions will be reported to Regulatory and Audit Committee through the Internal Audit Action Tracker.*

**Beechview School**

An audit of Beechview School was conducted in light of a number of key personnel changes including the Finance Officer, the plan for the school to become a sponsored Academy and a desire to provide assurances to the sponsor, as well as some reported concerns from the Interim Head Teacher regarding the financial management arrangements at the school.

The audit activity focussed on the following key risk areas identified in the processes relating to the Pensions system:

- Governance
- Budget Setting and Budget Monitoring
- Procurement Contract and Leases
- Accounts Payable
- Purchasing Card
- Income and Cash Management
- Imprest
- School Voluntary Fund
- Data Security

The Beechview School audit has resulted in a **Limited** level of assurance. There were several audit areas where we were unable to determine the adequacy of controls in place. There are some key issues that have been raised in this report including 37 high priority management actions.

The key findings are detailed below:

- Out of date Standing Orders and Terms of Reference for the IEB
- Changes to Financial Policies and Procedures without Head Teacher review and approval
- Register of Pecuniary Interests not complete by all governors
- Standards Financial Value Standard (SFVS) for school not submitted to the LA
- Budget monitoring not effectively performed and reported to the respective Committee
- A record of all the school contracts and leases is not maintained
- Limited contract information held therefore no evidence in place to demonstrate that the correct procurement process had been followed
- Accounts payable procedure not followed with required approval not being sought
- High value purchased made by staff using their personal funds
- Bank mandates were not in place to reflect the correct signatories
- Purchase card reconciliations not performed

- School Meal debt on Parent Pay system are not being chased
- Inadequate income records are maintained
- Bank reconciliations have not performed since November 2015
- VAT returns were not completed in line with the deadlines
- Income such as music lessons, school meals and school trips was not transferred to the School Main Account, this dates back to 2013/14
- Password controls and access rights to the School's Financial Management System FMS and SIMS are inadequate.
- Staff personnel files and Pupil files held in the same filing cabinet

*The One Council Board has considered the final audit report and the management responses to the issues raised. The report raises a series of significant issues which need to be addressed as a matter of priority. The Interim Director of Education will work with Business Assurance to identify where cross-cutting issues exist and plan future audit activity accordingly. We support the management actions raised and monitoring of implementation of the actions will be reported to Regulatory and Audit Committee through the Internal Audit Action Tracker.*

**Buckinghamshire County Council**

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# Regulatory and Audit Committee

| | |
|---|---|
| **Title:** | Risk Management Group Update |
| **Date:** | Thursday 28 July 2016 |
| **Author:** | Maggie Gibb, Head of Business Assurance |
| **Contact officer:** | Maggie Gibb – 01296 387327 |
| **Local members affected:** | |

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

**Summary**

The Risk Management Group met on 5 July 2016, and was attended by:

- Cllr David Martin (Chair)
- Cllr Timothy Butcher
- Maggie Gibb, Head of Business Assurance
- Gill Quinton, Managing Director (Business Enterprise and Shared Services)
- Richard Schmidt, Head of Strategic Finance (Deputy S151)

The following items of business were covered:

**One Council Board (OCB) Risk Register**:

- The OCB Risk Register details the highest level, most strategic risks faced by the organisation, with each risk owned by a member of the OCB. The risks were last reviewed in May so the impact of significant events since (e.g. BREXIT) were not reflected in the risk register.

- Three new potential risks had been identified and OCB Members will describe and score the risks and add them to the strategic risk register prior to the next review in August. The three potential risks were the Future of Local Government in Bucks; the Growth Agenda and Terrorism.

- Members challenged the movement of the risk scores in the period since the last review as this is not clearly visible from the risk register. The new corporate risk management system should allow reporting of previous risk ratings and movement against each risk over certain periods with commentary. The new system is due to be in place for testing in September 2016.

- The RMG discussed the current strategic risks, scores and the current mitigating actions.

**High Level Business Unit (BU) and Key Financial Risks**

The report provided an analysis of the high level risks and key financial risks which were regularly reviewed by Business Unit and HQ Boards. During discussion key points were raised as follows:

- If risks required escalating for the attention of OCB, this would happen through discussion with the Managing Directors. We have recently established a network of Risk Champions who co-ordinate the recording and update of Business Unit risks and provide challenge to the risk owners. The Risk Champions facilitate the reporting of risks to the relevant BU Boards/Leadership Teams as appropriate. A regular meeting of all Risk Champions will be held to discuss cross cutting corporate risks, as well as sharing knowledge and best practice.

- It was suggested and agreed that quarterly reports be provided to Members so that trends could easily be identified and comparisons made, and as mentioned above, this will be possible following implementation of the new system.

- Members highlighted that some risk scores appeared disproportionately high and others not necessarily high enough. BUs are responsible for identifying and scoring their risks, however the Business Assurance Team (supported by the Risk Champions) provide challenge over the quality/appropriateness of the risk information.

**HQ Risk Register**

The current risk register for HQ was presented by the Director of Assurance and the Managing Director of Business Enterprise and Shared Services.

The risk register contains corporate wide risks and also risks specific to delivering the role and functions performed within HQ. The risks are identified by service managers and are regularly monitored and reviewed by the relevant Senior Management Team (Assurance, Strategy & Policy and Business Enterprise). High level risks from these registers are brought together to form the HQ Consolidated Risk Register and a report goes to the HQ Leadership Board on a quarterly basis. A specific finance risk register has recently been established within each BU to ensure that as an organisation we are fully aware of the key financial risks facing the Council in the current climate. OCB discuss the key financial risks on a monthly basis as part of reviewing the budget monitoring position.

The RMG scrutinised and challenged the latest HQ risk register which currently holds 29 risks of which 18 are red (score of 15 and above) and 11 are amber (score of 10 – 14).

**Children's Social Care and Leaning Risk Register**

The latest risk register for CSC&L was presented by the Managing Director of the Business Unit.

The risks are reviewed and challenged on a regular basis through the Senior Leadership Team, and updates are co-ordinated by the CSC&L Business Manager. The risk register includes those risks identified as part of the Children's Improvement Programme.

The Managing Director highlighted the following key risk areas for discussion:

- The service had been through a period of greater stabilisation. Support from HR colleagues was recognised and the workforce stabilised, although there remained work to do in this area.

- A joined up memorandum of co-operation was created with 19 other Local Authorities across the South East as a method to stabilise retention of staff and to cap the level of pay to agency workers.

- 1600 audits had been undertaken internally and the Improvement Board met regularly to monitor performance on a monthly basis. One area of risk identified was with 'data recording', and the MD confirmed that this had improved significantly.

- There had been an increase in the number of Foster Carers and a greater number of children were being cared for in County than previously. Permanent adoptions had also increased.

- The Government had asked all Local Authorities to consider supporting Kent in terms of placing unaccompanied asylum seekers.

- There was a major shift from Government encouraging schools to become academies. A small number had automatically converted to academy status following inadequate OFSTED inspections.

- The outcome of any OFSTED inspection was identified as a major risk but work over the last two years had brought confidence that the next inspection would not bring anything unexpected.

**Recommendation**

**The Committee is asked to note the report.**

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**Background Papers**

Risk Management Group Terms of Reference
Risk Management Group minutes

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