

Agenda

REGULATORY AND AUDIT COMMITTEE

Date: Wednesday 24 May 2017

Time: 9.00 am

Venue: Mezzanine Room 1, 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 To disclose any Personal or Disclosable Pecuniary Interests		
5 MINUTES of the meeting held on 8 th February 2017 to be confirmed as a correct record		5 - 10

6	<p>GRANT THORNTON - PENSION FUND AUDIT PLAN To be presented by Thomas Slaughter, Assistant Manager, Grant Thornton – External Auditors.</p>	09:10	11 - 26
7	<p>GRANT THORNTON - EXTERNAL AUDIT PLAN To be presented by Thomas Slaughter, Assistant Manager, Grant Thornton – External Auditors.</p>		27 - 52
8	<p>DRAFT STATEMENT OF ACCOUNTS To be presented by:</p> <ul style="list-style-type: none"> • Elspeth O’Neill, Financial Accountancy Lead • Julie Edwards, Pensions and Investments Manager <p>with</p> <ul style="list-style-type: none"> • Rachael Martinig, Accountant • Patrick McGovern, Senior Finance Officer 	09:25	53 - 174
9	<p>BUSINESS ASSURANCE TEAM UPDATE (INCLUDING QUARTER 1 INTERNAL AUDIT PLAN) To be presented by Maggie Gibb, Chief Internal Auditor.</p>	09:55	175 - 176
10	<p>RISK MANAGEMENT GROUP UPDATE To be presented by Maggie Gibb, Chief Internal Auditor.</p>	10:05	177 - 178
11	<p>FORWARD PLAN</p> <p>Standing Item – To be presented by Maggie Gibb, Chief Internal Auditor.</p>	10:10	Verbal Report
12	<p>DATE AND TIME OF NEXT MEETING The next meeting will be held on 14th June 2017, 09:00, Mezzanine Room 1, New County Offices, Aylesbury.</p>	10:20	
13	<p>EXCLUSION OF THE PRESS AND PUBLIC To resolve to exclude the press and public as the following item is exempt by virtue of Paragraph 3 of Part 1 of Schedule 12a of the Local Government Act 1972 because it contains information relating to the financial or business affairs of any particular person (including the authority holding that information)</p>		
14	<p>CONFIDENTIAL MINUTES For Committee Members to agree the confidential minutes of the meeting held on 8th February 2017.</p>	10:20	179 - 182

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

For further information please contact: Rachel Bennett on 01296 382290, email: rbennett@buckscc.gov.uk

Members

Minutes

REGULATORY AND AUDIT COMMITTEE

MINUTES OF THE MEETING OF THE REGULATORY AND AUDIT COMMITTEE HELD ON WEDNESDAY 8 FEBRUARY 2017 IN LARGE DINING ROOM, JUDGES LODGINGS, AYLESBURY, COMMENCING AT 9.00 AM AND CONCLUDING AT 11.10 AM.

MEMBERS PRESENT

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

OTHERS IN ATTENDANCE

Mr M Averill, Head Of Highways (client)
Ms J Edwards, Pensions and Investments Manager
Mr T Fish, SRM Lead, Buckinghamshire County Council
Ms L Forsythe, Group Solicitor and Deputy Head of Legal Services
Ms M Gibb, Head of Business Assurance
Mr N Gibson, TEE Managing Director
Ms E O'Neill, Projects and Financial Accountancy Lead
Dr J Sage, Head Of Insight And Business Improvement
Mr R Schmidt, Head of Strategic Finance
Mr T Slaughter, Executive, Grant Thornton Auditors
Mr M Strevens, Corporate Finance Business Partner, HQ
Mr K Wright, Committee and Governance Adviser

1 APOLOGIES FOR ABSENCE / CHANGES IN MEMBERSHIP

There were no apologies received.

2 DECLARATIONS OF INTEREST

There were no declarations of interest.

3 MINUTES

The minutes of the last meeting held on 3rd January 2017 were agreed as a correct record and signed by the Chairman.

4 EFFECTIVENESS OF THE DEBT MANAGEMENT STRATEGY

The Chairman welcomed Mr Matt Strevens, Corporate Finance Business Partner to the meeting.

Mr Strevens highlighted the following points from the report:

- For the period from April to December 2016, the overall level of debt had fallen, however the level of high risk debt had increased.
- The majority of unsecured debt was from before 2015.
- The Task and Finish Group had asked Business Units to get a better understanding of their level of debt and as this work progressed it was expected that there would be proposals put forward to write off some significant amounts.
- The Task and Finish Group was aiming for each Business Unit to have a reasonable target set for outstanding levels of debt.
- The new way of reporting debt was being embedded and discussed at Business Unit Board Meetings.
- It was thought that the current level of overall debt was being overestimated perhaps by around £250k due to payments not being matched to debts.
- The Task and Finish Group was looking at how the Council structured its debt recovery processes to make sure it operated in the most effective way.
- There was a focus on increasing the use of direct debits for social care clients and the ability to make payments by telephone to help improve debt recovery.
- There was training being planned for March for budget holders on raising debt and understanding their responsibilities, this would be reviewed in May.

The following points were made during the discussion with Committee Members:

- There was still poor data quality which was making it difficult to analyse the current stage of the recovery process for some debts.
- There were debt recovery processes in place but these still needed to be improved.
- An amount of approximately £1m was set aside for bad debt provision.
- The Task and Finish Group was hoping to complete its work by May 2017.
- There had been a significant cultural change within the Council in respect of debt recovery with Managing Directors and One Council Board focussing much more on the issue.
- Finance Directors from the Children's Social Care & Learning and Communities, Health and Adult Social Care Business Units would be asked to discuss their debt management performance with the Committee at the 26th July meeting.

ACTION: Committee and Governance Advisor

Mr Tom Slaughter, External Auditor explained that auditors would expect provision for older debt to be accounted for in full but there was some flexibility. Auditors would expect to see a clear policy and methodology.

The Chairman asked Mr Strevens to provide an update to the 26th July meeting and that his report should include information to show whether the Business Units new debt was being recovered in a timely manner and separately the progress in reducing historic debt.

ACTION: Committee and Governance Advisor

RESOLVED

The Committee:

- **NOTED** the report,
- **AGREED** to invite **Business Units** to discuss their specific debt management arrangements and performance,
- **AGREED** to receive an update report following completion of the **Task and Finish Group**.

5 TREASURY MANAGEMENT ANNUAL STRATEGY

The Chairman welcomed

- Mr John Chilver, Cabinet Member for Resources,
- Ms Julie Edwards, Pensions and Investments Manager and
- Ms Elspeth O'Neill, Projects and Financial Accountancy Lead.

Mr Chilver explained that:

- There were no changes to last year's Policy Statement. Changes to the Strategy Statement were mainly related to a significant change in the Council's overall treasury portfolio position due to an increase in borrowing for the Energy From Waste Plant.
- There was a proposal to increase the Council's overall limit for external borrowing from £275m to £350m to provide further opportunity to invest in commercial property.

In response to a question around the increased borrowing limit being raised again so soon after it was previously increased, Mr Chilver explained that an incremental increase was useful in ensuring that there was political agreement for any increase.

Mr R Schmidt, Head of Strategic Finance explained that the limit provided some flexibility in making investment decisions. A decision would have to be made by full Council to increase the authorised limit for total external debt from £359m.

Ms. Julie Edwards confirmed that an "Introduction to Treasury Management" training course would be given to new Members of the Regulatory and Audit Committee after the elections on 4th May 2017.

RESOLVED

The Committee RECOMMENDED to Council the Treasury Management Policy Statement, the Treasury Management Strategy Statement, the Annual investment Strategy and the Minimum Revenue Provision Policy Statement for 2017/18, together with the Prudential Indicators for the next four years.

6 QUALITY ASSURANCE FRAMEWORK

The Chairman welcomed Dr Joanna Sage to present the report.

Dr Sage explained that:

- The Quality Assurance Framework set out the main processes and mechanisms to ensure the Council delivered its key priorities.
- It had been developed at an overarching organisational level with clear links to other frameworks within Business Units sitting underneath, for example to the Children's Social Care and Learning framework and improvement plan.

- The Framework had been produced working collaboratively with Business Units and One Council Board. It would be One Council Board's responsibility for ensuring that the Framework was being delivered across the Council.

The Chairman asked that an update be brought to the Committee in 12 months.

ACTION: Committee and Governance Advisor.

RESOLVED

The Committee AGREED the Quality Assurance Framework as a Council Policy.

7 BUSINESS ASSURANCE UPDATE AND AUDIT ACTION TRACKER

The Chairman welcomed Ms Maggie Gibb, Chief Internal Auditor to present the update.

Ms Gibb updated the Committee on the progress of delivering the Business Assurance Strategy as follows:

- One of the key activities during quarter 4 had been to manage the process for drafting the Annual Governance Statement which would be coming to the Committee in May.
- The Business Assurance Framework was part of the new Quality Assurance Framework discussed earlier in the meeting.
- As part of the counter fraud work, data matches had just been received back from the National Fraud Initiative and work was being undertaken to review and follow these up as appropriate.
- The new risk management system was now in place and being rolled out across the Business Units. The first reports from the new system would be presented to One Council Board in March and then to the Risk Management Group.
- There had been 5 internal audits finalised, all showed a reasonable level of assurance.

In response to a question about delayed audits, particularly the work to check on whether the Income Generation Strategy was being embedded, Ms Gibb explained that resources had been re-allocated to some un-planned priority work. The Audit Board had discussed and agreed which audits could be delayed.

Ms Gibb explained that there had been a Select Committee Inquiry into Income Generation and some assurance work could be done before quarter 2 on checking how the recommendations were being implemented.

Members asked for a short update report on Income Generation Assurance for the July meeting.

ACTION: Ms M Gibb, Chief Internal Auditor.

There was a discussion about training for Cabinet and Committee Members after the election in May and whether this needed to be more than just briefings or overviews. Ms Linda Forsythe, Deputy Monitoring Officer agreed to look further at the induction training being planned to make sure it would meet Members' needs.

ACTION: Ms L Forsythe, Deputy Monitoring Officer.

RESOLVED

The Committee NOTED the report.

8 FORWARD PLAN

The Committee considered the work in the forward plan and felt that it would be necessary to have Regulatory and Audit Committee and Risk Management Group meetings every other month.

ACTION: Committee and Governance Advisor

RESOLVED

The Committee **NOTED** the forward plan.

9 DATE AND TIME OF NEXT MEETING

The next meeting to be held on 26th April 2017, Mezzanine Room 1, New County Offices, Aylesbury.

***Post meeting note:** The meeting of 26th April 2017 will not now take place. Agenda items for this meeting will be split between the meeting scheduled for 24th May and an additional meeting on 15th June 2017.*

10 EXCLUSION OF THE PRESS AND PUBLIC

RESOLVED

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

11 CONTRACT MANAGEMENT APPLICATION UPDATE

There was a discussion about the Contract Management Application (CMA).

12 TRANSPORT FOR BUCKS STREET LANTERN REPLACEMENT AUDIT - UPDATE REPORT

There was a discussion about the update report on the Transport for Buckinghamshire Street Lantern Replacement Audit.

13 CONFIDENTIAL MINUTES

The confidential minutes of the meeting held on 3rd January 2017 were confirmed as a correct record and signed by the Chairman.

CHAIRMAN

Regulatory and Audit Committee

Title: Grant Thornton - Pension Fund Audit Plan

Date: Wednesday 24 May 2017

Author: Ciaran McLaughlin

Contact officer: Thomas Slaughter 020 7728 2972

Local members affected: All

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

Summary

The Audit Plan (appendix 1) sets out for the benefit of those charged with governance (in the case of Buckinghamshire Pension Fund, the Regulatory and Audit Committee), an overview of the planned scope and timing of the audit. This document is to help you understand the consequences of our work, discuss issues of risk and the concept of materiality with us, and identify any areas where you may request us to undertake additional procedures. It also helps us gain a better understanding of the Fund and your environment. The contents of the Plan have been discussed with management.

Recommendation

| That the Committee NOTES the Pension Fund Audit Plan

Background Papers

Grant Thornton Audit Plan – Buckinghamshire Pension Fund 2016/17 –appendix 1

The Audit Plan for Buckinghamshire Pension Fund

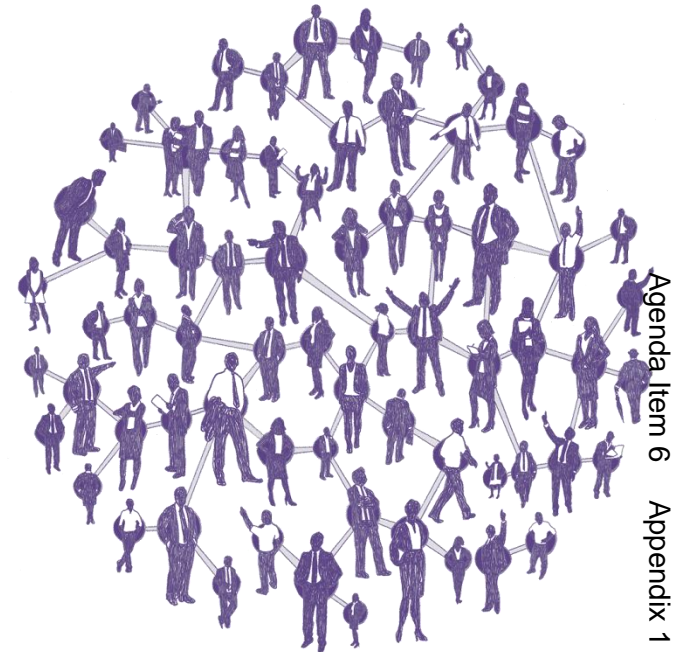
Year ended 31 March 2017

24th May 2017

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Buckinghamshire Pension Fund
County Hall
Walton Street
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Buckinghamshire
HP20 1XF

24th May 2017

Dear Members of the Regulatory and Audit Committee

Audit Plan for Buckinghamshire Pension Fund for the year ending 31 March 2017

This Audit Plan sets out for the benefit of those charged with governance (in the case of Buckinghamshire Pension Fund, the Regulatory and Audit Committee), an overview of the planned scope and timing of the audit, as required by International Standard on Auditing (UK & Ireland) 260. This document is to help you understand the consequences of our work, discuss issues of risk and the concept of materiality with us, and identify any areas where you may request us to undertake additional procedures. It also helps us gain a better understanding of the Fund and your environment. The contents of the Plan have been discussed with management.

We are required to perform our audit in line with Local Audit and Accountability Act 2014 and in accordance with the Code of Practice issued by the National Audit Office (NAO) on behalf of the Comptroller and Auditor General in April 2015. Our responsibilities under the Code are to give an opinion on the Fund's financial statements.

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 which give a true and fair view.

The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change. In particular we cannot be held responsible to you for reporting all of the risks which may affect the Fund or all weaknesses in your internal controls. This report has been prepared solely for your benefit. 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 look forward to working with you during the course of the audit.

Yours sincerely

Ciaran McLaughlin

Engagement Lead

Chartered Accountants

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Understanding your business and key developments

Developments

Investment Regulations

The new investment regulations came into force on 1 November 2016 and require administering authorities to publish new Investment Strategy Statements by 1st April 2017. The statement must be in accordance with guidance issued by the Secretary of State and include a variety of information. This will include the authority's assessment of the suitability of particular investments and types of investments, the authority's approach to risk, including the ways in which risks are to be measured and managed and the authority's approach to pooling investments, including the use of collective investment vehicles and shared services. These regulations also provide the Secretary of State with the power to intervene in the investment function of a fund if he/she is satisfied that the authority is failing to act in accordance with the regulations.

Triennial actuarial valuation of the fund

The results of the triennial review as at 31 March 2016 have now been reported. The review indicates that as at 31 March 2016 the Fund had assets sufficient to cover 87% of its accrued liabilities. This is an increase from the funding level of 82% as at the previous triennial review performed as at 31 March 2013. Members will need to consider the outcome of this review and the impact this will have on the fund in future investment decisions.

Key challenges

Pooling Governance

Arrangements for pooling of investments continue to develop, with DCLG expecting administering authorities to be transferring liquid assets from April 2018. The structure and governance of these arrangements will need to be implemented before this date. These arrangements are likely to have a significant impact on how the investments are managed, who makes decisions and how investment activities are actioned and monitored. Although much of this operational responsibility will move to the investment pool operator, it is key that administering authorities (through Pension Committees and Pension Boards) continue to operate strong governance arrangements, particularly during the transition phase where funds are likely to have a mix of investment management arrangements.

Buckinghamshire Pension Fund has partnered with Funds include The Environment Agency Pension Fund, and the Local Government Funds of Avon, Cornwall, Devon, Dorset, Gloucestershire, Oxfordshire, Somerset and Wiltshire to form the Brunel Pension Partnership. The collective assets of the pool are approximately £23 billion.

Managing the transition to the new pooling arrangements effectively is a key operational priority for management. In the longer term, the new arrangements will require changes in how Buckinghamshire County Council and its officers discharge their duties to provide governance over management of the Fund's assets.

Financial reporting changes

CIPFA Code of Practice 2016/17 (the Code)

The main change to the Code for Pension Funds is the extension of the fair value disclosures required under the Code from 2016/17.

The greatest impact is expected to be for those Funds holding directly owned property and/or shares and Level 3 investments. These are reflected in CIPFA's pension fund example accounts alongside further changes including an analysis of Investment Management expenses in line with CIPFA's Local Government Pension Scheme Management Costs guidance, a realignment of investment classifications, and an additional disclosure note covering remuneration of key management personnel which has been included in related party transactions.

Earlier closedown

The Accounts and Audit Regulations 2015 require councils to bring forward the approval and audit of financial statements to 31 July by the 2017/2018 financial year. You met this deadline in 2015/16, and you plan to do the same in 2017.

Our response

- We will discuss with you your progress in implementing the requirements of the new investment regulations, highlighting any areas of good practice or concern which we have identified.
- We will discuss your progress in implementing revised governance structures, and share our experiences gained nationally.
- We aim to complete all our substantive audit work of your financial statements by the end of July 2016.
- As part of our opinion on your financial statements, we will consider whether your financial statements accurately reflect the changes in the 2016/17 Code

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 concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law. An item does not necessarily have to be large to be considered to have a material effect on the financial statements. An item may be considered to be material by nature, for example, when greater precision is required (e.g. senior manager salaries and allowances).

We determine planning materiality (materiality for the financial statements as a whole determined at the planning stage of the audit) in order to estimate the tolerable level of misstatement in the financial statements, assist in establishing the scope of our audit engagement and audit tests, calculate sample sizes and assist in evaluating the effect of known and likely misstatements in the financial statements.

We have determined planning materiality based upon professional judgement in the context of our knowledge of the Fund. In line with previous years, we have calculated financial statements materiality based on a proportion of net assets for the Fund. For purposes of planning the audit we have determined overall materiality to be £22,213k (being 1% of net assets as at 31 March 2016).

Under ISA 450, auditors 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 accumulation of such amounts would have a material effect on the financial statements. "Trivial" matters are clearly inconsequential, whether taken individually or in aggregate and whether judged by any criteria of size, nature or circumstances. We have defined the amount below which misstatements would be clearly trivial to be £1,111k.

ISA 320 also requires auditors to determine separate, lower, materiality levels where there are 'particular classes of transactions, account balances or disclosures for which misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the economic decisions of users'. We have identified no areas where separate materiality levels are required.

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; Judgments about materiality are made in light of surrounding circumstances, and are affected by the size or nature of a misstatement, or a combination of both; and Judgments about matters that are material to users of the financial statements are based on a consideration of the common financial information needs of users as a group. The possible effect of misstatements on specific individual users, whose needs may vary widely, is not considered. (ISA (UK and Ireland) 320)

Significant risks identified

An audit is focused on risks. Significant risks are defined by ISAs (UK and Ireland) as risks that, in the judgment of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

Significant risk	Description	Audit procedures
The revenue cycle includes fraudulent transactions	Under ISA (UK and Ireland) 240 there is a presumed risk that revenue streams may be misstated due to the improper recognition of revenue. 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 Pension Fund, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because: <ul style="list-style-type: none"> • there is little incentive to manipulate revenue recognition • opportunities to manipulate revenue recognition are very limited • the culture and ethical frameworks of local authorities, including Buckinghamshire County Council, mean that all forms of fraud are seen as unacceptable Therefore we do not consider this to be a significant risk for Buckinghamshire Pension Fund.
Management override of controls	Under ISA (UK and Ireland) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities.	<ul style="list-style-type: none"> • Review of accounting estimates, judgments and decisions made by management • Review of journal entry process and selection of unusual journal entries for testing back to supporting documentation • Review of unusual significant transactions
Level 3 Investments Valuation is incorrect	Under ISA 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.	<ul style="list-style-type: none"> • We have updated our understanding of your process for valuing level 3 investment through discussions with relevant personnel from the Pension Fund during the interim audit. • For a sample of private equity investments, test valuations by obtaining and reviewing the audited accounts at latest date for individual investments and agreeing these to the fund manager reports at that date. Reconciliation of those values to the values at 31st March with reference to known movements in the intervening period. • To review the nature and basis of estimated values and consider what assurance management has over the year end valuations provided for these types of investments.

"Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, due to either 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 and Ireland) 315) . In making the review of unusual significant transactions "the auditor shall treat identified significant related party transactions outside the entity's normal course of business as giving rise to significant risks." (ISA (UK and Ireland) 550)

Other risks identified

Reasonably possible risks (RPRs) are, in the auditor's judgment, other risk areas which the auditor has identified as an area where the likelihood of material misstatement cannot be reduced to remote, without the need for gaining an understanding of the associated control environment, along with the performance of an appropriate level of substantive work. The risk of misstatement for an RPR or other risk is lower than that for a significant risk, and they are not considered to be areas that are highly judgmental, or unusual in relation to the day to day activities of the business.

Reasonably possible risks	Description of risk	Audit procedures
Investment purchases and sales	Investment activity not valid. Investment valuation not correct (Valuation gross and valuation net).	<ul style="list-style-type: none"> We will review the reconciliation of information provided by the fund managers, the custodian and the Pension Fund's own records and seek explanations for variances Complete a predictive analytical review for different types of investments
Investment values – Level 2 investments	Valuation is incorrect. (Valuation gross and valuation net)	<ul style="list-style-type: none"> We will review the reconciliation of information provided by the fund managers, the custodian and the Pension Fund's own records and seek explanations for variances
Contributions	Recorded contributions not correct (Occurrence)	<ul style="list-style-type: none"> Controls testing over occurrence, completeness and accuracy of contributions to the scheme from employees of Buckinghamshire County Council Test a sample of contributions from Scheduled and Admitted bodies to source evidence to gain assurance over their accuracy and occurrence Trend analysis of scheme contributions across the year to assess the completeness of scheme contributions Rationalise contributions received with reference to changes in member body payrolls and numbers of contributing pensioners to ensure that any unexpected trends are satisfactorily explained
Benefits payable	Benefits improperly computed/claims liability understated (Completeness, accuracy and occurrence)	<ul style="list-style-type: none"> Controls testing over, completeness, accuracy and occurrence of benefit payments Trend analysis of benefit payments across the year to assess the completeness of benefit payments We will rationalise pensions paid with reference to changes in pensioner numbers and increases applied in the year to ensure that any unusual trends are satisfactorily explained
Member Data	Member data not correct. (Rights and Obligations)	<ul style="list-style-type: none"> Controls testing over reconciliations and verifications with individual members Sample testing of changes to member data made during the year to source documentation

Other risks identified (continued)

Going concern

As auditors, we are required to “obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern” (ISA (UK and Ireland) 570). We will review the management's assessment of the going concern assumption and the disclosures in the financial statements.

Other material balances and transactions

Under International Standards on Auditing, "irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure". All other material balances and transaction streams will therefore be audited. However, the procedures will not be as extensive as the procedures adopted for the risks identified in the previous sections but will include:

- Administrative expenses
- Cash deposits
- Current assets
- Current liabilities
- Investment income
- Actuarial Valuation and Actuarial Present Value of Promised Retirement Benefits
- Financial Instruments disclosures
- Related Party Transactions disclosures

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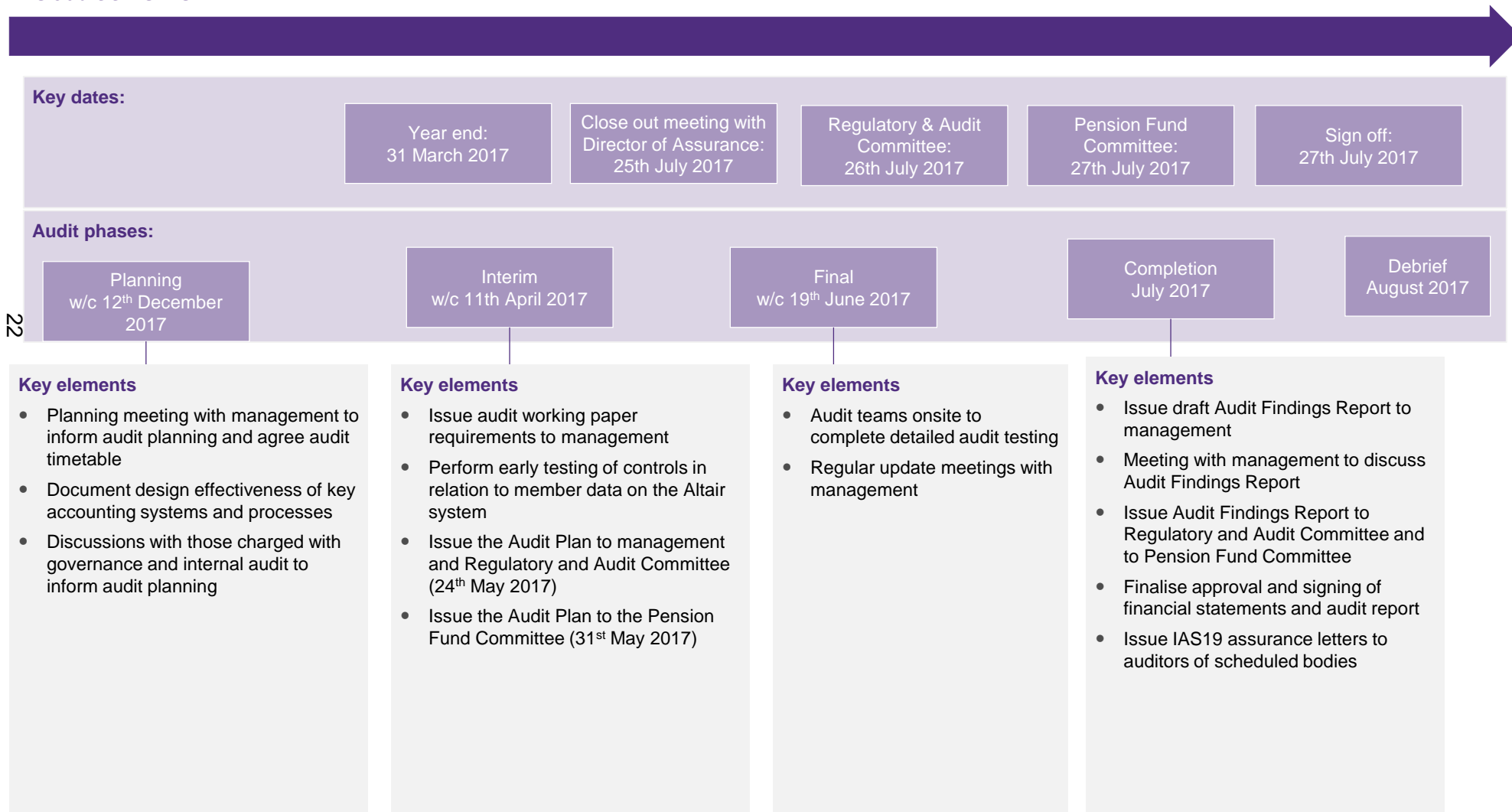
Results of interim audit work

The findings of our interim audit work, and the impact of our findings on the accounts audit approach, are summarised in the table below:

	Work performed	Conclusion
Internal audit	<p>We have completed a high level review of internal audit's overall arrangements. Our work has not identified any issues which we wish to bring to your attention.</p> <p>We have also reviewed internal audit's work on the Fund's key financial systems to date. We have not identified any significant weaknesses impacting on our responsibilities.</p>	<p>Overall, we have concluded that the internal audit service provides an independent and satisfactory service to the Fund and that internal audit work contributes to an effective internal control environment.</p> <p>Our review of internal audit work has not identified any weaknesses which impact on our audit approach.</p>
Entity level controls	<p>We have obtained an understanding of the overall control environment relevant to the preparation of the financial statements including:</p> <ul style="list-style-type: none"> • Communication and enforcement of integrity and ethical values • Commitment to competence • Participation by those charged with governance • Management's philosophy and operating style • Organisational structure • Assignment of authority and responsibility • Human resource policies and practices 	<p>Our work has identified no material weaknesses which are likely to adversely impact on the Fund's financial statements.</p>
Review of information technology controls	<p>We performed a high level review of the general IT control environment, as part of the overall review of the internal controls system.</p> <p>IT (information technology) controls were observed to have been implemented in accordance with our documented understanding.</p>	<p>Our work has identified no material weaknesses which are likely to adversely impact on the Fund's financial statements.</p>
Walkthrough testing	<p>We have completed walkthrough tests of the Fund's controls operating in areas where we consider that there is a risk of material misstatement to the financial statements.</p> <p>Our work has not identified any issues which we wish to bring to your attention. Internal controls have been implemented by the Fund in accordance with our documented understanding.</p>	<p>Our work has not identified any weaknesses which impact on our audit approach.</p>

The audit cycle

The audit timeline



Audit Fees

Fees

	£
Pension fund audit	25,033
Total audit fees (excluding VAT)	25,033

Our fee assumptions include:

- Supporting schedules to all figures in the accounts are supplied by the agreed dates and in accordance with the agreed upon information request list
- The scope of the audit, and the Fund and its activities, have not changed significantly
- The Fund will make available management and accounting staff to help us locate information and to provide explanations
- The accounts presented for audit are materially accurate, supporting working papers and evidence agree to the accounts, and all audit queries are resolved promptly.

Fees for other service

We provide no other services to Buckinghamshire Pension Fund.

Independence

Ethical Standards and ISA (UK and Ireland) 260 require us to give you timely disclosure of matters relating to our independence. 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 we confirm that we are independent and are able to express an objective opinion on the financial statements.

What is included within our fees

- A reliable and risk-focused audit appropriate for your business
- Invitations to events hosted by Grant Thornton in your sector, as well as the wider finance community
- Ad-hoc telephone calls and queries
- Technical briefings and updates
- A review of accounting policies for appropriateness and consistency

Communication of audit matters with those charged with governance

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

This document, The Audit Plan, outlines our audit strategy and plan to deliver the audit, while The Audit Findings will be issued prior to approval of the financial statements and will present key issues and other matters arising from the audit, together with an explanation as to how these have been resolved.

We will communicate any adverse or unexpected findings affecting the audit on a timely basis, either informally or via a report to the Fund.

Respective responsibilities

As auditor we are responsible for performing the audit in accordance with ISAs (UK and 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.

This plan 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.psa.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 ('the Code') issued by the NAO and includes nationally prescribed and locally determined work (<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.

The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

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

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



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Regulatory and Audit Committee

Title:	Grant Thornton - Audit Plan for Buckinghamshire County Council
Date:	Wednesday 24 May 2017
Author:	Paul Grady – Engagement Lead, Grant Thornton
Contact officer:	Thomas Slaughter 020 7728 2972
Local members affected:	All

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

Summary

The Audit Plan (appendix 1) sets out for the benefit of those charged with governance (in the case of Buckinghamshire County Council, the Regulatory and Audit Committee), an overview of the planned scope and timing of the audit. This document is to help you understand the consequences of our work, discuss issues of risk and the concept of materiality with us, and identify any areas where you may request us to undertake additional procedures. It also helps us gain a better understanding of the Council and your environment. The contents of the Plan have been discussed with management.

Recommendation

| That the Committee NOTES the Audit Plan for Buckinghamshire County Council.

Background Papers

Grant Thornton Audit Plan – Buckinghamshire County Council 2016/17 –appendix 1

The Audit Plan for Buckinghamshire County Council

Year ended 31 March 2017

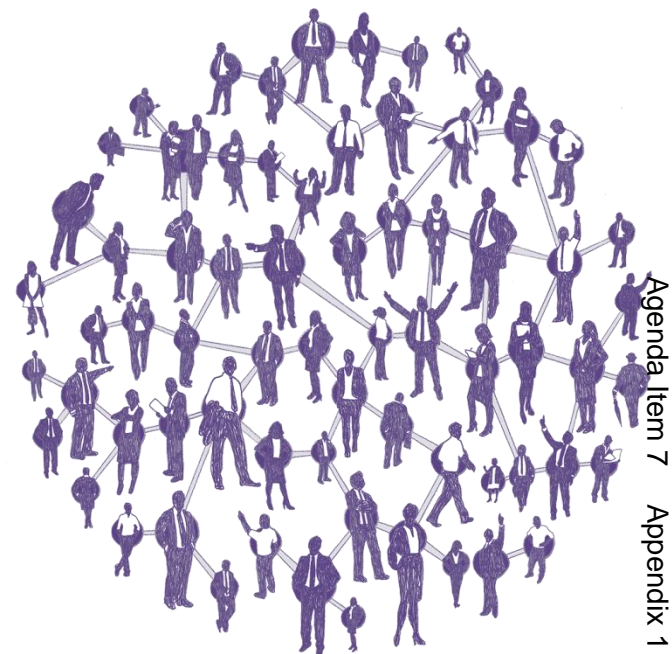
24th May 2017

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Buckinghamshire County Council
County Hall
Walton Street
Aylesbury
Buckinghamshire
HP20 1XF

24th May 2017

Dear Members of the Regulatory and Audit Committee

Audit Plan for Buckinghamshire County Council for the year ending 31 March 2017

This Audit Plan sets out for the benefit of those charged with governance (in the case of Buckinghamshire County Council, the Regulatory and Audit Committee), an overview of the planned scope and timing of the audit, as required by International Standard on Auditing (UK & Ireland) 260. This document is to help you understand the consequences of our work, discuss issues of risk and the concept of materiality with us, and identify any areas where you may request us to undertake additional procedures. It also helps us gain a better understanding of the Council and your environment. The contents of the Plan have been discussed with management.

We are required to perform our audit in line with Local Audit and Accountability Act 2014 and in accordance with the Code of Practice issued by the National Audit Office (NAO) on behalf of the Comptroller and Auditor General in April 2015. Our responsibilities under the Code are to:

- give an opinion on the Council's financial statements
- satisfy ourselves you have made proper arrangements for securing economy, efficiency and effectiveness in your use of resources.

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 which give a true and fair view.

The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change. In particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or all weaknesses in your internal controls. This report has been prepared solely for your benefit. 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 look forward to working with you during the course of the audit.

Yours faithfully

Paul Grady
Engagement Lead

Chartered Accountants

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Understanding your business and key developments

Developments

Highways network asset (HNA)

On 3 March, CIPFA/LASAAC announced that the implementation of the Highways Network Asset Code into the financial reporting requirements of local authorities will no longer go ahead. This follows on from CIPFA/LASAAC decision in November 2016 to defer implementation of the new requirements from 2016/17 to 2017/18. The Code would have required the of measuring the Highways Network Asset at Depreciated Replacement basis.

In common with other highways authorities, your officers have previously spend a significant amount of time and resource in preparing for the implementation of HNA.

Financial pressures

Your draft Medium Term Financial Plan taken to the 16th February 2017 meeting of the County Council forecasts that by 2020-21, £46m of additional savings will be required annually. This highlights the continued importance of identifying savings opportunities and additional income.

Devolution and LG reorganisation

We will consider your plans and take these into account as part of our work in reaching our VFM conclusion.

We are able to provide support and challenge to your plans based on our knowledge of these issues elsewhere in the country.

Key challenges

Financial settlement

Buckinghamshire faces a challenging financial settlement going forward, with Revenue Support Grant funding set to reduce from £23.7m in 2016/17 to nil by 2018/19 and the Business Rates Top Up Grant set to reduce by £11.0m by 2019/20.

You have set a 4.99% increase in Council Tax for 2017/18 including the Social Care Precept and expect Council Tax to fund 89.8% of your budget by 2020-21, compared to 74.5% in 2016/17.

Income generation

Generation of additional income is a key area of focus for you. An income generation inquiry was agreed following the budget scrutiny exercise in 2015/16 which concluded that the Council is not always exploring all opportunities for developing additional income. A recent select committee enquiry recommended that you further raise the profile of income generation and the MTFP assumes increased income of £9.6m will be generated over the next 4 years.

Children's Services

In August 2014 you were rated inadequate by OFSTED in relation to your Children's Services function.

You have implemented an Improvement Plan to address the concerns raised by OFSTED. Progress towards improvement was made in 2015/16 and you have agreed to extend the programme team supporting the implementation of the plan to 2017/18.

Financial reporting changes

CIPFA Code of Practice 2016/17 (the Code)

Changes to the Code in 2016/17 reflect the aims of the 'Telling the Story' project, to streamline the financial statements to be more in line with internal organisational reporting and improve accessibility to the reader of the financial statements.

The changes affect the presentation of the Comprehensive Income and Expenditure Statement and the Movement in Reserves Statements, segmental reporting disclosures and a new Expenditure and Funding Analysis note has been introduced. The Code also requires these amendments to be reflected in the 2015/16 comparatives by way of a prior period adjustment.

Earlier closedown

The Accounts and Audit Regulations 2015 require councils to bring forward the approval and audit of financial statements to 31 July by the 2017/2018 financial year. You met this deadline in 2016, and you plan to do the same in 2017.

Winding up of Buckinghamshire Care

During 2016/17, the Buckinghamshire Care group has ceased trading and the assets and liabilities of the group will be transferring to the Council. This will require the recognition of a "loss on cessation" within your accounts.

Our response

- We aim to complete all our substantive audit work of your financial statements and value for money arrangements by 26th July 2017
- As part of our opinion on your financial statements, we will consider whether your financial statements accurately reflect the financial reporting changes in the 2016/17 Code
- We have already held early discussions with your finance team around changes to the financial reporting requirements for 2016/17, and with your senior management on progress with children's services and plans for local government reorganisation

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 concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law. An item does not necessarily have to be large to be considered to have a material effect on the financial statements. An item may be considered to be material by nature, for example, when greater precision is required (e.g. senior manager salaries and allowances).

We determine planning materiality (materiality for the financial statements as a whole determined at the planning stage of the audit) in order to estimate the tolerable level of misstatement in the financial statements, assist in establishing the scope of our audit engagement and audit tests, calculate sample sizes and assist in evaluating the effect of known and likely misstatements in the financial statements.

We have determined planning materiality based upon professional judgement in the context of our knowledge of the Council. In line with previous years, we have calculated financial statements materiality based on a proportion of your gross revenue expenditure. **For the purposes of planning the audit we have determined overall materiality to be £15,896k (being 2% of 2015/16 gross revenue expenditure).** Our assessment of materiality is kept under review throughout the audit process and we will advise you if we revise this during the audit.

Under ISA 450, auditors 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 accumulation of such amounts would have a material effect on the financial statements. "Trivial" matters are clearly inconsequential, whether taken individually or in aggregate and whether judged by any criteria of size, nature or circumstances. **We have defined the amount below which misstatements would be clearly trivial to be £795k.**

ISA 320 also requires auditors to determine separate, lower, materiality levels where there are 'particular classes of transactions, account balances or disclosures for which misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the economic decisions of users'. We have identified no areas where separate materiality levels are required.

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; Judgments about materiality are made in light of surrounding circumstances, and are affected by the size or nature of a misstatement, or a combination of both; and Judgments about matters that are material to users of the financial statements are based on a consideration of the common financial information needs of users as a group. The possible effect of misstatements on specific individual users, whose needs may vary widely, is not considered. (ISA (UK and Ireland) 320)

Significant risks identified

An audit is focused on risks. Significant risks are defined by ISAs (UK and Ireland) as risks that, in the judgment of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

Significant risk	Description	Audit procedures
The revenue cycle includes fraudulent transactions	<p>Under ISA (UK and Ireland) 240 there is a presumed risk that revenue streams may be misstated due to the improper recognition of revenue.</p> <p>This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p>	<p>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:</p> <ul style="list-style-type: none"> • there is little incentive to manipulate revenue recognition • opportunities to manipulate revenue recognition are very limited • The culture and ethical frameworks of local authorities, including Buckinghamshire County Council, mean that all forms of fraud are seen as unacceptable <p>Therefore we do not consider this to be a significant risk for Buckinghamshire County Council.</p>
Management over-ride of controls	<p>Under ISA (UK and Ireland) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities.</p>	<p>Work completed:</p> <ul style="list-style-type: none"> • We have reviewed your journal entry policies and procedures as part of determining our journal entry testing strategy and have not identified any material weaknesses which are likely to adversely impact on your control environment or financial statements. • We have completed testing of month 1-9 manual journal postings, selecting large and unusual journal entries for testing back to supporting documentation <p>Work planned:</p> <ul style="list-style-type: none"> • Review of accounting estimates, judgments and decisions made by management • Testing of months 10 - 12 journal entries. • Review of unusual significant transactions

"Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, due to either 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 and Ireland) 315) . In making the review of unusual significant transactions "the auditor shall treat identified significant related party transactions outside the entity's normal course of business as giving rise to significant risks." (ISA (UK and Ireland) 550)

Significant risks identified (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 date and the work we plan to address these risks.

Significant risk	Description	Audit procedures
Valuation of property, plant and equipment	You revalue your assets on a rolling basis over a five year period. The Code requires that Councils 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.	<ul style="list-style-type: none"> • Review of management's processes and assumptions for the calculation of the estimate. • Review of the competence, expertise and objectivity of any management experts used. • Review of the instructions issued to valuation experts and the scope of their work • Discussions with valuer about the basis on which the valuation is carried out and challenge of the key assumptions. • Review and challenge of the information used by the valuer to ensure it is robust and consistent with our understanding. • Testing of revaluations made during the year to ensure they are input correctly into your asset register • Evaluation of the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value.
Valuation of pension fund net liability	Your pension fund asset and liability as reflected in your balance sheet represent significant estimates in the financial statements.	<ul style="list-style-type: none"> • We will identify the controls put in place by management to ensure that the pension fund liability is not materially misstated. We will also assess whether these controls were implemented as expected and whether they are sufficient to mitigate the risk of material misstatement. • We will review the competence, expertise and objectivity of the actuary who carried out your pension fund valuation. We will gain an understanding of the basis on which the valuation is carried out. • We will undertake procedures to confirm the reasonableness of the actuarial assumptions made. • We will review the consistency of the pension fund asset and liability and disclosures in notes to the financial statements with the actuarial report from your actuary.

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Other risks identified

Reasonably possible risks (RPRs) are, in the auditor's judgment, other risk areas which the auditor has identified as an area where the likelihood of material misstatement cannot be reduced to remote, without the need for gaining an understanding of the associated control environment, along with the performance of an appropriate level of substantive work. The risk of misstatement for an RPR or other risk is lower than that for a significant risk, and they are not considered to be areas that are highly judgmental, or unusual in relation to the day to day activities of the business.

Reasonably possible risks	Description of risk	Audit procedures
Operating expenses	Creditors related to core activities (e.g. supplies) understated or not recorded in the correct period	<ul style="list-style-type: none"> • Testing the reconciliation of operating expenditure recorded in the general ledger to the subsidiary systems and interfaces • Testing of the cut-off of expenditure recognised for 2016/17 • Testing of year end payable balances
Employee remuneration	Employee remuneration and benefit obligations and expenses understated	<ul style="list-style-type: none"> • Testing the reconciliation of payroll expenditure recorded in the general ledger to the subsidiary systems and interfaces • Trend analysis and risk identification for monthly payroll costs • Testing of payroll payments, assessing whether payments are made in accordance with the individual's contract of employment

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"In respect of some risks, the auditor may judge that it is not possible or practicable to obtain sufficient appropriate audit evidence only from substantive procedures. Such risks may relate to the inaccurate or incomplete recording of routine and significant classes of transactions or account balances, the characteristics of which often permit highly automated processing with little or no manual intervention. In such cases, the entity's controls over such risks are relevant to the audit and the auditor shall obtain an understanding of them." (ISA (UK and Ireland) 315)

Other risks identified (continued)

Other risks	Description of risk	Audit procedures
<p>Changes to the presentation of local authority financial statements</p>	<p>CIPFA has been working on the 'Telling the Story' project, for which the aim was to streamline the financial statements and improve accessibility to the user and this has resulted in changes to the 2016/17 Code of Practice.</p> <p>The changes affect the presentation of income and expenditure in the financial statements and associated disclosure notes. A prior period adjustment (PPA) to restate the 2015/16 comparative figures is also required.</p>	<p>Work completed:</p> <ul style="list-style-type: none"> We have documented and evaluated the process for the recording the required financial reporting changes to the 2016/17 financial statements. We have reviewed the re-classification of the Comprehensive Income and Expenditure Statement (CIES) comparatives to ensure that they are in line with the Authority's internal reporting structure. We have reviewed the appropriateness of the revised grouping of entries within the Movement In Reserves Statement (MIRS). <p>Work planned:</p> <ul style="list-style-type: none"> We will test the classification of income and expenditure for 2016/17 recorded within the Cost of Services section of the CIES. We will test the completeness of income and expenditure by reviewing the reconciliation of the CIES to the general ledger. We will test the classification of income and expenditure reported within the new Expenditure and Funding Analysis (EFA) note to the financial statements. We will review the new segmental reporting disclosures within the 2016/17 financial statements to ensure compliance with the CIPFA Code of Practice.

Other risks identified (continued)

Going concern

As auditors, we are required to “obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern” (ISA (UK and Ireland) 570). We will review the management's assessment of the going concern assumption and the disclosures in the financial statements.

Other material balances and transactions

Under International Standards on Auditing, "irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure". All other material balances and transaction streams will therefore be audited. However, the procedures will not be as extensive as the procedures adopted for the risks identified in the previous sections but will include:

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- Investments (long term and short term)
- Cash and cash equivalents
- Borrowings and other liabilities (long and short term)
- Provisions
- Useable and unusable reserves
- Movement in Reserves Statement and associated notes
- Statement of cash flows and associated notes
- Financing and investment income and expenditure
- Taxation and non-specific grants
- Schools balances and transactions
- Segmental reporting note
- Officers' remuneration note
- Related party transactions note
- Capital expenditure and capital financing note
- Financial instruments note

Group audit scope and risk assessment

The judgement that management have expressed to us is that Group accounts are not required to be prepared for Buckinghamshire County Council for 2016/17 on the basis that your subsidiaries would not be material in terms of their impact on the group's financial position and performance. The table below sets out our audit approach adopted in relation to review of each of your group interests and consideration of whether group accounts are required in respect of them.

Component[s]	Nature of entity	Your group assessment	Audit approach
Adventure Learning Foundation	Charity providing outdoor education and sports services	Not under the control of the Council. You have Trustees on the Board but not enough to have a controlling influence.	Review governance arrangements for the charity at year-end and consider whether it falls under the Council's control
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 reported position for 2016/17 up until the point that the company ceased trading to determine whether the company is material to the Council's accounts.
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 reported position for 2016/17 to determine whether the company is material to the Council's accounts.
Buckinghamshire Learning Trust	Charity delivering services to schools and early year settings	Not under the control of the Council. You have Trustees on the Board but not enough to have a controlling influence.	Review governance arrangements for the charity at year-end and consider whether it falls under the Council's control
Buckinghamshire Museum Trust	Charity overseeing the running of Buckinghamshire County Museum	Not under the control of the Council. You have Trustees on the Board but not enough to have a controlling influence.	Review governance arrangements for the charity at year-end and consider whether it falls under the Council's control

Value for Money

Background

The Code requires us to consider whether the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the Value for Money (VfM) conclusion.

The National Audit Office (NAO) issued its guidance for auditors on value for money work for 2016/17 in November 2016. The guidance states that for local government bodies, auditors are required to give a conclusion on whether the Council has proper arrangements in place.

The guidance identifies one single criterion for auditors to evaluate:

In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people.

This is supported by three sub-criteria as set out opposite:

Sub-criteria	Detail
Informed decision making	<ul style="list-style-type: none"> Acting in the public interest, through demonstrating and applying the principles and values of sound governance Understanding and using appropriate cost and performance information (including, where relevant, information from regulatory/monitoring bodies) to support informed decision making and performance management Reliable and timely financial reporting that supports the delivery of strategic priorities Managing risks effectively and maintaining a sound system of internal control
Sustainable resource deployment	<ul style="list-style-type: none"> Planning finances effectively to support the sustainable delivery of strategic priorities and maintain statutory functions Managing and utilising assets effectively to support the delivery of strategic priorities Planning, organising and developing the workforce effectively to deliver strategic priorities.
Working with partners and other third parties	<ul style="list-style-type: none"> Working with third parties effectively to deliver strategic priorities Commissioning services effectively to support the delivery of strategic priorities Procuring supplies and services effectively to support the delivery of strategic priorities.

Value for Money (continued)

Risk assessment

We have carried out an initial risk assessment based on the NAO's auditor's guidance note (AGN03). In our initial risk assessment, we considered:

- our cumulative knowledge of the Council, including work performed in previous years in respect of the VfM conclusion and the opinion on the financial statements.
- the findings of other inspectorates and review agencies, including Ofsted.
- any illustrative significant risks identified and communicated by the NAO in its Supporting Information.
- any other evidence which we consider necessary to conclude on your arrangements.

We have identified significant risks which we are required to communicate to you. These are set out overleaf.

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Reporting

The results of our VfM audit work and the key messages arising will be reported in our Audit Findings Report and in the Annual Audit Letter.

We will include our conclusion in our auditor's report on your financial statements which we will give by 26 July 2017.

Value for money (continued)

We set out below the significant risks we have identified as a result of our initial risk assessment and the work we propose to address these risks.

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Significant risk	Link to sub-criteria	Work proposed to address
<p>Local Government reorganisation You are considering different models of local government organisation across Buckinghamshire. These considerations may substantially alter the way public services are delivered across the county.</p>	<p>This links to your arrangements for acting in the public interest, through demonstrating and applying the principles and values of sound governance and understanding and using appropriate cost and performance information to support informed decision making and performance management.</p>	<p>We will discuss the on-going proposals and consideration with officers and assess your preparedness for moving to new configurations should this arise.</p>
<p>Effectiveness and accountability frameworks There has been significant transformation in recent years in the effectiveness and accountability frameworks in place for service delivery. This has included programmes to transform the culture and operational structure of the Council to facilitate more flexible and commercial ways of working. The latest phase was the introduction of new ways of working for Health & Wellbeing and Children's Services which went live effective of 1 April 2016.</p>	<p>This links to your arrangements for planning finances effectively to support the sustainable delivery of strategic priorities and using appropriate cost and performance information to support informed decision making.</p>	<p>We will hold discussions with relevant officers involved in the transition and will review committee reports and other relevant documents relating to the monitoring of the roll-out of new operating arrangements to children's and adults' services.</p>
<p>Funding pressures In light of the increasing funding 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.</p>	<p>This links to your arrangements for planning finances effectively to support the sustainable delivery of strategic priorities and using appropriate cost and performance information to support informed decision making.</p>	<p>We will review recent performance against the budget and consider the reasonableness of the assumptions upon which the Medium Term Financial Plan is based.</p> <p>We will also review and consider the impact of the devolution and reorganisation agenda in Buckinghamshire on medium term financial planning.</p>
<p>Ofsted inspection of children's services Ofsted issued a report on the Council's children's services in 2014 which gave a rating of 'inadequate' and the Council is currently subject to follow up review. In response to this you implemented an Improvement Plan to address the concerns that Ofsted raised.</p> <p>During our 2015/16 Value for Money review, we noted that the Department for Education had recognised that there had been clear signs of progress, while the DfE also highlighted some areas where they considered that further progress was required.</p>	<p>This links to your arrangements for planning finances effectively to support the sustainable delivery of strategic priorities and using appropriate cost and performance information to support informed decision making.</p>	<p>We will review the progress you have made and the findings from inspectors and reviewers in respect of your arrangements as you implement change. We will consider your performance against objectives and targets in delivering a safe and reliable children's service and take these into account in forming our conclusion.</p> <p style="text-align: right;"><i>continued.....</i></p>

Value for money (continued)

Significant risk	Link to sub-criteria	Work proposed to address
<p>Adult social care services in Buckinghamshire On 31 December 2016 you terminated the contract with your subsidiary company, Buckinghamshire Care Limited, and transferred the assets and liabilities of the company in house, along with a commitment to continue to provide the services previously undertaken by the company. You are considering options for the long term provision of these services.</p>	<p>This links to your arrangements for acting in the public interest, through demonstrating and applying the principles and values of sound governance and understanding and using appropriate cost and performance information to support informed decision making and performance management. It also links to your arrangements for Commissioning services effectively to support the delivery of strategic priorities.</p>	<p>We will discuss the proposals you have for the long term provision of these services and consider the arrangements for informed decision making.</p>

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Other audit responsibilities

In addition to our responsibilities under the Code of Practice in relation to your financial statements and arrangements for economy, efficiency and effectiveness we have a number of other audit responsibilities, as follows:

- We will undertake work to satisfy ourselves that the disclosures made in your Annual Governance Statement are in line with CIPFA/SOLACE guidance and consistent with our knowledge of the Council.
- We will read your Narrative Statement and check that it is consistent with the financial statements on which we give an opinion and that the disclosures included in it are in line with the requirements of the CIPFA Code of Practice.
- We will carry out work on your consolidation schedules for the Whole of Government Accounts process in accordance with NAO instructions to auditors.
- We consider our other duties under the Act and the Code, as and when required, including:
 - We will give electors the opportunity to raise questions about your financial statements and consider and decide upon any objections received in relation to the financial statements;
 - issue of a report in the public interest; and
 - making a written recommendation to the Council, copied to the Secretary of State
- We certify completion of our audit.

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Results of interim audit work

The findings of our interim audit work, and the impact of our findings on the accounts audit approach, are summarised in the table below:

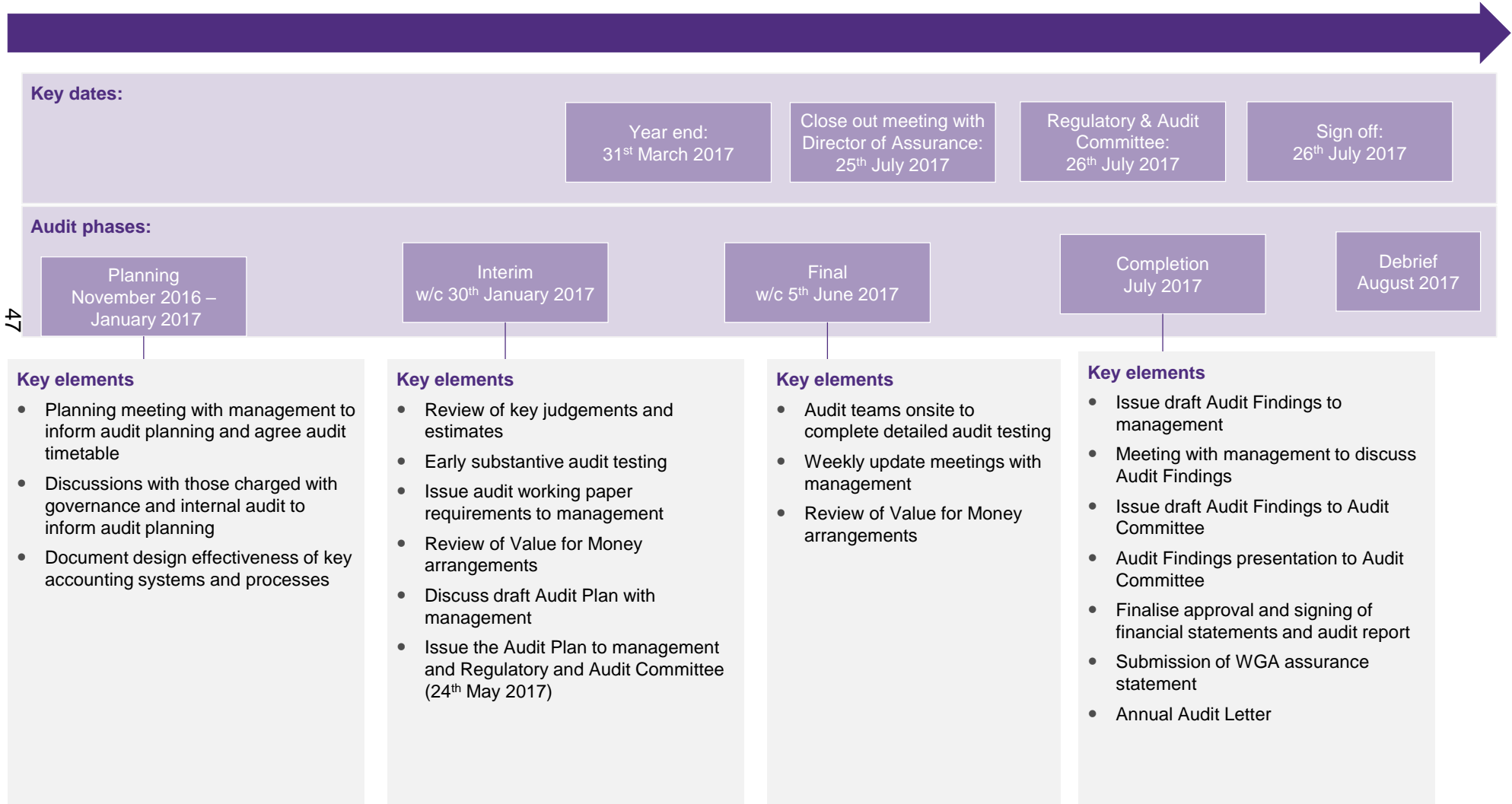
	Work performed	Conclusion
Internal audit	We have completed a high level review of internal audit's overall arrangements. Our work has not identified any issues which we wish to bring to your attention.	Overall, we have concluded that the internal audit service provides an independent and satisfactory service to the Council and that internal audit work contributes to an effective internal control environment.
Entity level controls	<p>We have obtained an understanding of the overall control environment relevant to the preparation of the financial statements including:</p> <ul style="list-style-type: none"> • Communication and enforcement of integrity and ethical values • Commitment to competence • Participation by those charged with governance • Management's philosophy and operating style • Organisational structure • Assignment of authority and responsibility • Human resource policies and practices 	Our work has identified no material weaknesses which are likely to adversely impact on your financial statements
Review of information technology controls	<p>We performed a high level review of the general IT control environment, as part of the overall review of the internal controls system.</p> <p>IT (information technology) controls were observed to have been implemented in accordance with our documented understanding.</p>	Our work has identified no material weaknesses which are likely to adversely impact on your financial statements
Walkthrough testing	<p>We have completed walkthrough tests of your controls operating in areas where we consider that there is a risk of material misstatement to the financial statements.</p> <p>Our work has not identified any issues which we wish to bring to your attention. Internal controls have been implemented by you in accordance with our documented understanding.</p>	Our work has not identified any weaknesses which impact on our audit approach.

Results of interim audit work (continued)

	Work performed	Conclusion
Journal entry controls	We have reviewed your journal entry policies and procedures as part of determining our journal entry testing strategy and have not identified any material weaknesses which are likely to adversely impact on your control environment or financial statements.	Our work has not identified any weaknesses which impact on our audit approach.
Review of the Council's progress made in preparing for the new accounting treatment for the Highways Network Asset (HNA)	<p>We undertook a high level review of the processes in place surrounding the preparation of HNA opening balance, to assess whether you have appropriate arrangements in place by 2017/18, when the new accounting treatment was expected be implemented within the CIPFA Code of Practice.</p> <p>This work was undertaken by mutual agreement between ourselves and officers as part of our preparations for auditing the HNA opening balance in 2017/16, to allow us to gain an initial early view on the progress that has been made to date in estimating this balance. As such, we do not provide any formal assurance at this stage around the adequacy of your arrangements for estimating the HNA opening balance.</p> <p>It should be noted that subsequent to the completion of this work, in March 2017 CIPFA/LAASAC announced that the implementation of the new accounting arrangements will HNA is no longer going ahead.</p>	<p>You have invested a significant amount of time in preparing for the implementation of HNA. On the basis of our limited review, it was clear that good progress had been made and it was apparent that there had been an appropriate level of oversight and input from the central accountancy team. However, we have identified a number of areas where some further work is required to ensure that you are prepared for when HNA is implemented.</p> <p>The detailed findings from our review were shared with the Director of Assurance in December 2016.</p>
Journals testing	We have completed testing of month1-9 manual journal postings.	Our work has not identified any weaknesses which impact on our audit approach.
Employee remuneration	We undertook testing of month 1-9 payroll expenditure, for both the main Council payroll and the Strictly Education payroll system.	Our work has not identified any weaknesses which impact on our audit approach.
Operating expenditure	We undertook substantive testing of month 1 -9 operating expenditure.	Our work has not identified any weaknesses which impact on our audit approach.

The audit cycle

The audit timeline



Audit Fees

Fees

	£
Council audit (scale fee)	88,088
Council HNA audit (additional audit fee) *	2,000
Audit of Buckinghamshire Care group **	TBC
Total audit fees (excluding VAT)	TBC

Our fee assumptions include:

- Supporting schedules to all figures in the accounts are supplied by the agreed dates and in accordance with the agreed upon information request list
- The scope of the audit, and the Council and its activities, have not changed significantly
- You will make available management and accounting staff to help us locate information and to provide explanations
- The accounts presented for audit are materially accurate, supporting working papers and evidence agree to the accounts, and all audit queries are resolved promptly.

Fees for other services

Fees for other services detailed on the following page, reflect those agreed at the time of issuing our Audit Plan. Any changes will be reported in our Audit Findings Report and Annual Audit Letter.

What is included within our fees

- A reliable and risk-focused audit appropriate for your business
- Invitations to events hosted by Grant Thornton in your sector, as well as the wider finance community
- Regular sector updates
- Ad-hoc telephone calls and queries
- Technical briefings and updates
- Regular contact to discuss strategy and other important areas
- A review of accounting policies for appropriateness and consistency
- Regular Audit Committee Progress Reports

* We have agreed a fee of £2,000 for work that we performed in November 2016 to review and report back on the arrangements that the Council has in place for preparation of Highway Network Asset opening balance entries.

** The audit of Buckinghamshire Care group is on-going due to delays in management finalising their year end position.

Independence and non-audit services

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 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.

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to Buckinghamshire County Council and its related group entities. The following audit related and non-audit services were identified for the Council for 2016/17:

Fees for other services for Buckinghamshire County Council and related group entities

Service	Fees £
Audit related	
Certification of teachers pension return	7,500
Testing of Skills Funding Agency sub-commissioning arrangements	4,000
Non-audit related	
Tax services for Buckinghamshire Care group	3,750

The amounts detailed are fees agreed to-date for audit related and non-audit services (to be) undertaken by Grant Thornton UK LLP (and Grant Thornton International Limited network member Firms) in the current financial year. Full details of all fees charged for audit and non-audit services by Grant Thornton UK LLP and by Grant Thornton International Limited network member Firms will be included in our Audit Findings report at the conclusion of the audit.

The above services are consistent with the Council's policy on the allotment of non-audit work to your auditors.

Communication of audit matters with those charged with governance

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

This document, The Audit Plan, outlines our audit strategy and plan to deliver the audit, while The Audit Findings will be issued prior to approval of the financial statements and will present key issues and other matters arising from the audit, together with an explanation as to how these have been resolved.

We will communicate any adverse or unexpected findings affecting the audit on a timely basis, either informally or via a report to the Council.

Respective responsibilities

As auditor we are responsible for performing the audit in accordance with ISAs (UK and 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.

This plan 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.psa.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.

Our annual work programme is set in accordance with the Code of Audit Practice ('the Code') issued by the NAO and includes nationally prescribed and locally determined work (<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.

The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

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

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



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Regulatory and Audit Committee

Title:	DRAFT Statement of Accounts for the year ending 31 March 2017
Date:	24 May 2017
Author:	Richard Ambrose – Director of Finance & Assets
Contact officer:	Elspeth O'Neill - Financial Accountancy Manager Telephone (01296) 382130
Electoral divisions affected:	All

Summary

The draft unaudited Statement of Accounts for Buckinghamshire County Council and Pension Fund for the year ended 31 March 2017 is presented to the Regulatory and Audit Committee for information.

The Committee may wish to consider if, in their opinion, the appropriate accounting policies have been followed and whether there are concerns arising from the financial statements that need to be brought to the attention of the Council.

The Director of Finance & Assets as the Council's appointed Section 151 Officer will sign the unaudited Statement of Accounts following this meeting, after which the audit of the Accounts can commence and the draft Accounts will be published on the Council's website.

The finalised Statement of Accounts is due to be approved by the Chairman of the Regulatory and Audit Committee and the Section 151 Officer following the audit and consideration of the Auditors report at Regulatory and Audit Committee on 26 July 2017.

Recommendation

To review the Draft Statement of Accounts for Buckinghamshire County Council and Pension Fund for the year ended 31 March 2017 and to note the timing and requirements for completion and authorisation of the draft and final Statement of Accounts.



INVESTOR IN PEOPLE



Executive Summary

Annual report

The Statement of Accounts contains for the first time, information from our draft Annual report on our key achievements, working with our partners, for the last 12 months; bringing together our financial and performance reporting.

Telling the Story changes to the Accounts

The key change introduced in the 2016/17 Accounts is to remove the link in the Consolidated Income & Expenditure Statement (CIES) to the standard Service Reporting Code of Practice (SeRCOP) headings that had previously been mandated for all Local Authorities. Income and Expenditure is now reported on the basis of the Council's organisational structure in line with financial reporting to Cabinet. This has removed the need to apportion support service overheads, which are now reported under the Resources Portfolio.

The Net Cost of Services is still presented in line with proper accounting practice and includes capital charges, such as depreciation and revaluation gains and losses. The new Expenditure and Funding Analysis (EFA) note provides a direct reconciliation between the way the Council reports financial performance to Cabinet (which is in line with the way local authorities are funded) and the accounting measure of financial performance as shown in the CIES.

Pension Liability

This year has seen a sharp increase in the overall pension liability from £538.394m to £804.224m. The main factors in the increase are the changes to the financial assumptions adopted by the actuary in relation to the present value of the defined benefit pension liability. The discount rate used (which is the annualised yield at the 18 year point on the Merrill Lynch AA-rated corporate bond yield curve) reduced from 3.6% to 2.7%. This reflects a drop in corporate bond rates; should bond rates rise again the impact of this change would be reversed. In addition the pension increase assumption has increased by 0.3% from 2.3% to 2.6%.

Market conditions have been favourable for assets during 2016/17, with in particular equities showing very good returns over the year at around 20%. This has resulted in a strong year for asset growth with a net increase of £88.0m.

The pension liability as reported on an accounting basis has a substantial impact on the net worth of the Council as recorded in the balance sheet. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy:

- the deficit will be made good by increased contributions over the remaining working life of employees;
- finance is only required to be raised to cover discretionary benefits when the pensions are actually paid.

The triennial valuation of the Pension Fund was undertaken during 2016/17 on a funding basis. This differs from the accounting valuation as the actuary has more flexibility to reflect and smooth out movements in assumptions and market conditions, compared to the prescribed accounting valuation. On a funding basis, the scheme is now 80% funded. There is an increase in employer contribution rates from 22.8% to 26.4% to help meet the underlying deficit.

Schools Revaluations and Prior Period Error

Land and Buildings are held in the Council's balance sheet based on valuations. These valuations can vary depending on changes to market conditions. In 2016/17 an increase of £168.213m in the value of Schools Land & Buildings has been identified as part of the cyclical valuation programme impacting on assets last valued in 2011/12 and 2012/13. This is the

main factor in the £178.880m increase in asset values, as reported in Other Comprehensive Income and Expenditure.

The valuers have also advised of an error in the reporting of land held at Academy Schools under 125 year leases. The land element is retained on balance sheet; however due to the nature of the lease the Council's valuers have advised that the land should be recorded at notional value only (of £1,000 for each school) as the freehold value of the land should be deferred for the unexpired residual term of the lease. The impact of this error is to reduce the value of Property, Plant & Equipment reported in the balance sheet as at 31 March 2016 by £89.5m. In order to correct this error, the Council has restated the prior year balance sheet, prepared a third balance sheet and restated the Notes to the Accounts.

Pension Fund Accounts

The Pension Fund Account and Net Asset Statement, shows that in the year to 31 March 2017 the value of the Pension Fund increased by £474m to £2.696 billion. This is the net result of the contributions made (£136m) including transfers in from other pension schemes, employers and employee contributions; payments out (£120m) including pensions, commutations, lump sum retirement benefits and death benefits, management expenses £17m plus net returns on investments (£475m increase).

Resource implications

The overall position for Buckinghamshire County Council is a £6.020m underspend against the net revenue budget of £329.270m. The budget included planned use of the General Fund reserve of £1.105m. As a result the overall increase to General Fund reserves is £7.124m increasing the General Fund reserve to £24.507m. Earmarked reserves have decreased to £84.640m. There are no further planned reductions to the General Fund reserve in the MTP which is now around 7.5% of the Council's net budget requirement.

Legal implications

None

Other implications/issues

None

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

None

Background Papers

None

Buckinghamshire County Council

Draft Statement of Accounts

For the year ended 31st March 2017



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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 Finance & Assets;
- 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 Finance & Assets Responsibilities

The Director of Finance & Assets 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 2016-2017 (the Code).

In preparing this Statement of Accounts, the Director of Finance & Assets 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 Finance & Assets

I certify that this draft Statement of Accounts for the year ended 31 March 2017 gives a true and fair view of the financial position of the Council as at 31 March 2017 and its income and expenditure for the year ended 31 March 2017.

Richard Ambrose

Date: 24 May 2017

Director of Finance & Assets

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Introduction

This Section 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.

Strategic Plan

Our Vision

In 10 years' time Buckinghamshire will still be a great place to live and work and our economy will be one of the strongest in the country. The role of the County Council will have changed radically. Residents will take greater responsibility for meeting their own needs, and those of their families and their communities. Aspiration, rather than dependency, will be valued, and everyone will play their part in the success of the County. Within this context, the Councils' resources will be focused on enabling the conditions in which our communities can prosper. Working with our partners, we will continue to find new and innovative ways of securing services so that we deliver value for all residents in the County.

Our Values

As a Council we have 3 core values which shape all we do:

- to protect our most vulnerable and those unable to help themselves
- to promote opportunities for all of our residents to live their lives to their full potential
- to encourage and support ambition and self-determination for all our residents and local communities

Our Aims

Our plan is focused on delivery of three themes:

- Safeguarding Our Vulnerable
- Creating Opportunities and Building Self Reliance
- Ensuring Buckinghamshire Thriving and Attractive

Throughout all our work, we are committed to achieving the best possible value for money. We will continue to focus on delivering all of our services as efficiently as possible.

Our Aims

Safeguarding Our Vulnerable



Creating Opportunities & Building Self Reliance



Ensuring Buckinghamshire is Thriving & Attractive



Review of 2016/17

We have kept delivering vital frontline services to Buckinghamshire's 212,000 households and 528,000 residents, despite unprecedented financial, demographic and demand pressures alongside fundamental policy changes. Essential to our success is working with our partners. We have made real progress towards working in a radically different way with our customers, partners and providers, but we know there is more to do. Below is an extract from our draft Annual Report detailing our key achievements over the last 12 months.

Working with our partners, our key achievements from our Draft Annual Report in the last 12 months are:



Safeguarding Our Vulnerable

- Ofsted have noted the 'steady progress' to improve children's services which includes improving the timeliness of assessments and ensuring children's views are heard in decision making.
- Over 9000 children were supported by children's services and we have introduced 'Mind of My Own' app to enable children to give their views, wishes and feelings in their Looked After Reviews. This work has led to being nominated for an award.
- We designed an interactive 'roundabout' tool with children to enable them to navigate their way through Early Help and Children's Social Care services.
- We have improved the recruitment and retention of foster carers so more children could be fostered locally. Throughout the year we have held regular information sessions including one specifically for people from the lesbian, gay, bisexual and transgender (LGBT) community.
- The Swan team, a multi-agency team of professions, helped secure 12 convictions related to child sexual exploitation.
- Successful targeted recruitment of social means we now have one of the lowest rates of agency in the country.
- Our Quality in Care service worked with 120 adult care homes (74% of county bed spaces). There was an 8% increase in service users feeling more safe and secure. Over 6,000 people aged over 65 received home care support so they could stay in their own homes.
- BCC terminated its contract with adults social care provider Bucks Care after recognising the quality of services needing improving. Services have now been brought in-house and focus remains on ensuring high quality care.
- 1422 people received direct payments (DP) to help them plan their social care. The Virtual Wallet is our new approach to managing DP's more efficiently.
- We launched a website to promote men's mental health thisisheadsup.org
- 225 people from 53 different agencies signed up to the Bucks Domestic Abuse Champion's Network. Champions help identify the most appropriate agency which ensures people get help and support quickly and early.
- A LGBT Domestic Abuse Group improved several issues for LGBT victims to encourage them to report domestic abuse. The group's work was nationally recognised and contributed significantly to the Council jumping 59 places in the Stonewall Workplace Equality Index.



Creating Opportunities and Building Self Reliance

- We launched the 'Find My Child a School Place' website to help parents research, locate and evaluate accessing schools. Many of our application processes have been updated and are now available online.
- Over 82% of our Early Years Providers are rated good or better. 88% of our children attend a good or outstanding school that means almost 9 out of every 10 children attend a good or outstanding school.
- For the September 2017 reception admission, 86.5% of children were offered their preferred school. At Secondary transfer, 87% of children were allocated to their highest preference.
- We have developed our Education and Skill Strategy and are consulting schools to build capacity across the school system to support improved outcomes.
- 71 schools in Buckinghamshire won national acclaim for their work in getting pupils back on their feet. They have achieved accreditation for encouraging children and young people to walk, pedal and scoot to school.
- We launched a new and flexible way to brush up on English and/or maths skills. 'Blended Learning' helps people fill in individual skill gaps for free.
- There have been 1.3m visits to our libraries and over 1.8m book loans. Congratulations to Marlow Library for winning the Marlow FM Hidden Gems Award for "Services to the Community" by public vote.
- Our registrar service has been very busy registering 6140 births, 3500 deaths and conducting 1700 ceremonies including 85 citizenship ceremonies.
- We have 32,050 local business and we have supported small local businesses to work in partnership with us. We have also supported over 100 local projects helping communities address local priorities.
- Another successful year for Active Bucks, offering a range of activities such as boot camps, junior park runs, bush craft, Quidditch, dog agility and NERF games. With over 3,000 participants in first 3 months, activity levels increased by 56%.
- Our annual sponsored cycle ride took residents on a thrilling 35 mile or a mammoth 75 mile route. Both routes started and finished in Aylesbury and went through the scenic beauty of Chiltern Hills.
- We launched a young people sexual health phone app 'Dom the condom'.



Ensuring Buckinghamshire is Thriving and Attractive

- Our zero tolerance approach reduced fly tipping by 90%. The team have been busy with environmental investigations and prosecutions including landmark £31,000 fine issue for a planning enforcement breach.
- This year we have maintained 3199 km of roads, 2461 km of pathways and fixed over 17,000 dangerous potholes. We also developed 5.6 miles of new shared pedestrian cycleway connecting Winslow and Buckingham.
- We have launched an online reporting system to make it easier for residents to inform us of potholes and defective street lights.
- We have recycled, reused or composted 58% of waste. We have opened our energy from waste plant which treats up to 300,000 tonnes of waste each year and generates 174,947 megawatts of electricity - enough energy to power 36,000 homes.
- We have generated £28,000 income per year through new solar PV projects.
- Our country parks recorded a million annual visitors and have a record 2750 followers on social media.
- We lobbied HS2 for a mitigation package for Great Missenden worth £1.25m which includes safety and road improvements
- We have worked with the LEP and successfully received over £20m of government funding for essential infrastructure including a new South East Aylesbury Link Road. Together we have successfully promoted 3 enterprise zones in the north of the county which will bring business, economic and social benefits to Buckinghamshire.
- England's Economic Heartland (EEH), a partnership of 8 councils who work together to release the economic potential of the geographical area between Oxford and Cambridge, is a finalist in the Excellence in Governance and Scrutiny category. EEH recently secured £625 of government funding to take the partnership forward; the County Council takes a lead role and hosts the team working on the project.
- EEH held their first regional conference in March which highlighted how the delivery of roads and infrastructure is vital to the area fulfilling its potential and unlocking development.
- Given a helping hand to small firms converting the disused Victorian Porters' Lodge to encourage entrepreneurs.

Value for Money

- Established an HR shared service with the London Borough of Harrow which produces savings and greater expertise.
- Achieved a balanced budget and Medium Term Financial Plan. Ensuring resources are targets to our priorities. We have strengthened our income generation and commercialised approach and now generate around £70m in fees and charges every year.
- Submitted a comprehensive business case for modernising local government, evidencing the need for change and the benefits of a single unitary council.
- Developed a new Council website following best practice principles set out by the Government Digital Service.
- Won the Guardian's Public Servant of the Year award for our Bucks Life Skill Centres, which provide post-16 education to disabled young people.
- BCC employee Helen Backus was crowned The Guardian's Public Servant of the Year. Helen setup Bucks' Life Skills Centres in Aylesbury and Flackwell Heath in response to a 90% of disabled young people having to leave the county to continue their post-16 education. Five years later the figure is just 10%, with the centres having helped more than 200 young people.
- In partnership with our property consultants, Carter Jonas, we have joined Apple, Google and UBS on the shortlist for a national award after a project to make public services more efficient. Our approach to property has made us a finalist in the Commercialism in the Property Estate MJ Awards.
- Established a joint Trading Standards service with Surrey County Council which has won several national awards for efficiency and returned over £400,000 to consumers in 2016/17.
- Thrift Farm won the National Farm Attractions Network award for Food and Beverage.
- BCC employee Yvette Thomas was recognised at the Show Racism the Red Card special 20th Anniversary celebration and Hall of Fame event. Her work includes events where over 1000 children delivered and participated in anti-discrimination workshops.
- Representatives from the LGBT Domestic Abuse Task & Finish Group were invited to the Stonewall National Conference in April 2017 as 'inclusion specialists.'

Revenue budget

2016/17 saw strong financial performance with an overall revenue underspend of £6.02m. This comprises portfolio overspends of £4.088m, offset by underspends in Corporate Costs of £10.108m. The most significant variances fall in the Education & Skills portfolio (£2.19m) relating to Home to School transport; the Health & Wellbeing portfolio (£1.82m) resulting from the insourcing of Bucks Care and the Children's Services portfolio (£1.50m) due to the cost of external placements and agency staff. The significant underspend in Corporate Cost reflects contingencies not released (-£6.01m), and the impact of the revised Minimum Revenue Provision policy (-£3.90m) which relates to the amount the Council sets aside to repay debt.

The revenue outturn is summarised below:

Portfolio Area	Outturn	Budget	Variance	Variance
	£000	£000	£000	%
Leader	6,262	6,385	(123)	(1.9%)
Community Engagement	10,083	10,070	13	0.1%
Health and Wellbeing	129,130	127,315	1,815	1.4%
Children's Services	58,012	56,509	1,503	2.7%
Education and Skills	32,809	30,621	2,188	7.1%
Resources	23,743	24,943	(1,200)	(4.8%)
Planning and Environment	11,113	11,175	(62)	(0.6%)
Transportation	27,322	27,368	(46)	(0.2%)
Subtotal - Portfolios	298,474	294,386	4,088	1.4%
Corporate Costs (Non Portfolio)	(304,494)	(294,386)	(10,108)	3.4%
Overall BCC	(6,020)	0	(6,020)	

In addition to the overall underspend; the budget includes a planned contribution to the General Fund of £1.105m. As a result the overall surplus and increase to the General Fund balance is £7.124m.

Operating deficit

The Comprehensive Income and Expenditure Statement (CIES) p26 shows the net surplus or deficit in the provision of services on an accounting basis. An operating deficit of £21.386m (2015/16 £20.639m) is reported in the CIES as the Council is funded through Council Tax and government grants on a different basis to the accounting basis. The Movement in Reserves Statement (MiRS) p24 represents the actual impact of income and expenditure during the year on the funds available to the Council. This shows the General Fund surplus of £7.124m (2015/16 deficit of £3.660m) as reported to Members in the outturn report.

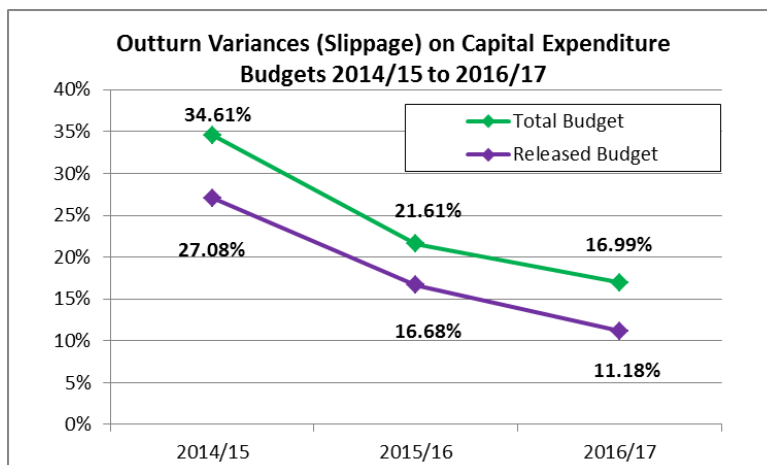
The Expenditure Funding Analysis statement on p29 provides a direct reconciliation between the operating deficit and the overall surplus reported in outturn; the main differences being the inclusion of depreciation, revaluation gains and losses and other capital adjustments required under the accounting basis but not charged to the General Fund or Council Tax.

Capital budget

There is an overall underspend / slippage of £13.9m (4.6%) on the 2016/17 Capital programme. This includes £5.9m unreleased capital budget across the Authority, reflecting schemes which have yet to satisfy criteria for the release of funding

Portfolio Area	Outturn	Budget	Variance	Variance
	£000	£000	£000	%
Leader	11,561	14,790	(3,229)	(21.8%)
Community Engagement	216	482	(267)	(55.3%)
Health and Wellbeing	37	814	(777)	(95.5%)
Children's Services	53	62	(9)	(14.0%)
Education and Skills	34,352	35,873	(1,521)	(4.2%)
Resources	48,287	50,216	(1,929)	(3.8%)
Planning and Environment	175,289	175,038	251	0.1%
Transportation	20,206	26,649	(6,443)	(24.2%)
Subtotal - Portfolios	290,001	303,924	(13,923)	(4.6%)

Excluding the exceptional items of the Energy from Waste (EfW) Plant and the Investment Properties, which together account for approximately £205m of Capital expenditure, the budget was £89.5m and expenditure £74.4m, giving slippage of £15.1m (16.99%). A comparison of slippage over the last 3 years is shown below.



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.

Performance as at Quarter 3 against the Business Improvement indicators and in relation to Service to Customers is shown below.

Quad 3 - Business improvement (performance)

- Leader Portfolio - RAG's for strategic plan priorities**
 - (Green)** Buckinghamshire residents are skilled and ready for employment
 - (Amber)** The creation of more jobs for local people *
 - (Green)** Improved access to high speed broadband
- Community Engagement & Public Health Portfolio - RAG's for strategic plan priorities**
 - (Amber)** Improved health and wellbeing for all of our residents
 - (Amber)** Buckinghamshire communities are safe places to live
 - (Green)** Buckinghamshire communities are supported to help themselves
- Health and Wellbeing Portfolio - RAG's for strategic plan priorities**
 - (None)** Vulnerable Adults are safe and protected from harm
 - (Green)** Vulnerable adults are supported to lead independent lives
- Children's Services Portfolio - RAG's for strategic plan priorities**
 - (Red)** Vulnerable children are safe and protected from harm
- Education & Skills Portfolio - RAG's for strategic plan priorities**
 - (Amber)** Vulnerable children are supported to fulfil their potential
 - (Green)** Buckinghamshire young people achieve excellent results throughout their education
- Resources Portfolio - RAG's for strategic plan priorities**
 - (Green)** Achieving best value for money and delivering services as efficiently as possible
- Planning & Environment Portfolio - RAG's for strategic plan priorities**
 - (Green)** Protecting our high quality natural **
- Transportation Portfolio - RAG's for strategic plan priorities**
 - (Green)** Improved condition of roads and footpaths
 - (Amber)** Improved road and rail connectivity
 - (Green)** Sufficient school places for Buckinghamshire pupils

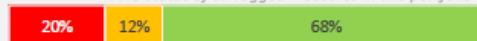
* This RAG is made up of measures from the leader and transportation portfolio's

** This RAG is made up of measures from the leader, planning & environment and transportation portfolio's

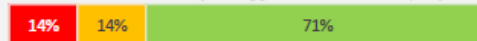
RAG status of all ragged measures in this portfolio



RAG status of all ragged measures in this portfolio



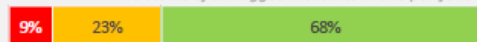
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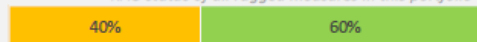
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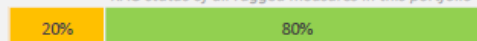
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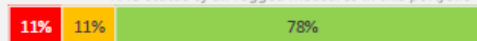
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RAG status of all ragged measures in this portfolio



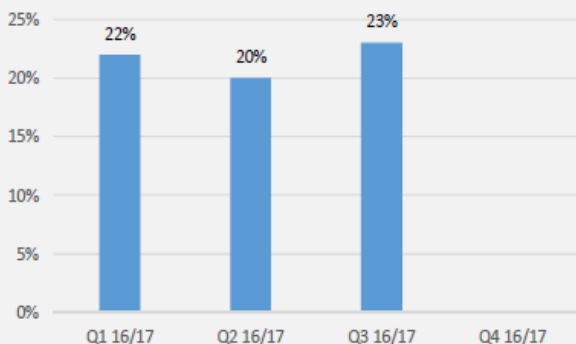
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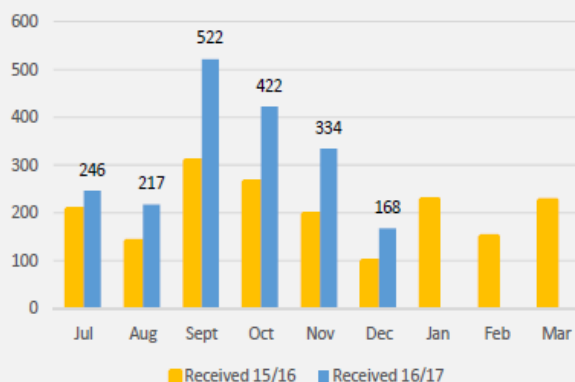
■ Red ■ Amber ■ Green

(None) = data not due

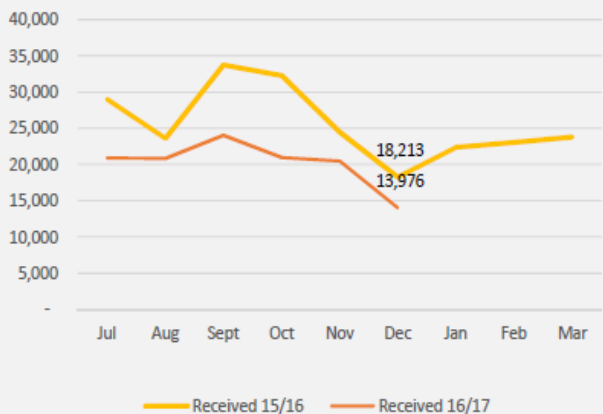
• % of people who phone when they could have used digital



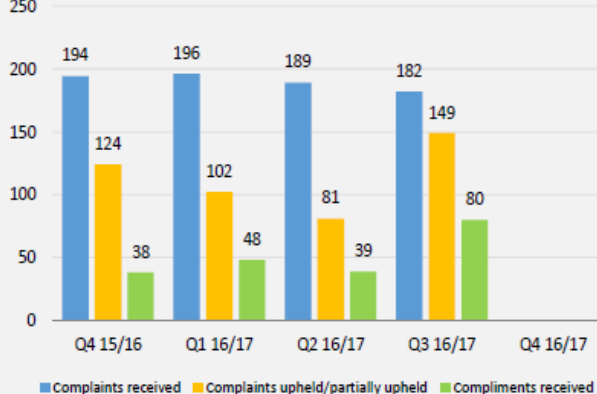
• People who contact us via Webchat



• Number of contact centre phone calls & emails (inbound & outbound)



• Complaint numbers, number upheld (stage 1&2) and compliment numbers



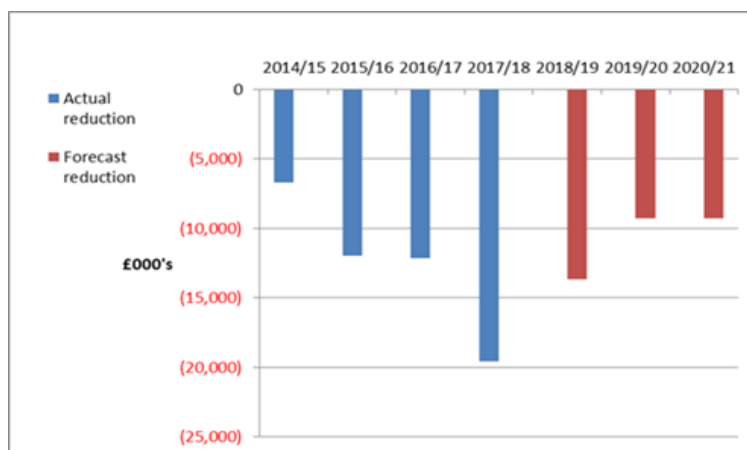
Quad 2 - Customer service

Medium Term Financial Plan (MTFP)

The wider economic picture has been relatively stable recently; even after the referendum to leave the EU, however the outlook for local authority budgets continues to be challenging. The Chancellor's Autumn Statement, whilst recognising that the national deficit will not be removed within the lifetime of the current Parliament, continued to reduce central funding for public expenditure. The local government finance settlement is a clear manifestation of this.

The chart shows the 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 2017/18 to 2019/20 have now been announced. In the 2016/17 Local Government Settlement the offer of a 4 year settlement to 2019-20 was made. Buckinghamshire County Council accepted this offer and as a result there is an expectation that these future years will not change materially.

Change in funding settlement

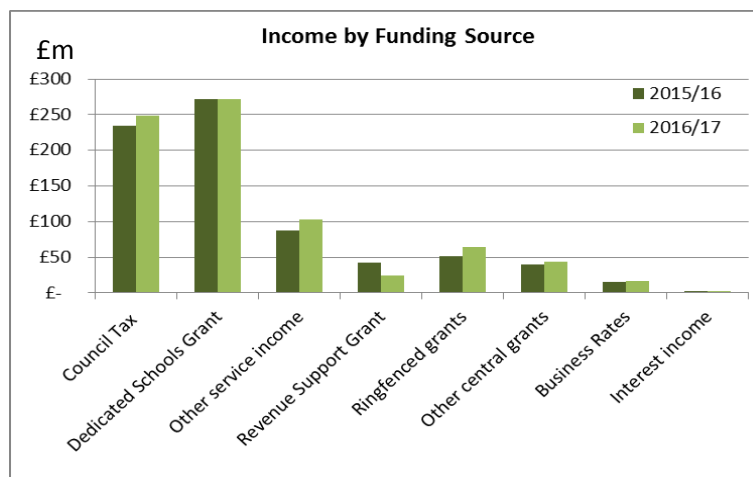


The Government continue to follow the approach to the funding of local authorities focussing on 'Spending Power', or the overall resources available to an authority. As a result the finance settlement continues to reduce the Revenue Support Grant (main Government grant) to Buckinghamshire by a larger degree than for other authorities due to the resources the Council can generate for itself through Council Tax, from its relatively large tax base. There will be zero Revenue Support Grant from 2018/19.

To some extent the Government have recognised the increasing pressures building within social care. Local authorities with social care responsibilities were given the ability to raise Council Tax by an additional 2% from April 2016, known as the 'Social Care Precept'. This 'precept' had been capped at 2% per annum. However, a new flexibility was recently announced which allowed the 'precept' to be raised by up to 3% as long as the total increase over the next 3-years does not exceed 6%. This flexibility allows the Council to receive the 'precept' income earlier than previously planned, supporting an increased pace of change, without changing the final Council Tax receipts figures by 2019/20. The Spring budget also announced some further transitional funding for Adult Social Care over the next three years, in recognition of the pressures facing Local Authorities.

With financial support from Central Government falling, the Council increasingly has to look at other means of generating resources and managing and responding to demand. In part this can be done through increasing the Council Tax, but the Council is also looking to generate income from other sources. One such strategy being pursued is purchasing commercial property for a return and exploring the income generating potential of surplus assets rather than defaulting to disposal. Increasing trading activity is another potential source. It is recognised that there are risks associated with the Council looking to expand its commercial approach, especially as income generation becomes a higher proportion of overall funding.

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 shows the income by funding source for 2016/17 and 2015/16.



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 for both national and local government and 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 MTFP 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 (£46m 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. Continuing to achieve this level of further savings, whilst maintaining service levels with reduced management capacity, is likely to become harder and harder for services.
- **Global Economic Turbulence** – Although the reductions in local government are already severe there is some risk that global issues such as economic slow-down, the impact of the Brexit negotiations, 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 a growing elderly population (especially 85+) and growing numbers of people with disabilities, which have increasingly complex needs. Furthermore, we have an increasing birth rate, particularly in some of the more deprived wards and a high number of statemented children. Although best efforts have been made to accurately forecast budget requirements and contain escalating demand there will always be a degree of uncertainty. Some contingency budget has been included for those most volatile service areas.
- **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. However, with at least part of the care market under financial strain already there is some risk that the costs falling on the Council will be larger than allowed for.
- **Managing Public Expectations** – The additional flexibilities that the Government has provided in terms of the Social Care Precept, along with a radical shift of emphasis away from suppressing Council Tax increases, has meant that local tax increases are 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 has stated that it intends to increase responsibilities for local government as part of the move to full business rates retention. By contrast it is seeking to shift an increasing number of schools toward academy or free status. There is inevitably a risk that the changes in responsibility are not matched by appropriate changes in funding;
- **Capital** – During 2016/17 the Asset Strategy Board has used the new gateway process to strengthen governance in this area. As a result slippage has been greatly reduced and risks of escalations in costs have been mitigated to an extent. Nonetheless, in the current climate construction costs are starting to rise which could drive costs up if projects do slip. There are also risks in respect of the delivery of school places (including early years), which is going to require us to actively seek the best solutions to the growing demand for places.

Future Developments in Service Delivery

Unitary Authority

The council has submitted a Business Case to the Department for Communities and Local Government, for consideration by the Secretary of State for the creation of a single unitary authority for Buckinghamshire. A separate Business Case has also been submitted by the Buckinghamshire District Councils proposing a two-unitary approach. An announcement on these proposals is still awaited from the Secretary of State.

Financial Position

Net Asset Position

The Council has net assets of £346.927m (2015/16 £438.562m) backed by usable reserves of £125.867m (2015/16 £136.656m) and unusable reserves of £221.061m (2015/16 £301.936m). This is shown in the Balance Sheet p27 which shows how the resources available are held in the form of assets and liabilities. There have been a number of significant movements within assets and liabilities that are detailed below.

Pensions Liability

Pensions Liability shows the underlying commitments that the Council has in the long run to pay post-employment (retirement) benefits. The net liability has increased to £804.224m as at 31 March 2017 (2015/16 £538.394m). The main factors impacting on this are:

- £284.6m increase in the liability due primarily to a reduction in the discount rate from 3.6% to 2.7%. The discount rate is used to translate future costs into today's prices and a higher discount rate reduces the value of future cashflows for the impact of items such as inflation. The discount rate used is the annualised yield at the 18 year point on the Merrill Lynch AA-rated corporate bond yield curve. During 2016/17 corporate bond rates have hit an all-time low; should bond rates rise again the impact of this change would be reversed.
- The pension increase assumption has also increased by 0.3% (from 2.3% to 2.6%) which has also increased the estimated liability.
- This has been a strong year in relation to asset growth with a net increase in assets of £88.0m.
- 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. The triennial revaluation of the Pension Fund undertaken during 2016/17 has resulted in employer contribution rates increasing from 22.8% to 26.4% to recover the underlying deficit over 15 years.
- Finance is only required to be raised to cover discretionary benefits when the pensions are actually paid.

Revaluations of Property, Plant & Equipment

Land and Buildings are held in the Council's balance sheet based on valuations arrived at by Carter Jonas, the Council's qualified valuer based on the latest guidance from the Royal Institute of Chartered Surveyors. These valuations can vary depending on changes to market conditions. In 2016/17 an increase of £168.213m in the value of Schools Land & Buildings has been identified as part of the cyclical valuation programme impacting on assets last valued in 2011/12 and 2012/13. This is the main factor in the £178.880m increase in asset values, as reported in Other Comprehensive Income and Expenditure.

The valuers have also advised of an error in the reporting of land held at Academy Schools under 125 year leases. Following the transfer of schools to Academy status, the Council retains a freehold interest in both Land and Buildings subject to a standard 125 year lease at a peppercorn rent only. The land element is retained on balance sheet; however due to the nature of the lease the Council's valuers have advised that the land should have been recorded at notional value only (of £1,000 for each school) as the freehold value of the land should be deferred for the unexpired residual term of the lease. The impact of this error is to reduce the value of Property, Plant & Equipment reported in the balance sheet as at 31 March 2016 by £82.6m. In order to correct this error, the Council has restated the prior year balance sheet, prepared a third balance sheet and restated the Notes to the Accounts. The details of this restatement are shown at Appendix A.

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 for example the Children's Services improvement plan and Roads programme.

In 2016/17 there was a planned increase in general fund reserves of £1.105m. Due to the overall underspend in year, the level of general fund reserves has increased by £7.124m to £24.5m (equating to 7.5% of the net cost of services). The current MTFP does not assume any further use of general fund reserves.

There is an overall decrease in usable reserves of £10.789m (2015/16 decrease of £47.2m). This decrease comprises:

- a net General fund increase of £7.124m as detailed above;
- a net deficit on schools balances of £4.235m (2015/16 surplus of £2.7m);
- a net use of earmarked reserves of £12.812m reflecting the use of the Waste Reserve to fund the completion of the EfW Plant; and
- the application of £0.867m (2015/16 £10.7m) of capital reserves to finance the capital programme.

The table below summarises the Council's usable reserves:

	2016/17	2015/16
	£m	£m
General Fund	24.5	17.4
Schools balances	15.0	19.2
Earmarked reserves	84.6	97.5
Total	124.1	134.1

Treasury Management

The Council's Treasury Management Strategy sets out the Council's aims and objectives 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.

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.

During the year the Council has managed its cashflow requirements through undertaking temporary borrowing. The total temporary borrowing as at 31 March 2017 was £72.5m. The mix of temporary and fixed borrowing is constantly reviewed in co-ordination with the Council's Treasury advisors.

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 2017/18 onwards are based on estimates:

	Actual 2016/17 £000	Estimates 2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000
Gross borrowing	224,342	340,000	330,000	320,000	310,000
Capital Financing Requirement	362,872	357,805	354,597	352,968	350,338

During 2016/17 £11.732m of debt was repaid (2015/16 £26.913m).

The Cash Flow Statement p28 shows how the movement in resources has been reflected in cash flows. The net increase in cash and cash equivalents during the year was £5.659m (2015/16 net decrease of £2.831m).

Capital programme

The four year capital programme has been developed following an assessment and prioritisation of aspirations against the Council's key priorities. 2016/17 has seen the final delivery of the Energy from Waste plant, which is delivering significant revenue benefits. The Council has managed to find the resources to continue its road improvement programme for 2017/18 and 2018/19 but, thereafter, resources are reduced although should at least sustain the status quo in the condition of the road network overall. Although the Council continues to commit significant resources to its school build programme it remains unclear whether this will be sufficient to deal with the rate of growth in the school population and relies on significant developer contributions.

There is increasing complexity as the Council works 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. The capital programme includes a relatively small contingency budget in each of the four years. This provides some flexibility to respond to emerging issues and uncertainties that may arise.

Service / Project	Year 1 2017/18 £000's	Year 2 2018/19 £000's	Year 3 2019/20 £000's	Year 4 2020/21 £000's	Grand Total £0000's
Capital Expenditure					
Primary School Places	14,576	24,814	11,950	4,950	56,290
Secondary School Places	9,450	32,950	27,450	16,950	86,800
School Property Maintenance	7,886	3,750	2,950	2,750	17,336
Other Education & Skills	2,267	6,644	2,200	2,200	13,311
A355 Improvement Scheme (Wilton Park)	3,204	2,136	-	-	5,340
High Wycombe Town Centre & Transport Strategy	4,661	5,051	-	-	9,712
Other Leader Projects	1,459	2,699	500	-	4,658
Biowaste Treatment	900	5,399	60	120	6,479
ICT investment	1,580	1,580	1,530	1,330	6,020
Property investment	10,586	11,230	4,524	1,575	27,915
Strategic Highway Maintenance	15,871	13,546	11,496	11,496	51,509
Other Transportation schemes	6,945	8,942	5,820	4,850	27,457
All other schemes	3,295	6,168	1,073	619	11,155
Total Expenditure	82,680	124,909	69,553	46,840	323,982
Capital Funding					
Unringfenced Capital Grants	(31,819)	(41,406)	(35,608)	(29,608)	(138,442)
Ringfenced Capital Grants	(6,236)	(1,836)	(304)	-	(8,375)
Capital receipts	(7,434)	(10,553)	(3,367)	(8,191)	(29,545)
Prudential borrowing	(1,809)	(5,382)	(2,949)	-	(10,140)
Use of Reserves	(8,879)	-	-	-	(8,879)
Revenue Contributions	(8,070)	(7,488)	(3,088)	(3,088)	(21,734)
Developer Contributions	(24,838)	(24,615)	(6,050)	(51,400)	(106,903)
Total Funding	(89,085)	(91,279)	(51,366)	(92,287)	(324,018)
Net Funding (surplus) / or gap	(6,405)	33,630	18,187	(45,447)	(36)

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 4);
- Contributions received from another party, including Developer Contributions;
- Borrowing

General Accounting Principles

The Statement of Accounts summarises the Council's transactions for the 2016/17 financial year and its position at the year end of 31 March 2017. 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 2016/17 (the Code) and 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 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 87.

Telling the Story - changes in the 2016-17 CIPFA Code

The key change introduced by CIPFA in the 2016/17 Code is to remove the link in the CIES to the standard SeRCOP (Service Reporting Code of Practice) headings. Income and Expenditure is now reported on the basis of the Council's organisational structure in line with financial reporting to Cabinet. Reporting on the basis of organisational structure, rather than reporting "total cost" under SeRCOP headings, removes the need to apportion overheads. Support service functions (such as ICT, Finance, HR and Property) are now reported under the 'Resources' portfolio.

The Net Cost of Services is still presented on a proper accounting practice basis including capital charges and the accrued cost of employees benefits such as pensions benefits, even though it is not reported to Cabinet in this way. The new Expenditure & Funding Analysis (EFA) provides a direct reconciliation between the way the Council reports financial performance to Cabinet (which is in line with the way local authorities are funded) and the accounting measure of financial performance as shown in the CIES.

The figures for 2015/16 have also been restated to follow the new format of reporting and details of this restatement are shown at Appendix A.

Prior Period Error

The Council has discovered an error in the reporting of land held at Academy Schools under 125 year leases. Following the transfer of schools to Academy status, the Council retains a freehold interest in both Land and Buildings subject to a standard 125 year lease at a peppercorn rent only. In accordance with IAS17 *Leases*, the land is held on balance sheet; however due to the nature of the lease the Council's valuers have advised that the land should have been recorded at notional value only (of £1,000 for each school) as the freehold value of the land should be deferred for the unexpired residual term of the lease. The impact of this error is to reduce the value of Property, Plant & Equipment reported in the Balance Sheet in as at 31 March 2016 by £82.6m. In order to correct this error, the Council has restated the prior year Balance Sheet, prepared a third Balance Sheet and restated the Notes to the Accounts. The details of this restatement are shown at Appendix A. There is no impact of this error on the General Fund balance.

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 £804.224m (2015/16 £538.394m) has a substantial impact on the net worth of the Council as recorded in the Balance Sheet. A loss of £248.738m has been recorded in year due primarily to a reduction in the discount rate from 3.6% to 2.7% increasing the present value of the defined benefit obligation by £284.58m; offset by a net increase in assets of £88.0m.

Revaluation of Property Plant and Equipment

Land and Buildings are held in the Council's Balance Sheet based on valuations arrived at by the Council's qualified valuer based on the latest guidance from the Royal Institute of Chartered Surveyors. These valuations can vary depending on changes to market conditions. In 2016/17 an increase of £168.213m in the value of Schools Land & Buildings has been identified as part of the cyclical valuation programme impacting on assets last valued in 2011/12 and 2012/13. This is the main factor in the £178.880m increase in asset values, as reported in Other Comprehensive Income and Expenditure.

Energy from Waste

On 17 April 2013 the Council signed a 30-year contract for circa £315m with FCC Environment to build and operate an Energy from Waste (EfW) facility. The facility was completed and became fully operational in June 2016, when payment of the Facilities Payment sum of £181.479m was made. The asset is now held at value within Property Plant and Equipment.

Investment Property

The Council increased and diversified its investment property portfolio during the year by investing £42.763m in commercial investment properties including High Wycombe Business Park and the Vale Retail Park in Aylesbury.

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. On 31 December 2016 the Companies ceased trading and the services were brought back in-house due to financial difficulties and safeguarding issues.

The estimated consolidated loss on trading that has been incorporated into Council's financial statements for Buckinghamshire Care totals £2.2m including the Council's assessment of the fair value of assets and liabilities. The overall position remains subject to finalisation and audit of the 2016/17 Bucks Care accounts. The loss is reported within the Health & Wellbeing portfolio in the CIES, along with three months operations of these services as in-house services. The Council has not prepared Group Accounts (in respect of the 9 months trading as Bucks Care) on the grounds that there would be no material difference to the Single Entity Accounts.

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 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 was the first public sector enterprise to be granted a licence by the Solicitors Regulation Authority as an 'Alternative Business Structure' (ABS). Following the Council's decision to enter into an Inter Authority Agreement with London Borough of Harrow for Support Services (comprising both Legal and HR services), the decision was taken to wind-up Buckinghamshire Law Plus in favour of the new operating model. Bucks Law Plus ceased trading on the 31 March 2017.

The Company was 95% owned by the Council and 5% owned by Bucks and Milton Keynes Fire Authority. 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 centres, Green Park in Aston Clinton and Shortenills in Chalfont St Giles, in partnership with Marlow-based Longridge Activity Centre.

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. The Accounting changes introduced in the 2017/18 Code relate to the reporting of Pension Fund Scheme transactions and have no impact.

CIPFA Code of Practice on Transport Infrastructure Assets

Infrastructure Assets (including Highways) are currently recognised in the Balance Sheet on a depreciated historical cost basis at £359.979m (2015/16 £340.509m). The CIPFA Code of Practice on Transport Infrastructure Assets includes a proposal to measure the Highways Network Asset on a Depreciated Replacement Cost (DRC) basis. Implementation of this change had been planned for the 2016/17 Code of Practice; however it has now been indefinitely delayed. It is estimated that should the Depreciated Replacement Cost valuation basis be brought into effect it would result in significant increase to on the Council's net asset position.

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:

- **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.
- **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 £111m.
- **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 Council's interests in other companies and other entities are on page 21.

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 2017 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Depreciation (and amortisation of intangible assets)	Useful lives of assets are estimated and components are only recognised and depreciated separately where the asset value is greater than £1m. The Council relies on the expertise of a qualified valuer to provide these estimates based on his professional opinion and experience.	Any increase or decrease in component values and useful lives will affect the level of depreciation and the carrying value of the assets. Since each asset has a different remaining useful life, it is not practicable to quantify the potential impact of any changes on the figures that appear in the Statement of Accounts. The carrying amount of assets subject to depreciation is £1.285bn.
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 £1bn inclusive of investment properties.
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 14. The carrying amount of the liability is £804.224m.
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. The significant unobservable inputs used in the fair value measurement include assumptions regarding rent growth and discount rates. 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 £101.497m.

Events after the Balance Sheet Date

The Draft Statement of Accounts was authorised for issue by the Director of Finance & Assets on 24th May 2017. 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 2017, the figures in the Financial Statements and Notes have been adjusted in all material respects to reflect the impact of this information.

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 3.

	General Fund Balance £000	Earmarked Schools Balances £000	Earmarked General Fund Reserves £000	Total General Fund £000	Capital Receipts Reserve £000	Capital Grants Unapplied Account £000	Total Usable Reserves £000	Unusable Reserves £000	Total Reserves £000
Balance at 1 April 2016 as restated	(17,383)	(19,202)	(97,452)	(134,037)	-	(2,619)	(136,656)	(295,008)	(431,664)
Movement in reserves during 2016/17									
(Surplus) or deficit on the Provision of Services	21,387	-	-	21,387	-	-	21,387	-	21,387
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	70,249	70,249
Total Comprehensive Income and Expenditure	21,387	-	-	21,387	-	-	21,387	70,249	91,636
Adjustments between accounting basis & funding basis under regulations (Note 3)	(11,463)	-	-	(11,463)	-	867	(10,596)	10,596	-
Net (Increase) / Decrease before Transfers to Earmarked Reserves	9,924	-	-	9,924	-	867	10,791	80,845	91,636
Transfers to/(from) Earmarked Reserves (Note 4)	(17,048)	4,236	12,812		-	-		-	
(Increase) / Decrease in 2016/17	(7,124)	4,236	12,812	9,924	-	867	10,791	80,845	91,636
Balance at 31 March 2017	(24,506)	(14,966)	(84,640)	(124,113)	-	(1,752)	(125,865)	(214,162)	(340,027)

Movement in Reserves Statement

Comparative Figures 2015/16

	General Fund Balance £000	Earmarked Schools Balances £000	Earmarked General Fund Reserves £000	Total General Fund £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 as restated	(21,043)	(16,571)	(132,947)	(170,561)	(3,261)	(10,097)	(183,919)	(180,684)	(364,603)
Movement in reserves during 2015/16									
(Surplus) or deficit on the Provision of Services	21,258	-	-	21,258	-	-	21,258	-	21,258
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	(88,317)	(88,317)
Total Comprehensive Income and Expenditure	21,258	-	-	21,258	-	-	21,258	(88,317)	(67,060)
Adjustments between accounting basis & funding basis under regulations (Note 3)	15,267	-	-	15,267	3,261	7,478	26,006	(26,006)	-
Net (Increase) / Decrease before Transfers to Earmarked Reserves	36,525	-	-	36,525	3,261	7,478	47,263	(114,323)	(67,060)
Transfers to/(from) Earmarked Reserves (Note 4)	(32,864)	(2,631)	35,495	-	-	-	-	-	-
(Increase) / Decrease in 2015/16	3,660	(2,631)	35,495	36,524	3,261	7,478	47,263	(114,323)	(67,060)
Balance at 31 March 2016 as restated	(17,383)	(19,202)	(97,452)	(134,037)	-	(2,619)	(136,656)	(295,008)	(431,664)

Comprehensive Income and Expenditure Statement

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. The statutory General Fund position is shown in both the Expenditure and Funding Analysis (Note 1) and in the Movement in Reserves Statement.

2015/16 As restated			2016/17			
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
£000	£000	£000		£000	£000	£000
192,274	(60,494)	131,780	Health & Wellbeing	196,568	(65,016)	131,553
66,006	(6,144)	59,862	Children's Services	64,140	(5,734)	58,406
411,137	(325,093)	86,044	Education & Skills	393,920	(326,654)	67,266
14,870	(2,518)	12,352	Community Engagement	13,705	(2,763)	10,942
9,480	(2,443)	7,038	Leader	14,513	(1,775)	12,737
23,899	(3,511)	20,388	Planning & Environment	24,365	(11,004)	13,361
41,555	(6,857)	34,698	Resources	36,254	(7,303)	28,952
45,023	(6,577)	38,446	Transportation	47,165	(7,957)	39,209
(193)	(824)	(1,017)	Corporate Costs	3,794	(1,047)	2,748
804,052	(414,461)	389,591	Cost of Services	794,424	(429,252)	365,172
12,673	-	12,673	Other Operating Expenditure (Note 5)	23,562	-	23,562
30,012	(32,189)	(2,177)	Financing and Investment Income and Expenditure (Note 6)	31,052	(5,429)	25,623
-	(378,829)	(378,829)	Taxation and Non-Specific Grant Income (Note 7)	-	(392,971)	(392,971)
846,737	(825,479)	21,258	(Surplus) or Deficit on Provision of Services	849,038	(827,652)	21,387
		(15,785)	(Surplus) or Deficit on Revaluation of Non-Current Assets (Note 26)			(178,880)
		(610)	Surplus or deficit on revaluation of available-for-sale financial assets* (Note 21)			391
		(71,922)	Remeasurement of the defined benefit liability/ (asset) (Note 14)			248,738
		(88,317)	Other Comprehensive Income and Expenditure			70,249
		(67,059)	Total Comprehensive Income and Expenditure			91,635

* Items that may be reclassified to the (Surplus) or Deficit on the Provision of Services

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.

As Restated 31 March 2015 £000	As Restated 31 March 2016 £000		Notes	31 March 2017 £000
1,065,691	1,102,451	Property, Plant & Equipment	15	1,285,027
7,550	7,524	Heritage Assets	17	7,524
-	44,773	Investment Property	19	83,820
2,141	1,392	Intangible Assets	18	2,389
18,875	5,738	Long Term Investments	21	506
19,767	18,059	Long Term Trade and Other Receivables	24	15,170
1,114,024	1,179,937	Long Term Assets		1,394,436
100,186	80,745	Short Term Investments	21	5,108
1,145	1,546	Temporary Loans	21	26
3,573	671	Assets Held for Sale	20	1,071
262	191	Inventories		228
51,794	44,656	Short Term Trade and Other Receivables	24	50,433
76,369	85,791	Available for Sale Financial Assets	21	17,678
1,015	-	Cash and Cash Equivalents	23	3,843
234,344	213,600	Current Assets		78,387
-	(1,816)	Cash and Cash Equivalents	23	-
(28,250)	(13,069)	Short Term Borrowing	21	(85,342)
(86,930)	(91,079)	Short Term Trade and Other Payables	24	(97,289)
-	(159,691)	Service Concession Arrangements	30	-
(115,180)	(265,655)	Current Liabilities		(182,631)
(7,438)	(7,092)	Provisions and Long Term Liabilities	25	(6,941)
(162,464)	(150,732)	Long Term Borrowing	21	(139,000)
(115,675)	-	Service Concession Arrangements	30	-
(583,008)	(538,394)	Pension Liability	14	(804,224)
(868,585)	(696,218)	Long Term Liabilities		(950,165)
364,603	431,664	Net Assets		340,027
(183,920)	(136,656)	Usable Reserves	MiRS*	(125,865)
(180,683)	(295,008)	Unusable Reserves	26	(214,162)
(364,603)	(431,664)	Total Reserves		(340,027)

*MiRS - Movement in Reserves Statement (see Page 24)

The Cash Flow Statement shows the changes in cash and cash equivalents during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made from resources which are intended to contribute to the Council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (lenders) to the Council.

Restated 2015/16 £000		2016/17 £000
21,258	Net (surplus) or deficit on the provision of services	21,387
(91,270)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	(86,256)
57,609	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	66,952
(12,403)	Net cash flows from operating activities (note 28)	2,083
69,299	Purchase of property, plant and equipment, investment property and intangible assets	110,172
908,872	Purchase of short-term and long-term investments	1,040,513
(10,340)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(5,968)
(932,240)	Proceeds from short-term and long-term investments	(1,190,624)
(47,269)	Other receipts from investing activities	(60,984)
(11,678)	Net cash flows from investing activities	(106,891)
-	Cash receipts of short and long-term borrowing	121,922
(26,913)	Repayments of short and long-term borrowing	(61,381)
-	Cash payments for the reduction of the outstanding liabilities relating to on-Balance-Sheet PFI contracts	(159,691)
26,913	Net cash flows from financing activities	99,150
2,832	Net (increase) or decrease in cash and cash equivalents	(5,658)
1,015	Cash and cash equivalents at the beginning of the reporting period	(1,816)
(1,816)	Cash and cash equivalents at the end of the reporting period	3,843

1 – Expenditure and Funding Analysis

The objective of the Expenditure and Funding Analysis is to demonstrate to council tax and rent payers how the funding available to the Council (i.e. government grants, rents, council tax and business rates) for the year has been used in providing services in comparison with those resources consumed or earned by the Authority in accordance with generally accepted accounting practices. The Expenditure and Funding Analysis also shows how this expenditure is allocated for decision making purposes between the Council's portfolios. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

	Net expenditure per outturn	Transfers (to) / from earmarked reserves (Note 4)	Net expenditure chargeable to the General Fund	Adjustments between Funding and Accounting Basis (Note 3)	Net Expenditure in the CIES
	£000	£000	£000	£000	£000
Health & Wellbeing	129,130	(902)	128,229	3,324	131,553
Children's Services	58,012	425	58,437	(31)	58,406
Education & Skills	32,809	2,208	35,018	32,248	67,266
Community Engagement	10,083	162	10,246	696	10,942
Leader	6,262	2,606	8,868	3,869	12,737
Planning & Environment	11,113	1,966	13,078	283	13,361
Resources	23,743	2,910	26,653	2,299	28,952
Transportation	27,322	(275)	27,047	12,162	39,209
Corporate costs	2,078	98	2,177	571	2,748
Net Cost of Services	300,553	9,199	309,752	55,420	365,172
Other Income and Expenditure in CIES	(323,588)	(363)	(323,952)	(19,834)	(343,785)
(Surplus) or Deficit on Provision of Services	(23,035)	8,835	(14,200)	35,586	21,387
Adjustments under Regs	15,911	8,212	24,123	(35,586)	(11,463)
Net (Increase) / Decrease before Transfers to Earmarked Reserves	(7,124)	17,048	9,924	-	9,924
Transfers to / (from) earmarked reserves	-	(17,048)	(17,048)	-	(17,048)
(Increase) / Decrease in 2016/17	(7,124)	-	(7,124)	-	(7,124)
General Fund Balance as at 31 March 2016					(17,383)
General Fund Balance as at 31 March 2017					(24,507)
Planned Use of General Fund	(1,105)				
Net Budget (surplus) / deficit	(6,020)				

Comparative Figures 2015/16 restated

Comparative figures 2015/16 restated	Net expenditure per outturn £000	Transfers (to) / from earmarked reserves (Note 4) £000	Net expenditure chargeable to the General Fund £000	Adjustments between Funding and Accounting Basis (Note 3) £000	Net Expenditure in the CIES £000
Health & Wellbeing	126,828	3,447	130,275	1,504	131,780
Children's Services	58,285	250	58,535	1,327	59,862
Education & Skills	36,482	(2,053)	34,429	51,615	86,044
Community Engagement Leader	10,800 5,680	345 1,083	11,144 6,763	1,207 275	12,352 7,038
Planning & Environment	18,207	597	18,803	1,585	20,388
Resources	23,504	1,609	25,112	9,586	34,698
Transportation	27,245	416	27,661	10,785	38,447
Corporate costs	1,689	(550)	1,139	(2,158)	(1,017)
Net Cost of Services	308,719	5,143	313,862	75,727	389,591
Other Income and Expenditure in CIES	(323,010)	1,071	(321,940)	(46,393)	(368,333)
(Surplus) or Deficit on Provision of Services	(14,291)	6,213	(8,078)	29,334	21,258
Adjustments under Regs	18,231	26,371	44,602	(28,716)	15,886
Net (Increase) / Decrease before Transfers to Earmarked Reserves	3,940	32,584	36,524	-	37,144
Transfers to / (from) earmarked reserves	(280)	(32,584)	(32,864)	-	(32,864)
(Increase) / Decrease in 2015/16	3,660	-	3,660	-	3,660
General Fund Balance as at 31 March 2015					(21,043)
General Fund Balance as at 31 March 2016					(17,383)
Planned Use of General Fund	(3,298)				
Net Budget (surplus) / deficit	362				

Note to the Expenditure and Funding Analysis

Adjustments from General Fund to arrive at the CIES amounts

This note explains the main adjustments from Net Expenditure Chargeable to the General Fund and reported to Cabinet and the amounts in the Comprehensive Income and Expenditure Statement.

2015/16 Restated				2016/17				
Capital adjustments	Pensions Adjustments	Other differences	Total Adjustments		Capital adjustments	Pensions Adjustments	Other differences	Total Adjustments
£000	£000	£000	£000		£000	£000	£000	£000
620	895	(10)	1,504	Health & Wellbeing	3,458	(157)	23	3,324
145	1,196	(14)	1,327	Children's Services	155	(186)	(1)	(31)
46,589	5,794	(768)	51,615	Education & Skills	31,163	(865)	1,951	32,248
687	525	(5)	1,207	Community Engagement	766	(77)	7	696
1	277	(2)	275	Leader	3,912	(49)	6	3,869
314	301	969	1,585	Planning & Environment	(253)	(51)	587	283
7,945	1,657	(15)	9,586	Resources	1,658	(230)	871	2,299
10,665	121	(1)	10,785	Transportation	12,309	(37)	(110)	12,162
-	(2,158)	-	(2,158)	Corporate costs	-	32	539	571
66,966	8,608	153	75,727	Net Cost of Services	53,167	(1,620)	3,873	55,420
(37,020)	18,700	(28,072)	(46,392)	Other Income and Expenditure in CIES	(37,889)	18,712	(657)	(19,834)
29,946	27,308	(27,919)	29,335	(Surplus) or Deficit on Provision of Services	15,278	17,092	3,216	35,586

Capital adjustments incorporate depreciation, impairment, and revaluation gains and losses in the Portfolio or services line. In 'other income and expenditure' line it includes adjustments to record the profit or loss on disposal of assets; the reversal of the statutory charges for capital financing i.e. Minimum Revenue Provision and the inclusion of capital grants.

Pension's adjustments show the impact of the removal of actual pension contributions replaced by the IAS 19 Employee Benefits pension related expenditure and income.

Other differences relate to the inclusion of the accrual for accumulated absences (employee annual leave); the difference between the accrual for future surpluses and deficit on the Collection Fund and the amounts chargeable under regulations for council tax and NDR; and the removal of interest & investment income (including Investment Properties) recorded in the Portfolio or Service Line to report instead under Other Income and Expenditure in the CIES.

2 - Expenditure and Income analysed by Nature

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

Restated 2015/16 £000		2016/17 £000
(95,000)	Fees, charges & service income	(103,148)
(30,015)	Interest and investment income	(1,470)
(249,365)	Income from Council Tax, NDR	(265,131)
(452,556)	Government Grants and contributions	(454,117)
(826,936)	Total Income	(823,866)
317,454	Employee benefit expenses	314,808
439,735	Other Service Expenses	443,430
-	Support Service recharges	-
9,139	Interest expenses	8,381
69,193	Depreciation, amortisation and impairment	55,070
463	Precepts & Levies	467
12,210	Gain & loss on disposal of non-current assets	23,095
848,194	Total Expenditure	845,252
21,258	Surplus or Deficit on Provision of Services	21,386

Voluntary Aided and Foundation School employees are not employees of the Council but are required to be consolidated into the single entity financial statements. Included in the total for Employee benefit expenses is £55.012m (2015/16 £52.046m) relating to employees of Voluntary Aided and Foundation Schools.

Segmental income

Income received on a segmental basis is analysed below:

2015/16 £000	Revenues from external customers	2016/17 £000
(21,740)	Health & Wellbeing	(20,926)
(2,818)	Children's Services	(1,358)
(21,263)	Education & Skills	(20,698)
(1,917)	Community Engagement	(2,049)
(772)	Leader	(654)
(2,857)	Planning & Environment	(7,876)
(6,583)	Resources	(8,803)
(5,482)	Transportation	(5,961)
(260)	Corporate costs	(511)
(63,691)		(68,835)

3 - 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.

2016/17

	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	(29,872)	-	-	29,872
Revaluation losses on Property, Plant and Equipment	(4,712)	-	-	4,712
Fair Value gains / losses on Investment Properties	(3,072)	-	-	3,072
Amortisation of Intangible Assets	(431)	-	-	431
Capital grants and contributions applied	59,633	-	-	(59,633)
Revenue Expenditure Funded from Capital Under Statute	(20,138)	-	-	20,138
Amounts of non-current assets written off on disposal as part of the (gain)/loss on disposal to the CIES	(27,943)	-	-	27,943
Insertion of items not debited or credited to the CIES:				
Statutory provision for the financing of capital investment (minimum revenue provision)	4,035	-	-	(4,035)
Capital expenditure financed from the General Fund	19,883	-	-	(19,883)
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	1,351	-	(1,351)	-
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	2,218	(2,218)
Adjustments primarily involving the Capital Receipts Reserve:				
Transfer of cash sale proceeds credited as part of the (gain)/loss on disposal to the CIES	6,166	(6,166)	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	7,495	-	(7,495)
Contribution from the Capital Receipts Reserve towards the costs of non-current asset disposals	(198)	198	-	-
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	-	(1,527)	-	1,527
Write Down of deferred capital receipts	(1,358)	-	-	1,358
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	128	-	-	(128)
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	(50,016)	-	-	50,016
Employer's pension contributions and direct payments to pensioners payable in the year	32,924	-	-	(32,924)
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	2,306	-	-	(2,306)
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	(2,269)	-	-	2,269
Total Adjustments	(11,463)		867	10,596

Comparative Figures 2015/16 as Restated

	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied Reserve £000	Movement in Unusable Reserves £000
2015/16 Restated				
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	(21,991)	-	-	21,991
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	-	-
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	-	(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 Comprehensive Income and Expenditure Statement is different from Council Tax 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	15,267	3,261	7,478	(26,006)

4- Transfer 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 from 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 2015 £000	Transfers Out 2015/16 £000	Transfers In 2015/16 £000	Balance at 31 March 2016 £000	Transfers Out 2016/17 £000	Transfers In 2016/17 £000	Balance at 31 March 2017 £000
Earmarked General Fund Reserves							
Health & Wellbeing	(8,243)	13,437	(9,261)	(4,067)	18,839	(17,498)	(2,726)
Children's Services	(2,091)	422	(223)	(1,891)	1,130	(835)	(1,596)
Education & Skills	(6,241)	5,297	(1,393)	(2,336)	770	(2,732)	(4,299)
Community Engagement	(889)	462	(181)	(609)	298	(136)	(446)
Leader	(12,796)	4,563	(8,981)	(17,214)	4,203	(9,610)	(22,621)
Planning & Environment	(48,283)	32,115	(6,596)	(22,763)	25,535	(7,241)	(4,469)
Resources	(15,138)	4,007	(2,658)	(13,789)	4,835	(3,091)	(12,045)
Transportation	(3,975)	662	(918)	(4,231)	403	(2,161)	(5,990)
Corporate Costs	(35,291)	14,180	(9,441)	(30,551)	10,938	(10,835)	(30,448)
Subtotal	(132,948)	75,146	(39,651)	(97,452)	66,951	(54,139)	(84,640)
Earmarked for Schools							
Earmarked Schools Revenue Balances	(14,135)	14,236	(16,937)	(16,836)	16,941	(13,055)	(12,949)
Earmarked Schools Devolved Formula Capital	(2,436)	2,437	(2,367)	(2,366)	2,366	(2,017)	(2,017)
Subtotal	(16,571)	16,673	(19,304)	(19,202)	19,307	(15,072)	(14,966)
Total	(149,519)	91,819	(58,954)	(116,654)	86,258	(69,211)	(99,607)

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 2016	Balance at 31 March 2017
Devolved Formula Capital carried forward	(2,366)	(2,017)
Surpluses carried forward*	(18,344)	(14,608)
Deficits carried forward*	1,508	1,659
Total	(19,202)	(14,966)

*Excluding Academy Schools

Health & Wellbeing including the Public Health Reserve, holding grant funding of £1.3m that will be used in future years. It also includes a new reserve in respect of the recently ended POhWER contract where unspent monies were returned to the Council against which further commitments are expected.

Children's Services including Families First grant funding to be used in future years (£0.8m)

Education & Skills including SEND Reform monies of £0.9m; the Learning Skills Council (LSC) reserve (£0.7m) which is used as a mechanism for equalising under and overspends on the adult learning budgets as these budgets are monitored on an academic year basis rather than a financial year; and £2.7m relates to unused Dedicated Schools Grant (DSG) not delegated directly to schools.

Leader including funds held on behalf of other bodies such as the Buckinghamshire Thames Valley Local Enterprise Partnership (£21.1m). Also included is the Election Expenses Reserve (£0.5m) which has been set up to fund the expenses for the full Council elections which occur every four years.

Planning & Environment including a Waste reserve of £3.3m to smooth the effect of volatility in third party income and selling electricity.

Resources including the Insurance Reserve (£5.6m) which relates to the estimated liabilities in respect of insurance claims not yet notified. Also included is the Energy Efficiency & Salix Reserve (£1.3m) which is called on to finance initial expenditure on projects that will lead to longer-term savings; the repayment of Salix loans is recycled to fund further projects. The Strategic Asset Development Reserve of £2.4m enables the Council to invest in existing or new assets in order to generate an income stream. The Renewals Reserve (£1.4m) is used for the financing of capital expenditure and the balance represents amounts set aside to fund future purchases, particularly vehicles and computers. The Support Services Options Appraisal Reserve (£0.7m) is used to fund upfront work required to achieve future savings resulting from the Council's service transformation activities.

Transportation including monies set aside for Adverse Weather (£2.0m), revenue contribution to East West Rail (£1.8m), Fleet Renewals (£0.9m) and Commuted Sums (£0.6m) which is made up of payments from private developers to compensate the Council for additional costs incurred in maintaining infrastructure associated with new developments.

Corporate Costs including the Revenue Contribution to Capital Reserve (£28.7m) which is used for the financing of capital expenditure and receives appropriations from the revenue account; the balance largely represents slippage from prior year capital schemes. Also included is the Doubtful Debt Reserve (£0.9m) which relates to the amounts that the Council is setting aside to mitigate the risk of bad debts.

5 - Other Operating Expenditure

Restated 2015/16		2016/17
£000		£000
5,932	(Gain)/losses on the disposal of non-current assets	1,012
6,278	Loss on de-recognition of Academies non-current assets	22,083
463	Levies - Environment Agency	467
9	(Gain)/losses on the disposal of Financial Assets Held for Sale	-
12,673	Total	23,562

6 - Financing and Investment Income and Expenditure

2015/16		2016/17
£000		£000
9,139	Interest payable and similar charges	8,381
18,700	Net interest on the defined pension liability	18,712
(1,943)	Interest receivable and similar income	(2,774)
(28,072)	Investment Properties Income and expenditure and changes in Fair Value	1,304
(2,176)	Total	25,623

7 - 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.

Notes to the Accounts

The Council credited the following from taxation, grants, contributions and donations to the CIES in 2016/17.

Taxation and Non Specific Grant Income

2015/16		2016/17
£000	Grants Held Centrally	£000
(233,751)	Council Tax	(248,700)
(41,823)	Revenue Support Grant	(23,713)
(15,614)	Locally Retained Non Domestic Rates	(16,431)
(25,181)	NNDR Top up Grant	(25,391)
(15,191)	Non-ringfenced Government Grants *	(17,752)
(47,269)	Capital Grants and Contributions	(60,984)
(378,829)	Total	(392,971)

* Non ringfenced government grants detailed below

2015/16		2016/17
£000	Non-ringfenced Government Grants	£000
(343)	Local Service Support Grant	-
-	Transition Grant	(4,635)
(5,615)	Education Service Grant	(5,145)
-	Independent Living Fund	(1,128)
(3,024)	New Homes Bonus	(3,711)
(309)	SEN / SEND Reform Grants	(583)
(1,132)	Small Business Rates Relief	(1,038)
(2,662)	Care Act Implementation	-
(2,106)	Total of other grants below £1m each	(1,512)
(15,191)	Total	(17,752)

2015/16		2016/17
£000	Grants Credited to Services	£000
(271,697)	Dedicated Schools Grant	(270,721)
(19,058)	Public Health Grant	(21,614)
(5,573)	Education Funding Agency 16-19	(5,362)
(3,573)	Skills Funding Agency	(3,667)
(1,723)	PE and Sports Grant	(1,540)
(465)	Department of Transport Grant	(465)
(5,231)	Universal Free School Meals	(6,055)
(8,864)	Pupil Premium	(8,864)
(1,126)	Devolved Formula Capital Grant	(1,109)
(1,499)	Disabled Facilities Grant	(2,777)
(4,283)	Total of other grants below £1m each	(4,103)
(323,092)	Total	(326,278)

8 - 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 2016/17 are as follows:

	Central Expenditure £000	Individual Schools Budgets £000	Total £000
Final DSG for 2016/17 before Academy recoupment			397,898
Academy figure recouped for 2016/17			(127,177)
Total DSG after Academy recoupment for 2016/17			270,721
Brought forward from 2015/16			460
Carry-forward to 2017/18 agreed in advance			(44)
Agreed initial budgeted distribution in 2016/17			271,137
Final budgeted distribution for 2016/17	67,148	204,032	271,181
Less Actual central expenditure	(65,138)		(65,138)
Less Actual ISB deployed to schools		(203,354)	(203,354)
Plus agreed carry-forward for 2017/18			44
Carry Forward to 2017/18	2,010	678	2,732

9 - Members Allowances

2015/16 £000		2016/17 £000
539	Salaries	546
94	Employer Contributions	98
337	Allowances	344
970	Total	988

10 - 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 7 Taxation and Grant Income.

Pension Fund

The Council charged the Fund £1.45m in 2016/17 (2015/16 £1.38m) 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 2016/17 is shown in Note 9. 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 2016/17 TWK Transit provided the Council with transport services to the value of £1.54m (2015/16 £1.35m). Collectively the Khattak Group have provided services to the value of £3.67m (2015/16 £3.34m).

Interests in Companies and Other Entities

Buckinghamshire Care Ltd

The Council had 100% ownership of Buckinghamshire Care Ltd and Buckinghamshire Support Ltd (jointly known as 'Buckinghamshire Care') until Buckinghamshire Care ceased trading on 31st December 2016. In 9 months of 2016/17 the Council made payments to Buckinghamshire Care totalling £6.97m (2015/16 £9.88m). Income received by the Council from Buckinghamshire Care in 2016/17 was £0.30m (2015/16 £0.82m.) The estimated cumulative trading loss for Bucks Care of £2.2m has also been incorporated into the Accounts, which includes the write-off of any outstanding loans between the Council and Buckinghamshire Care.

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, continuous professional development and other key support services. The Trust received £8.01m from the Council in 2016/17 (2015/16 £8.89m) including grant funding of £6.9m (2015/16 £7.19m). Income received by the Council from the BLT in relation to a support services buy-back agreement was £0.58m (2015/16 £0.47m).

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 Shortenills Centre, Chalfont St Giles to the ALF for a period of 25 years. Overall responsibility for the strategic direction of the organisation sits with the board of trustees who delegate operational responsibility to the CEO. The Trustees include representatives from the founding centres, a Council representative and key stakeholders. The Council has made a £0.765m loan to ALF to cover initial investment, to be repaid after 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 £0.40m during the year from ALF (2015/16 £0.54m).

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 2016/17 the Trust received funding from the Council totalling £0.43m (2015/16 £0.239m).

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. The Council made payments to Buckinghamshire Law Plus in 2016/17 totalling £0.042m and received income totalling £0.030m (2015/16 £0.13m). Buckinghamshire Law Plus ceased trading on 31st March 2017 with an estimated net cumulative profit of £7k. There are no outstanding loans with Bucks Law Plus as at 31 March 2017.

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 company acts as the operational arm of Buckinghamshire Thames Valley Local Enterprise Partnership (BTVLEP) on the delivery of BTVLEP funded capital schemes, ensuring local growth funds are invested to maximum effect. It also promotes and delivers capital projects helping Buckinghamshire's economy develop sustainably. The Council has made a contribution towards operating costs of Buckinghamshire Advantage Ltd of £0.179m in 2016/17 (2015/16 £0.094m).

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 the accountable body. The Council has made a contribution of £0.15m (2015/16 £0.12m) and been reimbursed £0.08m (2015/16 £0.15m) for services provided to the BTVLEP. In addition BTVLEP funding had available funds to be used to pump prime of £17.492m (2015/16 £11.02m) for strategic capital infrastructure projects. As at 31 March 2017 £20.52m (2015/16 £6.69m) 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 2016/17 was £0.68m (2015/16 £0.68m)

Trading Standards

A Buckinghamshire and Surrey Joint Trading Standards service was formed on 1st April 2015, bringing together the two separate trading standards service of Buckinghamshire County Council and Surrey County Council. The joint service is hosted by Surrey County Council, and provides trading standards services across the two counties. During 2016/17 the joint service fee paid by BCC to SCC totalled £1.017m.

HR and Legal Shared Service arrangement

The Council has entered into an Inter Authority Agreement with London Borough of Harrow for the provision of HR and Legal Services. BCC provide both Councils with HR services and Harrow provide Legal Services to both Council's under this agreement, which also involve the sharing of the Head of Legal Services and the Head of People and OD. There is a Shared Services Joint Governing Board with Harrow to cover both of these arrangements. During 2016/17 BCC paid fees of £2.506m and received income of £0.310m under this arrangement.

11 - 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 2016/17 was as follows:

Employee Name	Salary, Fees and Allowance £	Pension Contrib'ns £	2016/17 Total £	2015/16 Total £	
Chief Executive (Sept - to date)	113,750	44,684	158,434	263,966	
Chief Executive (Interim Apr-Aug)	Neil Gibson	82,231	18,749	100,980	-
Assistant Chief Executive (Monitoring Officer)	102,414	23,350	125,764	116,639	
Director of Finance and Assets (s151 Officer)	127,660	29,106	156,766	145,790	
Director of Public Health	126,017	18,020	144,037	141,878	
Business Enterprise & Business Services Plus					
Managing Director	Gillian Quinton	151,472	34,536	186,008	187,390
Transport Economy and Enterprise					
Managing Director (Sept-Mar)	Neil Gibson	89,455	20,396	109,851	187,290
Managing Director (Interim Apr-Aug)		95,400	-	95,400	
Children's Social Care & Learning					
Managing Director		145,040	33,069	178,108	172,294
Communities, Health & Adult Social Care					
Managing Director (Apr-Dec)		107,594	24,531	132,125	179,935
Managing Director (Interim Jan-Feb)		49,238		49,238	
Managing Director (Feb-Mar)		12,054	2,748	14,802	-
		1,202,323	249,189	1,451,513	1,395,180

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:

	2015/16			2016/17		
	Non Schools	Schools	Total	Non Schools	Schools	Total
£50,000 - £54,999	47	64	111	71	79	150
£55,000 - £59,999	31	50	81	37	61	98
£60,000 - £64,999	24	34	58	27	35	62
£65,000 - £69,999	16	22	38	14	21	35
£70,000 - £74,999	8	12	20	11	11	22
£75,000 - £79,999	6	5	11	6	11	17
£80,000 - £84,999	5	2	7	8	3	11
£85,000 - £89,999	3	2	5	1	4	5
£90,000 - £94,999	1	2	3	2	2	4
£95,000 - £99,999	3	1	4	-	2	2
£100,000 - £104,999	5	-	5	4	-	4
£105,000 - £109,999	3	-	3	4	-	4
£110,000 - £114,999	-	-	-	1	-	1
£115,000 - £119,999	1	-	1	-	-	-
£120,000 - £124,999	1	1	2	-	-	-
£125,000 - £129,999	-	-	-	3	-	3
£130,000 - £144,999	-	-	-	-	1	1
£145,000 - £149,999	2	-	2	1	-	1
£150,000 - £154,999	2	-	2	1	-	1
£170,000 - £174,999	-	-	-	1	-	1
£175,000 - £214,999	-	-	-	-	-	-
£215,000 - £219,999	1	-	1	-	-	-
	159	195	354	192	230	422

12 - 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 2016/17, incurring liabilities of £0.801m (2015/16 £0.624m). 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	
	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16 £000	2016/17 £000
£0 - £19,999	17	11	34	38	51	49	371	322
£20,000 - £39,999	5	3	4	2	9	5	253	151
£40,000 - £59,999	-	2	-	1	-	3	-	135
£150,000-£199,999	-	-	-	1	-	1	-	193
	22	16	38	42	60	58	624	801

13 - Pension 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 2016/17, the Council paid an estimated £13.182m (2015/16 £14.074m) to Teachers' Pensions in respect of teachers' retirement benefits, representing 16.7% (2015/16 15.6%) of pensionable pay. The expected contribution to be paid by the Council in relation to Teachers Pensions for 2017/18 is estimated around £13m. This is charged to the Education and Skills 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 2016/17 the Council paid an estimated £0.038m to NHS Pensions in respect of public health staff retirement benefits (2015/16 £0.159m). The expected contribution to be paid by the Council in relation to the NHS Pension Scheme for 2017/18 is estimated around £0.040m. This is charged to the Health & Wellbeing 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.

14 - 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 the Council and employees pay contributions into a fund, calculated at a level intended to balance the pensions' liabilities with investment assets.

- **Teacher's Pension Scheme** (see Note 13)
- **NHS Pension Scheme** (see Note 13)

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:

2015/16		2016/17
£000	Cost of Services	£000
31,489	Service Cost (comprising)	30,790
33,647	- current service cost	30,758
956	- past service costs	880
(3,114)	- settlements and curtailments	(848)
490	Administration expenses	514
	Financing and Investment Income and Expenditure	
18,700	Net interest on the defined liability	18,712
50,679	Total Post Employment Benefit Charged to the Surplus/Deficit on the Provision of Services	50,016

2015/16	Other Comprehensive Income and Expenditure	2016/17
£000	Remeasurement of the defined benefit liability, comprising:	£000
(8,977)	Return on plan assets in excess of interest	88,026
-	- Actuarial gains and losses	17,627
80,682	Change in Financial assumptions	(284,580)
-	- Change in demographic assumptions	20,202
217	Experience gain/loss on defined benefit obligation	(90,013)
71,922	Total Post Employment Benefit charged to the CIES	(248,738)

2015/16	Movement in Reserves Statement	2016/17
£000	Movement in Reserves Statement	£000
(50,679)	Reversal of net charges made to the Surplus/Deficit for the Provision of Services for post employment benefits in accordance with the Code	(50,016)
23,371	Actual amount charged against the General Fund balance employers' contributions payable in year to the scheme	32,924

The change in financial assumptions has resulted in a loss of £284.580m in respect of pensions liabilities (as shown above). This is due to a reduction in the discount rate by 0.9% p.a. The pension increase assumption has also increased by 0.3% p.a. which has also increased the liability.

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:

	2012/13	2013/14	2014/15	2015/16	2016/17
	£000	£000	£000	£000	£000
Present value of the defined benefit obligation	(972,781)	(1,043,725)	(1,211,823)	(1,168,307)	(1,511,758)
Fair value of plan assets	568,197	597,615	655,142	654,147	783,865
Net liability on Fund	(404,584)	(446,110)	(556,681)	(514,160)	(727,893)
Present value of unfunded obligation	(24,833)	(24,999)	(26,327)	(24,234)	(76,331)
Net liability in Balance Sheet	(429,417)	(471,109)	(583,008)	(538,394)	(804,224)

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 2.7% (2015/16 3.6%) based on the annualised yield at the 18 year point on the Merrill 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 Corporate 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.

2015/16 £000		2016/17 £000
(1,238,150)	Opening balance at 1 April	(1,192,541)
(33,647)	Current service cost	(30,758)
(956)	Past service costs, including curtailments	(880)
(39,918)	Interest cost	(42,125)
(6,793)	Contributions by scheme participants	(7,734)
	Remeasurement gains and losses:	
80,682	- change in financial assumptions	(284,580)
	- change in demographic assumptions	20,202
217	- experience loss/(gain) on defined benefit obligation	(90,013)
6,125	Liabilities extinguished on settlements	(1,819)
38,090	Estimated benefits paid net of transfers in	37,260
1,809	Unfunded pension payments	4,899
(1,192,541)	Closing balance at 31 March	(1,588,089)

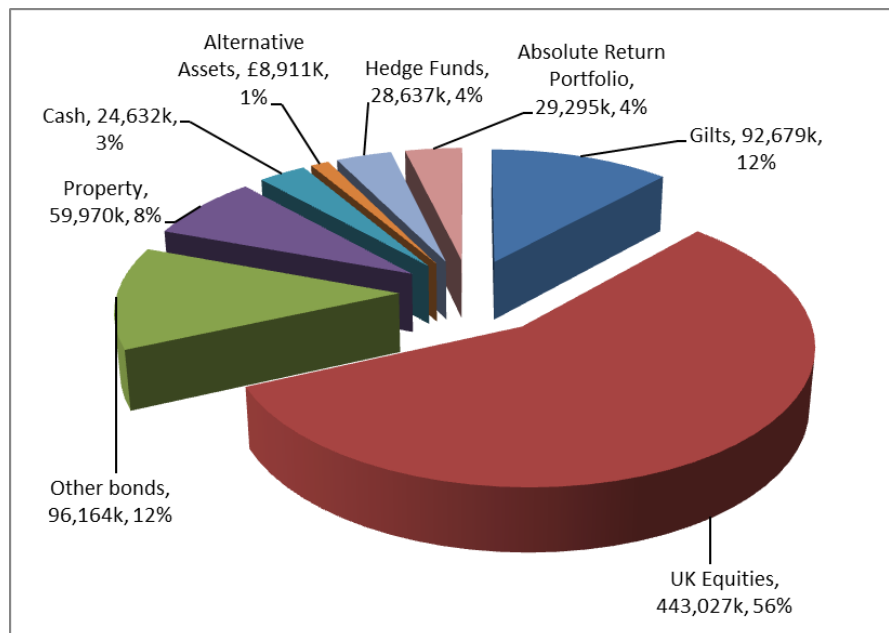
Reconciliation of the movement in the fair value of the scheme (plan) assets

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

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

2015/16 £000		2016/17 £000
655,142	Opening balance at 1 April	654,147
21,218	Interest on assets	23,413
	Remeasurement gains and losses:	
(8,977)	- return on plan assets less the amount included in net interest expense	88,026
	- other actuarial gains/(losses)	17,627
(490)	Administration expenses	(514)
23,371	Employer contributions	32,924
6,793	Contributions by scheme participants	7,734
(39,899)	Estimated benefits paid plus unfunded net of transfers in	(42,159)
(3,011)	Settlement prices received/(paid)	2,667
654,147	Closing balance at 31 March	783,865

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 2016. The significant assumptions used by the actuary have been:

2015/16	Mortality assumptions:	2016/17
	Longevity at 65 for current pensioners:	
23.8 years	■ Men	23.8 years
26.2 years	■ Women	26 years
	Longevity at 65 for future pensioners:	
26.1 years	■ Men	26.1 years
28.5 years	■ Women	28.3 years
	Other assumptions:	
3.2%	RPI Increases	2.5%
2.3%	CPI Increases	2.6%
4.1%	Rate of increase in salaries	4.1%
2.3%	Rate of increase in pensions	2.6%
3.6%	Rate for discounting scheme liabilities	2.7%
10.0%	Take-up of option to convert annual pension into retirement lump sum	

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%	1,588,089	46,862
Adjustment to discount rate	+0.1%	1,560,151	45,713
	-0.1%	1,616,555	48,041
Adjustment to long term salary increase	+0.1%	1,590,891	46,862
	-0.1%	1,585,309	46,862
Adjustment to pension increases and deferred revaluation	+0.1%	1,613,753	48,041
	-0.1%	1,562,877	45,711
Adjustment to mortality age rating assumption	+ 1 year	1,649,976	48,357
	- 1 year	1,528,594	45,414

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 £30.880m in 2017/18. 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 Adventure Learning Foundation, the Council has provided the Administering Authority a guarantee to meet any pension deficit should the Trust become insolvent due under the terms of the Admission Agreement and under the LGPS Regulations. No liability is currently recognised in respect of this guarantee.

15 - 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 Net Book Value 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. The building element is not recognised in the Balance Sheet in accordance with the requirements of IAS 17. The land element is retained on balance sheet but at notional value only, to reflect the unexpired residual term of the lease. Where a school transfers to Academy status 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. Building Cost Information Service (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 2016/17 is £4.035m (2015/16 £7.833m). The basis was amended during 2016/17 as follows:

- Debt relating to capital expenditure incurred prior to 1 April 2008 is written down on a straight line basis over 50 years from 1 April 2016;
- Debt relating to capital expenditure incurred from 1 April 2008 is calculated on the annuity asset life method.

Property, Plant and 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 2016	676,270	12,611	415,476	4,274	166,325	1,274,956
Additions	36,758	1,213	27,591	61	269	65,891
Revaluation increases recognised in the Revaluation Reserve	129,898	-	-	207	-	130,105
Revaluation (decreases) recognised in the Revaluation Reserve	(2,590)	-	-	(160)	-	(2,750)
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(4,013)	-	-	(651)	-	(4,664)
Derecognition - disposals	(28,141)	(269)	-	-	-	(28,411)
Derecognition - other	(3,773)	-	-	-	-	(3,773)
Assets reclassified	162,452	-	3,196	(10)	(165,946)	(308)
At 31 March 2017	966,859	13,555	446,263	3,721	648	1,431,046
Accumulated Depreciation and Impairment						
At 1 April 2016	(85,744)	(10,327)	(74,968)	(1,467)	-	(172,506)
Depreciation charge	(17,818)	(727)	(11,315)	-	-	(29,861)
Depreciation written out to the Revaluation Reserve	51,485	-	-	-	-	51,485
Derecognition - disposals	4,441	238	-	-	-	4,679
Derecognition - other	153	-	-	-	-	153
Assets reclassified	31	-	-	-	-	31
At 31 March 2017	(47,451)	(10,816)	(86,283)	(1,467)	-	(146,018)
Net Book Value						
as at 31 March 2017	919,408	2,739	359,979	2,254	648	1,285,027
as at 1 April 2016	590,526	2,284	340,508	2,807	166,325	1,102,451

The main movements include revaluation increases of £181.590m (made up of gross valuation of £130,105 and accumulated depreciation of £51,485), mainly due to Schools assets revaluation increase of £168.213m. Other main movements include the reclassification of the Energy from Waste plant (£159.691m) on completion from Assets under Construction to Other Land and Buildings.

	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 as Restated	713,652	25,080	380,227	4,035	122,194	1,245,188
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	(7,118)	(4,409)	-	(582)	-	(12,108)
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	676,270	12,611	415,476	4,274	166,325	1,274,956
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 written 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 as restated	(85,744)	(10,327)	(74,968)	(1,467)	-	(172,505)
Net Book Value						
as at 31 March 2016 as restated	590,526	2,283	340,509	2,808	166,325	1,102,451
as at 1 April 2015 as restated	620,779	3,142	315,697	3,880	122,194	1,065,691

Capital Commitments

Project	Type of Contract	Name of Contractor	Contract Value £000
Berryfields 2 Primary School	Construction	Kier Construction	12,527
Great Marlow School - AA Block	Construction	Life Build Solutions	3,007
Holtspur School	Construction	LIFE Build Solutions Limited	1,910
ReFit	Construction	Engie FM	531
South East Aylesbury Link Road	Construction	AECOM Infrastructure and Environment UK Ltd	320
			18,296

At 31 March 2017, the Council has £18.296m capital commitments for the construction or enhancement of Property, Plant, Equipment and Intangible Assets. Commitments as at 31 March 2016 were £10.399m.

Revaluations

The following table shows the progress of the Council's five year rolling programme for the revaluation of fixed assets. The valuations for 2016/17 have been carried out by RICS qualified external company, Carter Jonas. The effective date of valuation for the current year was 1 April 2016.

	Other Land and Buildings £000	Vehicles, Plant and Equipment £000	Infrastructure Assets £000	Surplus Assets £000
Carried at historical cost:		2,739	359,979	
Valued at fair value as at:				
31 March 2013	108,238			
31 March 2014	147,060			
31 March 2015	159,360			
31 March 2016	158,955			2,010
31 March 2017	345,881			2,247
Total Cost or Valuation	919,494	2,739	359,979	4,257

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 £217.131m as at 31 March 2017 (£195.031m as restated at 31 March 2016).

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. This relates mainly to Schools where the Council funds capital developments but the School is not recognised on balance sheet. 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 16 below.

16 - 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.

2015/16		2016/17
£000		£000
319,334	Opening Capital Financing Requirement	325,827
	Capital Investment	
111,972	Property, plant and equipment	65,891
834	Investment properties	42,763
509	Intangible assets	1,517
12,841	Revenue Expenditure Funded from Capital Under Statute	20,138
	Source of Finance	
(15,145)	Capital receipts	(7,495)
(54,747)	Government grants and other contributions	(61,851)
(11,608)	Direct revenue contributions	(2,261)
(30,331)	Waste reserve contributions	(17,622)
(7,833)	Minimum revenue provision	(4,035)
325,827	Closing Capital Financing Requirement	362,872
	Explanation of movements in year	
(7,833)	Increase/(decrease) in underlying need to borrowing (unsupported by government financial assistance)	37,045
14,325	Assets acquired under PFI/Service Concession Arrangements	-
6,492	Increase/(decrease) in Capital Financing Requirement	37,045

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	Kederminster Library and Pew	Museum Collections and Paintings	Total
	£000	£000	£000	£000
Valuation				
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
1 April 2016	787	1,056	5,681	7,524
31 March 2017	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 five Heritage Assets sited within Country Parks and Green Spaces, managed and maintained by Countryside Services;

- 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 £0.431m charged to revenue in 2016/17 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:

2015/16		2016/17
£000		£000
	Balance at start year:	
10,790	Gross carrying amounts	8,812
(8,649)	Accumulated amortisation	(7,420)
	Net carrying amount at start of year	
509	Purchases	1,517
(2,487)	Disposals	(1,157)
2,487	Accumulated amortisation written out on disposal	1,068
(1,258)	Amortisation for the period	(431)
1,392	Net carrying amount at end of year	2,389
	Comprising:	
8,812	Gross carrying amounts	9,172
(7,420)	Accumulated amortisation	(6,783)
1,392		2,389

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:

2015/16		2016/17
£000		£000
(588)	Rental income from Investment Property	(2,396)
34	Direct operating expenses arising from Investment Property	632
241	Revaluation gains and losses	3,155
(658)	Profit of loss on disposal of Investment Property	(87)
(971)	Balance outstanding at year end	1,304

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

2015/16		2016/17
£000		£000
-	Balance at start of the year	44,773
834	Additions	42,763
(5,037)	Disposals	(504)
27,101	Net gains / loses from fair value adjustments	(3,072)
21,875	Transfers to / from Property, Plant and Equipment	(142)
44,773	Balance outstanding at year end	83,819

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 Fair Value as Observable at 31 March Inputs (Level 2) 2016	Other Significant Fair Value as Observable at 31 March Inputs (Level 2) 2016
42,367	41,469
2,407	42,350
44,773	83,819
42,367 Residential Property (market rental)	
2,407 Commercial Units	
44,773 Total	83,819

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.

2015/16 £000		2016/17 £000
3,573	Balance outstanding at start of the year:	671
	Assets newly classified as held for sale:	
-	Property, Plant and Equipment	371
(260)	Revaluation losses	-
108	Revaluation gains	40
(23)	Depreciation	(12)
	Assets declassified as held for sale:	
(1,378)	Property, Plant and Equipment	-
(1,349)	Assets sold	-
671	Balance outstanding at year end	1,071

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 2016 £000	31 March 2017 £000	31 March 2016 £000	31 March 2017 £000
Investments				
Loans and Receivables:				
Cash and Cash Equivalents	-	-	-	3,843
Temporary Loans	-	-	1,546	26
Loans to Local Authority companies and other entities	683	185	388	-
Investments	5,055	321	80,357	5,108
Available-for-sale Financial Assets	-	-	85,791	17,678
Total Investments	5,738	506	168,082	26,655
Trade and Other Receivables				
Loans and Receivables	18,059	15,169	44,656	50,434
Total Trade and Other Receivables	18,059	15,169	44,656	50,434
Less Statutory Items to be Excluded				
Payments in Advance	-	-	(4,874)	(4,214)
Collection Fund Adjustment	-	-	(8,582)	(10,375)
Her Majesty's Revenue and Customs (HMRC)	-	-	(9,999)	(5,803)
Total to be Deducted from Loans and Receivables	-	-	(23,455)	(20,392)
Total Value of Assets	23,797	15,675	189,283	56,697
Borrowings				
Cash and Cash Equivalents	-	-	(1,816)	-
Financial Liabilities at Amortised Cost	(150,732)	(139,000)	(13,069)	(85,342)
Total Borrowings	(150,732)	(139,000)	(14,885)	(85,342)
Other Liabilities				
Service Concession Arrangements	-	-	(159,691)	-
Total Other Liabilities	-	-	(159,691)	-
Trade and Other Payables				
Financial Liabilities at Amortised Cost	-	-	(91,079)	(97,289)
Total Trade and Other Payables	-	-	(91,079)	(97,289)
Less Statutory Items to be Excluded				
Receipts in Advance and Deferred Income	-	-	14,951	16,081
Collection Fund Adjustment	-	-	5,329	5,022
HMRC	-	-	2,354	4,365
Total to be Deducted from Liabilities	-	-	22,634	25,468
Total Value of Liabilities	(150,732)	(139,000)	(243,021)	(157,163)

Income, Expenditure, Gains and Losses

	2015/16				2016/17			
	measured at amortised cost	Financial Assets: Loans and receivables	Financial Assets: Available for sale	Total	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	9,139	-	-	9,139	8,381	-	-	8,381
Total expense in Surplus or Deficit on the Provision of Services	9,139	-	-	9,139	8,381	-	-	8,381
Interest Income	-	(1,308)	(635)	(1,943)	-	(2,069)	(705)	(2,774)
Total income in Surplus or Deficit on the Provision of Services	-	(1,308)	(635)	(1,943)	-	(2,069)	(705)	(2,774)
Gains on revaluation	-	-	(650)	(650)	-	-	-	-
Losses on revaluation	-	-	40	40	-	-	408	408
Amounts recycled to the Surplus or Deficit on the Provision of Services	-	-	-	-	-	-	(17)	(17)
Surplus / Deficit arising on revaluation of financial assets in Other Comprehensive Income and Expenditure	-	-	(610)	(610)	-	-	391	391
Net loss/(gain) for the year	9,139	(1,308)	(1,245)	6,586	8,381	(2,069)	(314)	5,997

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.

	2015/16				2016/17			
	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 2017
	£000	£000	£000	£000	£000	£000	£000	£000
Available for Sale Financial Assets	80,776	5,015	-	85,791	5,911	11,767	-	17,678
Total	80,776	5,015	-	85,791	5,911	11,767	-	17,678

Money Market Funds have been transferred from Level 1 to Level 2 following the clarification of the requirements under the hierarchy; valuations are based on the externally set interest rates. There has been no change in the valuation technique used during the year. The fair values are based on public price quotations where there is an active market for the instrument.

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 2017 is the repayment cost calculated using the repayment interest rates at 31 March 2017. 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 2017
- The fair values for the LOBO and PWLB loans are calculated by Arlingclose, in their role as an external valuation specialist
- 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.
- No fair value disclosures are provided for trade receivables and payables as the carrying amount is a reasonable approximation of fair value.

The fair values calculated are as follows:

	31 March 2016		31 March 2017	
	Carrying amount	Fair value	Carrying amount	Fair value
	£000	£000	£000	£000
Financial liabilities	(163,801)	(238,856)	(224,342)	(332,102)
Other liabilities (Service Concession Arrangements)	(159,691)	(159,691)	-	-

Notes to the Accounts

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 2016		31 March 2017	
	Carrying amount	Fair value	Carrying amount	Fair value
	£000	£000	£000	£000
Loans and receivables	80,745	86,579	5,535	5,548
Long-term Trade and Other Receivables	18,058	18,058	15,169	15,169

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 2016			31 March 2017		
	Other significant observable inputs (level 2)	Significant unobservable inputs (level 3)	Total	Other significant observable inputs (level 2)	Significant unobservable inputs (level 3)	Total
	£000	£000	£000	£000	£000	£000
Financial liabilities						
Loans/borrowings	(238,856)	-	(238,856)	(332,102)	-	(332,102)
Total	(238,856)	-	(238,856)	(332,102)	-	(332,102)
Financial assets						
Other loans and receivables	85,357	-	85,357	5,429	-	5,429
Soft Loans	-	1,222	1,222	-	532	532
Other Long-term Debtors	-	18,059	18,059	-	15,169	15,169
Total	85,357	19,281	104,638	5,429	15,701	21,130

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 £20m and the total maximum that can be invested in an individual AA+ sovereign rated country is £10m. 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	£5m 5 years	£10m 20 years	£10m 50 years
AA+	£5m 5 years	£10m 10 years	£10m 25 years
AA	£5m 4 years	£10m 5 years	£10m 15 years
AA-	£5m 3 years	£10m 4 years	£10m 10 years
A+	£5m 2 years	£10m 3 years	£5m 5 years
A	£5m 13 months	£10m 2 years	£5m 5 years
A-	£5m 6 months	£10m 13 months	£5m 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	£10m 25 years
Pooled Funds	£25m per fund		

Group Limits

The maximum amount invested with a connected group of counterparties is £10m (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.

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 2017 £000	Historical experience of default %	Historical experience adjusted for market conditions at 31 March 2017 %	Estimated maximum exposure to default and uncollectability at 31 March 2017 £000	Estimated maximum exposure at 31 March 2016 £000
	A	B	C	(A x C)	
Deposits with banks and financial institutions	16,797	0.06%	0.086%	14	147
Customers	15,954	0.72%	8.650%	1,380	734
				1,394	881

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 £15.954m (2015/16 £19.339m) balance £13.803m (2015/16 £13.3m) of trade receivables were individually assessed for impairments. A risk evaluation based on the value and types of debt was carried out to determine which debts to individually assess. This review resulted in a required provision of £1.380m (2015/16 £0.734m) to be made in respect of these trade receivables.

The Council does not generally allow credit for customers, such that £8.683m of the £13.8m balance is past its due date for payment. The past due amount can be analysed by age as follows:

31 March 2016		31 March 2017	
£000		£000	
4,752	Less than three months	2,430	
1,038	Three to six months	740	
1,866	Six months to one year	1,538	
3,896	More than one year	3,975	
11,551		8,683	

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 profile of debt falling due is shown below.

31 March 2016		31 March 2017
£000		£000
13,069	Less than one year	85,324
11,732	Between one and two years	10,000
17,000	Between two and five years	7,000
122,000	More than five years	122,000
163,801		224,324

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. 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 2016/17 would have been:

31 March 2016		31 March 2017
£000		£000
(972)	Increase in interest payable on variable rate borrowings	(498)
-	Increase in interest receivable on variable rate investments	132
(972)	Impact on Surplus/Deficit on the Provision of Services	(366)
155	Decrease in fair value of fixed rate investment assets	(13)
155	Impact on Other Comprehensive Income and Expenditure	(13)
22,296	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)	45,076

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 2016		31 March 2017
£000		£000
(1,816)	Bank current accounts	3,843
(1,816)	Total Cash and Cash Equivalents	3,843

24 - Trade and Other Receivables and Payables

Short Term Trade and Other Receivables

31 March 2016		31 March 2017
£000		£000
392	Central Government bodies	1,686
9,999	HM Revenue and Customs	5,803
2,204	Other local authorities and NHS	1,946
8,582	Collection Fund adjustment	10,375
19,339	Sundry Trade and Other Receivables	27,790
4,874	Payments in advance	4,214
45,390	Total	51,814
(734)	Provision for doubtful debts	(1,380)
44,656	Total Short Term Trade and Other Receivables	50,434

Long Term Trade and Other Receivables

31 March 2016		31 March 2017
£000		£000
14,807	Reprovisioning of Adult Social Care	12,766
2,158	Finance lease	1,428
1,093	Other Long Term Trade and Other Receivables	975
18,059	Total Long Term Trade and Other Receivables	15,169

Short Term Trade and Other Payables

31 March 2016		31 March 2017
£000		£000
(2,354)	HM Revenue and Customs	(4,365)
(133)	Central Government bodies	(511)
(3,262)	Other local authorities and NHS	(3,114)
(5,329)	Collection Fund adjustment	(5,022)
(15,302)	Deposits from contractors and others	(18,443)
(40,979)	Other sundry creditors	(39,708)
(14,951)	Receipts in advance and deferred income	(16,081)
(8,769)	Capital expenditure	(10,045)
(91,079)	Total	(97,289)

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 2017:

	Long Term Provisions			
	Insurance	National Non-Domestic Rates	Other	Total
	£000	£000	£000	£000
1 April 2016	(5,304)	(1,728)	(60)	(7,092)
Additional provisions made	(563)	(1,521)		(2,084)
Amounts used	447		60	447
Unused amounts reversed	-	1,729		1,729
Balance at 31 March 2017	(5,420)	(1,520)	-	(6,940)

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.

2015/16 Restated		2016/17
£000		£000
(194,938)	Revaluation Reserve	(363,497)
(624,018)	Capital Adjustment Account	(643,395)
2,083	Financial Instruments Adjustment Account	1,923
(18,557)	Deferred Capital Receipts Reserve	(15,800)
538,394	Pensions Reserve	804,224
(1,525)	Collection Fund Adjustment Account	(3,831)
4,788	Accumulated Absences Account	7,058
(1,235)	Available for Sale Financial Instruments Reserve	(844)
(295,008)	Total Unusable Reserves	(214,162)

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.

Restated 2015/16		2016/17
£000		£000
(189,575)	Balance at 1 April	(194,938)
(41,563)	Upward revaluation of assets	(181,631)
25,778	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	2,750
(15,785)	Surplus or deficit on revaluation of non-current assets not posted to the Surplus/Deficit on the Provision of Services	(178,880)
3,433	Difference between fair value depreciation and historical cost depreciation	2,310
6,989	Accumulated gains on assets sold or scrapped	8,012
10,422	Amount written off to the Capital Adjustment Account	10,322
(194,938)	Balance at 31 March	(363,497)

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.

Notes to the Accounts

Restated 2015/16 £000		2016/17 £000
(556,053)	Balance as restated as at 1 April	(624,018)
	Reversal of items relating to capital expenditure debited or credited to the CIES:	
30,890	- Charges for depreciation and impairment of non-current assets	29,873
24,568	- Revaluation losses on Property, Plant and Equipment	4,712
(27,101)	- Movements in the market value of Investment Properties	3,072
1,258	- Amortisation of intangible assets	431
12,841	- Revenue Expenditure Funded from Capital Under Statute	20,138
21,990	- Amounts on non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	27,943
64,446		86,169
	Adjusting amounts written out of the Revaluation Reserve:	
(10,786)	- Net written out amount of the cost of non-current assets consumed in the ye	(10,322)
	Capital financing applied in the year:	
(15,145)	- Use of the Capital Receipts Reserve to finance new capital expenditure	(7,495)
(44,696)	- Capital grants and contributions credited to the CIES that have been applied to capital financing	(59,633)
(10,050)	- Application of grants to capital financing from the Capital Grants Unapplied Account	(2,218)
(7,833)	- Statutory provision for the financing of capital investment charged against the General Fund balance	(4,035)
(1,961)	- Voluntary provision for the financing of capital investment charged against the General Fund balance	(1,961)
(41,939)	- Capital expenditure financed from the General Fund	(19,883)
(132,410)		(105,546)
(624,018)	Balance at 31 March	(643,395)

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.

2015/16 £000		2016/17 £000
2,243	Balance at 1 April	2,083
(160)	Proportion of premiums incurred in previous financial years to be charged against the General Fund balance in accordance with statutory requirements	(160)
<u>(160)</u>		<u>(160)</u>
2,083	Balance at 31 March	1,923

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.

2015/16 £000		2016/17 £000
(20,101)	Balance at 1 April	(18,557)
-	Write-down / impairment of benefit	1,358
-	Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(128)
1,544	Transfer to the Capital Receipts Reserve upon receipt of cash	1,527
<u>(18,557)</u>	Balance at 31 March	<u>(15,800)</u>

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.

2015/16 £000		2016/17 £000
583,008	Balance at 1 April	538,394
(71,922)	Actuarial gains and losses on pensions assets and liabilities	248,738
50,679	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the CIES	50,016
(23,371)	Employer's pension contributions and direct payments to pensioners payable in the year	(32,924)
<u>538,394</u>	Balance at 31 March	<u>804,224</u>

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.

2015/16 £000		2016/17 £000
(5,187)	Balance at 1 April	(1,525)
2,353	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	(860)
1,309	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	(1,446)
(1,525)	Balance at 31 March	(3,831)

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.

2015/16 £000		2016/17 £000
5,607	Balance at 1 April	4,788
(5,607)	Settlement or cancellation of accrual made at the end of the preceding year	(4,788)
4,788	Amounts accrued at the end of the current year	7,058
(819)	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	2,270
4,788	Balance at 31 March	7,058

Available for Sale Financial Instruments 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.

2015/16 £000		2016/17 £000
(625)	Balance at 1 April	(1,235)
(610)	Fair Value adjustments on Available for Sale Financial Instruments	391
(1,235)	Balance at 31 March	(844)

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:

2015/16		2016/17
£000		£000
88	Fees payable with regard to external audit services carried out by the appointed auditor for the year for Buckinghamshire County Council	88
-	Fees payable with regard to external audit services carried out by the appointed auditor for the year for Buckinghamshire Care	38
7	Fees payable for the certification of grant claims and returns for the year	11
4	Fees payable in respect of other services provided during the year	16
99	Total	153

28 - Notes to the Cash Flow Statement

Restated 2015/16		2016/17
£000		£000
21,258	Net (surplus) or deficit on the provision of services	21,387
	Adjustments for non-cash movements	
(55,095)	■ Depreciation, impairment and downward valuations	(34,584)
27,101	■ Changes in fair value of Investment Properties	(3,072)
(1,258)	■ Amortisations	(431)
(10)	■ Increase in impairment for provision of bad debts	(646)
(4,149)	■ Increase / decrease in creditors	(6,210)
(8,836)	■ Increase /decrease in debtors	3,535
(71)	■ Increase / decrease in inventories	37
(27,308)	■ Movement in Pension liability	(17,092)
(21,990)	■ Carrying amount of non-current assets sold or derecognised	(27,943)
346	■ Other non-cash items charged to the net Surplus or Deficit on the provision of services	151
(91,270)		(86,256)
	Adjustment for items that are Investing and Financing activities	
10,340	■ Proceeds from the sale of property, plant and equipment, investment property and intangible assets	5,968
47,269	■ Any other items for which the cash effects are investing or financing activities	60,984
57,609		66,952
(12,403)	Net cash flows from Operating Activities	2,083

29 - Pooled Budgets

Better Care Fund

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

2015/16		2016/17
£000		£000
	Expenditure	
28,885	Better Care Fund	30,214
28,885	Total Expenditure	30,214
	Income	
(2,430)	Contribution from Buckinghamshire County Council	(2,777)
(340)	Contribution from Milton Keynes Clinical Commissioning Group	(307)
(12,409)	Contribution from Aylesbury Vale Clinical Commissioning Group	(12,912)
(13,706)	Contribution from Chiltern Clinical Commissioning Group	(14,218)
(28,885)	Total Income	(30,214)
-	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.

2015/16		2016/17
£000		£000
	Expenditure	
7,952	Integrated mental health provision	8,141
7,952	Total Expenditure	8,141
	Income	
(2,321)	Contribution from Buckinghamshire County Council	(2,422)
(5,631)	Contribution from Oxfordshire and Buckinghamshire Mental Health Trust	(5,719)
(7,952)	Total Income	(8,141)
-	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.

2015/16		2016/17
£000		£000
	Expenditure	
5,414	Children and adolescence mental health services	6,744
5,414	Total Expenditure	6,744
	Income	
(1,446)	Contribution from Buckinghamshire County Council	(1,621)
(1,549)	Contribution from Aylesbury Vale Clinical Commissioning Group	(1,998)
(2,419)	Contribution from Chiltern Clinical Commissioning Group	(3,125)
(5,414)	Total Income	(6,744)
-	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.

2015/16		2016/17
£000		£000
	Expenditure	
5,937	Community Equipment Loan Service (CELS)	7,006
5,937	Total Expenditure	7,006
	Income	
(1,772)	Contribution from Buckinghamshire County Council	(1,843)
(1,718)	Contribution from Aylesbury Vale Clinical Commissioning Group	(2,453)
(2,447)	Contribution from Chiltern Clinical Commissioning Group	(2,710)
(5,937)	Total Income	(7,006)
-	Balance	-

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

2015/16		2016/17
£000	Other Pooled Budget Arrangements	£000
3,036	Integrated Mental Health Provision for Older People Agreement	2,947
2,371	Residential Respite Short Breaks Pooled Fund	2,316
1,915	Speech and Language Therapy	1,962

30 - 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. The Council has signed a 30-year contract for c. £315m with FCC Environment to build and operate an Energy from Waste (EfW) facility. 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 this contract on its Balance Sheet as part of Property, Plant and Equipment at value as at 31 March 2017 of £169.330m (2015/16 £159.691m as Asset Under Construction).

Payments

The Council makes an agreed payment each year to the contractor. These are described as unitary charge payments; however they have been calculated to compensate the contractor for the fair value of the services they provide only. The payment is increased annually by inflation and can be reduced if the contractor fails to meet availability and performance standards in any year but is otherwise fixed. Payments remaining to be made under the contract (excluding any estimation of inflation and availability / performance rewards or deductions) are as follows:

2015/16	Payment for Services	2016/17
£000		£000
1,534	Payable in one year	1,654
7,903	Payable in 2 – 5 years	7,623
11,146	Payable in 6 – 10 years	10,825
12,706	Payable in 11 – 15 years	11,951
14,448	Payable in 16 – 20 years	13,195
16,433	Payable in 21 – 25 years	14,569
18,698	Payable in 26 – 30 years	13,436
673	Payable in 31 years to end of contract	-

There are no further payments in respect of reimbursement of capital expenditure (2015/16 £181.479m)

31 - 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 £9.591m (2015/16 £9.692m). 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 2016		31 March 2017
£000		£000
9,692	Other Land and Buildings	9,591
9,692	Finance Lease Net Book Value	9,591

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 2016		31 March 2017
£000		£000
852	Amounts paid during the year	934
713	Not later than one year	803
1,238	Later than one year and not later than five years	1,437
960	Later than five years	998
2,911	Total Estimated Future Payments	3,238

The amounts paid in year comprise the following elements:

31 March 2016		31 March 2017
£000		£000
855	Minimum lease payments	934
(3)	Sublease payments receivable	
852	Total Amounts Paid In Year	934

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).

Notes to the Accounts

The gross investment is made up of the following amounts:

31 March 2016		31 March 2017
£000		£000
	Finance lease debtor (net present value of minimum lease payments):	
758	■ current	845
2,158	■ non-current	1,428
389	Unearned finance income	232
200	Unguaranteed residual value of property	200
3,505	Gross investment in the lease	2,705

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

Gross Investment in the Lease	Minimum Lease Payments		Gross Investment in the Lease	Minimum Lease Payments
31 March 2016	31 March 2016		31 March 2017	31 March 2017
£000	£000		£000	£000
927	927	Not later than one year	976	976
2,579	2,379	Later than one year and not later than five years	1,729	1,529
-	-	Later than five years		
3,506	3,306		2,705	2,505

The Council has granted a number finance leases to schools on obtaining Academy status for nil rentals. The value of buildings derecognised totals £217.131 2016/17 (£195.031m 2015/16). Land is held at notional value only, 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 2016		31 March 2017
£000		£000
1,313	Not later than one year	1,243
2,336	Later than one year and not later than five years	2,391
3,884	Later than five years	3,215
7,533		6,849

APPENDIX A - Prior Period Adjustments

Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the authority's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied. Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

Telling the Story changes in the 2016-17 CIPFA Code

The key change under introduced by CIPFA in the 2016/17 Code is to remove the link in the CIES to the standard SERCOP (Service Reporting Code of Practice) headings. Income and Expenditure is now reported on basis of the Council's organisational structure in line with financial reporting to Cabinet. Reporting on the basis of organisational structure, rather than reporting "total cost" under SERCOP headings, removes the need to apportion overheads. Support service functions (such as ICT, Finance, HR and Property) are now reported under the 'Resources' portfolio.

The figures for 2015/16 have been restated to follow the new format of reporting as follows:

2015/16 Net Expenditure As originally stated by SeRCOP Service line	2015/16 Net Expenditure As Restated by Cabinet Portfolio											
	Original	Re-allocation of Overheads	Net Expenditure Restated	Health & Wellbeing	Children's Services	Education & Skills	Community Engagement	Leader	Planning & Environment	Resources	Transportation	Corporate costs
Central Services to the Public	1,259	(582)	677	-	-	-	848	-	(355)	90	-	95
Culture and Related Services	8,167	(2,014)	6,153	-	-	-	5,916	-	241	(4)	-	-
Environment and Regulatory Services	21,919	(2,279)	19,640	-	-	-	3,228	61	16,350	-	-	-
Planning Services	3,172	(2,895)	277	-	-	-	-	478	136	-	(337)	-
Education and Children's Services	164,606	(19,272)	145,334	13	59,901	84,493	926	-	-	-	-	-
Highways and Transport Services	45,669	(8,256)	37,413	-	-	1,551	-	-	(17)	-	35,880	-
Housing Services	2,882	(1)	2,881	2,247	-	-	-	-	633	-	-	-
Adult Social Care	134,370	(6,353)	128,017	128,017	-	-	-	-	-	-	-	-
Public Health	1,863	(360)	1,503	1,503	-	-	-	-	-	-	-	-
Corporate and Democratic Core	4,532	(1,409)	3,123	-	-	-	-	2,512	-	256	-	354
Non-Distributed Costs	1,152	(2,619)	(1,467)	-	-	-	-	-	-	-	-	(1,467)
Re-allocation of Overheads	-	46,040	46,040	-	(40)	-	1,435	3,986	3,400	34,356	2,903	-
Cost of Services	389,591	-	389,591	131,780	59,862	86,044	12,352	7,038	20,388	34,698	38,446	(1,017)

2015/16 Gross Expenditure As Restated by Cabinet Portfolio

2015/16 Gross Expenditure As originally stated by SeRCOP Service line	Original	Re-allocation of Overheads	Gross Expenditure as Restated	Health & Wellbeing	Children's Services	Education & Skills	Community Engagement	Leader	Planning & Environment	Resources	Transportation	Corporate costs
Central Services to the Public	2,853	582	2,271	-	-	-	2,065	-	20	90	-	95
Culture and Related Services	9,796	2,014	7,783	-	-	-	6,708	-	1,076	(2)	-	-
Environment and Regulatory Services	23,932	2,279	21,653	-	-	-	3,624	100	17,929	-	-	-
Planning Services	6,442	2,895	3,547	-	-	-	-	2,122	600	-	825	-
Education and Children's Services	495,767	19,272	476,495	13	65,876	409,567	1,038	-	-	-	-	-
Highways and Transport Services	50,861	8,256	42,606	-	-	1,572	-	-	57	-	40,977	-
Housing Services	2,882	1	2,880	2,247	-	-	-	-	633	-	-	-
Adult Social Care	174,552	6,353	168,199	168,199	-	-	-	-	-	-	-	-
Public Health	21,191	360	20,831	20,831	-	-	-	-	-	-	-	-
Corporate and Democratic Core	4,812	1,409	3,403	-	-	-	-	2,533	-	256	-	614
Non-Distributed Costs	1,716	2,619	(902)	-	-	-	-	-	-	-	-	(902)
Re-allocation of Overheads		(55,286)	55,286	984	130	(2)	1,435	4,726	3,582	41,211	3,221	-
Gross Expenditure as Restated	794,806	(9,246)	804,052	192,274	66,006	411,137	14,870	9,480	23,899	41,555	45,023	(193)

2015/16 Gross Income As Restated by Cabinet Portfolio

2015/16 Gross Income As originally stated by SeRCOP Service line	Original	Re-allocation of Overheads	Gross Income as Restated	Health & Wellbeing	Children's Services	Education & Skills	Community Engagement	Leader	Planning & Environment	Resources	Transportation	Corporate costs
Central Services to the Public	(1,594)	-	(1,594)	-	-	-	(1,218)	-	(376)	-	-	-
Culture and Related Services	(1,629)	-	(1,629)	-	-	-	(792)	-	(835)	(2)	-	-
Environment and Regulatory Services	(2,013)	-	(2,013)	-	-	-	(396)	(38)	(1,579)	-	-	-
Planning Services	(3,270)	-	(3,270)	-	-	-	-	(1,644)	(465)	-	(1,161)	-
Education and Children's Services	(331,161)	-	(331,161)	-	(5,975)	(325,074)	(112)	-	-	-	-	-
Highways and Transport Services	(5,192)	-	(5,192)	-	-	(21)	-	-	(75)	-	(5,096)	-
Housing Services	-	-	-	-	-	-	-	-	-	-	-	-
Adult Social Care	(40,182)	-	(40,182)	(40,182)	-	-	-	-	-	-	-	-
Public Health	(19,328)	-	(19,328)	(19,328)	-	-	-	-	-	-	-	-
Corporate and Democratic Core	(281)	-	(281)	-	-	-	-	(21)	-	-	-	(260)
Non-Distributed Costs	(565)	-	(565)	-	-	-	-	-	-	-	-	(565)
Re-allocation of Overheads	-	9,246	(9,246)	(984)	(169)	2	-	(739)	(182)	(6,855)	(319)	-
Gross Income as Restated	(405,215)	9,246	(414,461)	(60,494)	(6,144)	(325,093)	(2,518)	(2,443)	(3,511)	(6,857)	(6,577)	(824)

There is no impact of this change on the Net Surplus or Deficit in the provision of Services.

Prior Period Error

The Council has discovered an error in the reporting of land held at Academy Schools under 125 year leases. Due to the nature of the lease the Council's valuers have advised that the land should be recorded at notional value only (of £1,000 for each school) as the freehold value of the land should be deferred for the unexpired residual term of the lease. The impact of this error is to reduce the value of Property, Plant & Equipment reported in the balance sheet in as at 31 March 2016 by £89.5m in respect of 28 Schools. Two Schools transferred to Academy status during 2015/16 for which the reduction in land value to notional value is £3.854m. The reduction in the balance sheet as at 31 March 2015 is calculated as £85.685m in respect of the remaining 26 Schools.

In order to correct this error, the Council has restated the prior year balance sheet, prepared a third balance sheet and restated the Notes to the Accounts as follows:

Impact on the Balance Sheet	At 31 March 2015			At 31 March 2016		
	Original	Restated	Adjustment	Original	Restated	Adjustment
	£000	£000	£000	£000	£000	£000
Property, Plant & Equipment [note 14]	1,151,376	1,065,691	(85,685)	1,191,989	1,102,450	(89,539)
Net Assets / Total Reserves	450,288	364,603	(85,685)	521,202	431,663	(89,539)
Unusable Reserves [note 25]	(266,368)	(180,683)	85,685	(384,546)	(295,007)	89,539
Total Reserves	(450,288)	(364,603)	85,685	(521,202)	(431,663)	89,539

Impact on the CIES and MiRS	2015/16		
	Original	Restated	Adjustment
	£000	£000	£000
Other Operating Expenditure [note 4]	8,819	12,673	3,854
(Surplus) or Deficit on Provision of Services	17,404	21,258	3,854
Adjustments between accounting basis & funding basis under [note 2]	(19,120)	(22,974)	(3,854)

There is no impact of this error on the General Fund balance.

Buckinghamshire County Council Pension Fund

Draft Statement of Accounts For the year ended 31st March 2017

Description of the Fund

Buckinghamshire County Council Pension Fund (the Fund) is part of the Local Government Pension Scheme (LGPS) 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. The scheme is 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 2017. 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/>

In 2015 the government announced that they wanted the 91 Local Government Pension Scheme funds to pool their investments into larger pools in order to achieve savings in investment management costs. In response to the government agenda, Project Brunel was set up to explore the options for pooling investment assets across ten Funds. The founding Funds include The Environment Agency Pension Fund, and the Local Government Funds of Avon, Buckinghamshire, Cornwall, Devon, Dorset, Gloucestershire, Oxfordshire, Somerset and Wiltshire. The collective assets of the pool are approximately £23 billion.

The objective of pooling the assets is to achieve savings over the longer term from both lower investment management costs and more effective management of the investment assets. The pool will look to deliver the savings based upon the collective buying power the collaboration initiative will produce. Local accountability will be maintained as each individual fund will remain responsible for strategic decisions including asset allocation. The pooling of assets will only affect the implementation of the investment strategy in terms of manager appointments. The transition of assets is expected to begin April 2018 through to 2020 for the majority of the assets, although illiquid alternative assets such as private equity may need a longer transition timetable. More information and updates about the project can be found on the Project Brunel website at: www.brunelpensionpartnership.org

Membership of the Fund

The following summarises the membership of the Fund:

31 March 2016	Membership of the Fund	31 March 2017
24,552	Contributors	22,754
16,728	Pensioners	17,566
24,362	Deferred pensioners	26,699
65,642	Total Membership of the Fund	67,019

Investment Strategy Statement

The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 require administering authorities to formulate and to publish a statement of its investment strategy, in accordance with guidance issued from time to time by the Secretary of State. The Investment Strategy Statement can be viewed on the Council's website.

<https://democracy.bucksc.gov.uk/documents/b27818/Supplement%20Item%205%20-%20Investment%20Strategy%20Statement%20and%20Item%209%20Currency%20Hedging%2022nd-Mar-2017%2010.00%20.pdf?T=9>

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.bucksc.gov.uk/services/council-and-democracy/local-government-pension-scheme/investment/pension-fund-annual-reports/>

Pension Fund Accounts

Pension Fund Account for the Year Ended 31 March 2017

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 2016 £000	Pension Fund Account	Note	31 March 2017 £000
	Dealings with Members, Employers and Others directly Involved in the Fund		
	Income		
(114,867)	Contributions	3	(120,799)
(5,822)	Transfers in from other pension funds	4	(14,985)
(118)	Other income		(78)
(120,807)			(135,862)
	Benefits	5	
78,605	Pensions		81,960
22,302	Commutation of pensions and lump sums		24,368
	Payments to and on Account of Leavers	6	
345	Refunds of contributions		1,172
3,033	Transfers out to other pension funds		12,658
104,285			120,158
(16,522)	Net Additions from Dealings with Members		(15,704)
15,807	Management expenses	7	17,194
	Returns on Investments		
(43,057)	Investment income	8	(46,777)
27,018	Profits and losses on disposal of investments and changes in the market value of investments	9	(429,377)
1,259	Taxes on income	16	333
(14,780)	Net Returns on Investments		(475,821)
(15,495)	Net (Increase)/Decrease in the Net Assets Available for Benefits During the Year		(474,331)

Net Assets Statement

31 March 2016 £000	Net Assets Statement	Note	31 March 2017 £000
	Investments		
	Fixed interest securities		
32,425	▪ Public sector		29,269
187,358	▪ Other		234,902
647,352	Equities - quoted		852,632
88,460	Index-linked securities		74,834
995,693	Pooled investment vehicles		1,204,325
186,330	Unit trusts - property		183,581
69,072	Cash deposits		87,736
(298)	Derivative contracts		385
7,157	Dividend income receivable		7,848
2,213,549	Net Investments	11	2,675,512
-	- Borrowings - sterling		-
12,468	Current assets	15	24,372
(4,764)	Current liabilities	15	(4,300)
2,221,253	Net Assets of the Fund Available to Fund Benefits at 31 March		2,695,584

1. Basis of Preparation

The accounts summarise the fund's transactions for the 2016/17 financial year and its position at year end as at 31 March 2017. 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 and group transfers to and from the Fund are accounted for on an

Pension Fund Accounts

accruals basis unless negotiations it is too early in the negotiations for an estimate of the value to be available. 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 2016, the past service funding level of the Fund as a whole increased from 82% to 87% between 31 March 2013 and 31 March 2016. The next valuation will take place as at 31 March 2019. The methodology used is in line with accepted guidelines and in accordance with IAS19.

Pension Fund Accounts

Events After The Reporting Date

Since 31 March 2017, 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 2017, 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 2017 have been included in these accounts.

2015/16	Contributions	2016/17
£000		£000
	Employers	
(25,997)	Administering authority	(26,450)
(49,236)	Scheduled bodies	(58,628)
(11,026)	Admitted bodies	(7,276)
	Employers' Augmentation Costs	
-	Administering authority	-
(400)	Scheduled bodies	-
-	Admitted bodies	-
	Members	
(7,199)	Administering authority	(7,549)
(18,098)	Scheduled bodies	(19,576)
(2,911)	Admitted bodies	(1,320)
(114,867)	Total Contributions	(120,799)

4. Transfer Values

2015/16	Transfers in from other pension funds	2016/17
£000		£000
-	Group transfers	(6,061)
(5,822)	Individual transfers	(8,924)
(5,822)	Total Transfers in from other pension funds	(14,985)

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 2017 there were 5 outstanding transfer values receivable greater than £50k, for which £785k had not been received. (no outstanding transfer values receivable on 31 March 2016).

On 31 March 2017 there were 7 group transfers to the Fund being negotiated with other Funds (3 on the 31 March 2016), the value of the transfers to the Fund is being negotiated between the Funds' actuaries. The income due to the Fund for 5 of the 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.

2015/16	Benefits	2016/17
£000		£000
	Pensions	
30,610	Administering authority	31,350
42,010	Scheduled bodies	44,077
5,985	Admitted bodies	6,533
20,411	Commutations of pensions and lump sum retirement benefits	21,515
1,891	Lump sum death benefits	2,853
100,907	Total Benefits	106,328

6. Payments to and on Account of Leavers

2015/16	Payments to and on Account of Leavers	2016/17
£000		£000
236	Refunds to members leaving service	671
109	Payments for members joining the state scheme	501
267	Group transfers to other pension funds	1,615
2,766	Individual transfers to other pension funds	11,043
3,378	Total Payments to and on Account of Leavers	13,830

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 2017 there were no outstanding individual transfer values payable greater than £50k. 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 2017 there were 3 group transfers from the Fund being negotiated with other Funds (2 on the 31 March 2016); 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.

7. Management Expenses

2015/16	Management Expenses	2016/17
£000		£000
1,382	Administrative costs	1,779
13,900	Investment management expenses	14,808
500	Oversight and governance costs	583
25	External Audit Fee	24
15,807	Total Management Expenses	17,194

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.

Pension Fund Accounts

The investment management expenses include £1.562m (£2.038m in the 2015/16 financial year) in respect of performance related fees payable to the fund's investment managers. It also includes £1.566m in respect of transaction costs (£1.601m in the 2015/16 financial year).

8. Investment Income

2015/16	Investment Income	2016/17
£000		£000
(10,349)	Interest from fixed interest securities	(10,897)
(20,305)	Dividends from equities	(22,970)
(692)	Income from index-linked securities	(498)
(32)	Interest on cash deposits	18
(6,564)	Income from property unit trusts	(7,858)
(5,115)	Other	(4,572)
(43,057)	Total Investment Income	(46,777)

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 2016	Reclassification of Assets	Purchases at Cost	Sales Proceeds	Realised Profit / (Loss)	Unrealised Profit / (Loss)	Value at 31 March 2017
	£000	£000	£000	£000	£000	£000	£000
Fixed interest securities	219,783	-	101,284	(70,353)	3,497	9,960	264,171
Equities - quoted	647,353	-	576,778	(561,042)	82,313	107,230	852,632
Index-linked securities	88,460	-	401,210	(427,762)	10,690	2,236	74,834
Pooled investment vehicles	995,692	-	45,266	(50,431)	8,044	205,754	1,204,325
Unit Trusts - property funds	186,330	-	25,654	(27,096)	(6,378)	5,071	183,581
Derivative contracts	(298)	-	3,525	(1,549)	(1,976)	683	385
Cash deposits	69,072	-	-	16,411	-	2,253	87,736
	2,206,392	-	1,153,717	(1,121,822)	96,190	333,187	2,667,664
Investment income due	7,157						7,848
	2,213,549						2,675,512

Pension Fund Accounts

Investments (All values are shown £000)	Value at 31 March 2015 £000	Reclass- ification of Assets £000	Purchase s 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

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 2017 assets which exceed 5% of the total value of the net assets of the Fund are a £166.2m, 6.2%, investment in Legal & General's All Stocks Index-Linked Gilt Fund (£138.7m as at 31 March 2016) and a £172.6m, 6.4%, investment in Legal & General's Europe (ex UK) Equity Index Fund (£134.9m as at 31 March 2016).

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 2017 was £2,670m (£2,168m at 31 March 2016). 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 2016	Proportion of Fund 31 March 2017
Aviva Investors	Property	Percentage of fund	9%	7%
BlackRock	Cash / inflation plus	Percentage of fund	4%	5%
Blackstone Alternative Asset Management	Hedge fund of funds	Percentage of fund	4%	5%
Global Thematic Partners	Less constrained global equities	Performance related fee	6%	7%
Investec Asset Management	Less constrained global equities	Performance related fee	8%	8%
Legal & General Investment Management	Passive index-tracker	Percentage of fund	27%	28%
Mirabaud Investment Management Limited	UK equities	Performance related fee	5%	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%	14%
Schroders	Less constrained UK equities	Performance related fee	7%	8%
Standard Life Investments	Less constrained UK equities	Performance related fee	5%	5%

11. Analysis of the Value of Investments

31 March 2016 £000	Analysis of the Value of Investments	31 March 2017 £000
	Fixed Interest Securities	
30,092	UK public sector	27,906
2,333	Overseas public sector	1,363
187,358	UK other	234,902
-	Overseas other	-
219,783	Total Fixed Interest Securities	264,171
	Equities	
201,877	UK quoted	251,374
445,475	Overseas quoted	601,258
647,352	Total Equities	852,632
	Other	
88,460	Index-linked securities public sector	74,834
-	Index-linked securities other	-
995,693	Pooled Investment vehicles	1,204,325
186,330	Unit Trusts - property funds	183,581
(298)	Derivatives	385
69,072	Cash deposits – sterling and foreign cash	87,736
7,157	Cash deposits - sterling and foreign cash	7,848
1,346,414	Total Other	1,558,709
2,213,549	Total Value of Investments	2,675,512

Pension Fund Accounts

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 2016			31 March 2017		
Fair value through profit and loss £000	Loans And Receivables £000	Financial Liabilities At amortised cost £000	Fair value through profit and loss £000	Loans And Receivables £000	Financial Liabilities At amortised cost £000
Financial Assets					
219,783	-	-	Fixed interest securities	264,171	-
647,352	-	-	Equities - quoted	852,632	-
88,460	-	-	Index-linked securities	74,834	-
995,693	-	-	Pooled investment vehicles	1,204,325	-
186,330	-	-	Property – unit trusts	183,581	-
-	-	-	Derivatives	385	-
7,157	-	-	Dividend income receivable	7,848	-
-	69,072	-	Cash deposits	-	87,736
-	4,158	-	Current assets	-	14,925
2,144,775	73,230	-		2,587,776	102,661
Financial Liabilities					
(298)	-	-	Derivatives	-	-
-	-	-	Borrowings	-	-
-	-	(3,952)	Current liabilities	-	(3,471)
-	-	(3,952)		-	(3,471)
2,144,477	73,230	(3,952)	Total	2,587,776	102,661

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

31 March 2016 £000		31 March 2017 £000
Financial Assets		
13,525	Fair value through profit and loss	475,729
1,255	Loans and receivables	91
-	Financial liabilities measured at amortised cost	-
Financial Liabilities		
-	Fair value through profit and loss	-
381	Loans and receivables	381
-	Financial liabilities measured at amortised cost	-
15,161	Total	476,302

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 2017	Quoted	Using	With	Total
	Market Price	Observable Inputs	Significant Unobservable Outputs	
	Level 1 £000	Level 2 £000	Level 3 £000	£000
Fixed interest securities	-	264,171	-	264,171
UK equities - quoted	251,374	-	-	251,374
Overseas equities - quoted	601,258	-	-	601,258
Index-linked securities	-	74,834	-	74,834
Pooled investment vehicles	772,344	-	431,981	1,204,325
Property – unit trusts	-	183,581	-	183,581
Derivatives	-	385	-	385
Dividend income receivable	-	7,848	-	7,848
Cash deposits	-	87,736	-	87,736
Borrowings	-	-	-	-
Current assets	-	24,372	-	24,372
Current liabilities	-	(4,300)	-	(4,300)
Total	1,624,976	638,627	431,981	2,695,584

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Value at 31 March 2016	Quoted	Using	With	Total
	Market Price	Observable Inputs	Significant Unobservable Outputs	
	Level 1	Level 2	Level 3	
	£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

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 Accounts

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 by Mercer in March 2017, showed that the overall risk factor (standard deviation) for the Fund is 13.4%. The next review is due in early 2020 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, applying a 13.4% movement in market price risk which is reasonably possible for the 2016/17 reporting period, 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 2017 £000	Percentage Change %	Value on increase £000	Value on decrease £000
Fixed interest securities	264,171	13.4	299,570	228,772
UK equities – quoted	251,374	13.4	285,058	217,690
Overseas equities – quoted	601,258	13.4	681,827	520,689
Index-linked securities	74,834	13.4	84,862	64,806
Pooled investment vehicles	738,264	13.4	837,192	639,337
Property - unit trusts	183,581	13.4	208,181	158,981
Alternatives	466,061	13.4	528,513	403,609
Derivative contracts	385	13.4	437	333
Cash deposits	87,736	13.4	99,493	75,979

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Investment income due	7,848	13.4	8,900	6,796
Total	2,675,512		3,034,033	2,316,992

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 2015/16 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 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

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 value. This analysis assumes that all other variables, in particular foreign currency exchange rates, remain constant.

Asset Type	Value £000	Change for the year in net assets available to pay benefits	
		1% £000	-1% £000
As at 31 March 2017			
Cash deposits	87,736	-	-
Cash balances (not forming part of the investment assets)	4,176	-	-
Fixed interest securities	264,171	2,642	(2,642)
Total	356,083	2,642	(2,642)

Asset Type	Value £000	Change for the year in net assets available to pay benefits	
		1% £000	-1% £000
As at 31 March 2016			
Cash deposits	69,072	-	-
Cash balances (not forming part of the investment assets)	2,732	-	-

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Fixed interest securities	219,783	2,198	(2,198)
Total	291,587	2,198	(2,198)

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 2017	£000	£000	£000
Cash deposits / cash and cash equivalents	148	15	(15)
Fixed interest securities	10,897	-	-
Total	11,045	15	(15)

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)

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 9.67% movement in exchange rates in either direction for 31 March 2017. This analysis assumes that all variables, in particular interest rates, remain constant. Based on the composition of the Fund's currency exposure a 9.67% fluctuation in the currency is considered reasonable. A 9.67% weakening or strengthening of Sterling against the various currencies at 31 March 2017 would have increased or decreased the net assets by the amount shown below.

Currency Exposure by Asset Type	31 March 2017	Value on	Value on
		increase	decrease
	£000	£000	£000
		+9.67%	-9.67%
Fixed interest securities	-	-	-
Equities – quoted	563,439	617,924	508,954
Index-linked securities	7,669	8,411	6,927
Pooled investment vehicles	207,311	227,358	187,264

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Property - unit trusts	4,142	4,543	3,741
Cash deposits	1,746	1,915	1,577
Total	784,307	860,151	708,463

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 is considered reasonable. A 6.39% weakening or strengthening of Sterling against the various currencies at 31 March 2016 would have increased or decreased the net assets by the amount shown in the following table.

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

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, using data on currency risk of 9.41% for the US Dollar and 9.18% for the EURO. Weakening or strengthening of Sterling against US Dollars and EUROS at 31 March 2017 would have increased or decreased the net assets by the amounts shown in the following table.

Asset Type	31 March 2017	Percentage Change	Value on increase	Value on decrease
	£000	%	£000	£000
US Dollars	466,964	9.41	510,905	423,023
EUROS	157,924	9.18	172,421	143,427
Total	624,888		683,326	566,450

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. Weakening or strengthening 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

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, 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 2017 was £4.535m in an instant access Lloyds account. (On 31 March 2016 £2.709m was invested in an instant access Lloyds account.) Cash held by investment managers is invested with the global custodian, BNY Mellon, in a diversified money market fund rated AAAM.

Liquidity Risk

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

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

31 March 2016		31 March 2017	
£000		£000	
188,298	Aviva	193,323	
88,852	Blackstone	128,372	
145,916	Pantheon Private Equity	165,106	
44,650	Partners Group	42,206	
522	Hg Capital	581	
468,238		529,588	

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 £1.9m (£1.5m in the 2015/16 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 £34.0m to the Fund in 2016/17 (£33.2m in the 2015/16 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 2017, the Fund had an average investment balance of £4.7m (£7.4m in the 2015/16 year), earning interest of £27k (£43k in the 2015/16 year).

There are no members (31 March 2016 no members) of the Pension Fund Committee who are active members of the Fund, no pensioner members (31 March 2016 one pensioner member) and no deferred members (31 March 2016 no deferred members). There is one employee, the Director of Assurance (s151 Officer), who holds a key position in the financial management of the Fund who is an active member. Disclosure of his pay costs can be found within the officer remuneration note in the main Buckinghamshire County Council accounts.

15. Current Assets and Liabilities

31 March 2016 £000	Current Assets and Liabilities	31 March 2017 £000
	Current Assets	
8,310	Contributions due from employers 31 March	9,447
2,732	Cash balances (not forming part of the investment assets)	4,176
1,426	Other current assets	10,749
12,468	Total Current Assets	24,372
	Current Liabilities	
(1,009)	Management charges	(937)
(812)	HM Revenue and Customs	(829)
(1,261)	Unpaid benefits	(519)
(1,682)	Other current liabilities	(2,015)
(4,764)	Total Current Liabilities	(4,300)
7,704	Net Current Assets	20,072

31 March 2016 £000	Current Assets and Liabilities	31 March 2017 £000
	Current Assets	
2,444	Central government bodies	2,720
4,954	Other local authorities	12,296
5	NHS bodies	3
2,842	Public corporations and trading funds	4,300
2,223	All other bodies	5,053
12,468	Total Current Assets	24,372
	Current Liabilities	
(814)	Central government bodies	(828)
(14)	Other local authorities	(1,615)
-	NHS bodies	-
(2,459)	Public corporations and trading funds	(944)
(1,477)	All other bodies	(913)
(4,764)	Total Current Liabilities	(4,300)
7,704	Net Current Assets	20,072

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16. Taxes on Income

2015/16 £000	Taxes on Income	2016/17 £000
-	Withholding tax - fixed interest securities	-
1,259	Withholding tax - equities	333
1,259	Total Taxes on Income	333

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 Regulation 62 of the Local Government Pension Scheme Regulations 2013 (as amended), the Fund's actuary, Barnett Waddingham LLP, undertakes a funding valuation every three years to review the financial position of the Fund and to set appropriate contribution rates for each employer in the Fund for the forthcoming triennial period. The last such valuation took place as at 31 March 2016. The next valuation will take place as at 31 March 2019.

On 31 March 2016, the market value of the assets held were £2,221.253m, sufficient to cover 87% of the accrued liabilities assessed on an ongoing basis. All employers are projected to be fully funded after an average recovery period of 16 years. The primary rate of contribution is the employers' share of the cost of benefits accruing in each of the three years beginning 1 April 2017 and is 15.1% of payroll. In addition each employer pays a secondary contribution rate based on their particular circumstances, the secondary contribution rate across the whole Fund averages 6.2% in 2017/18, 6.3% in 2018/19 and 6.4% in 2019/20.

The results of the valuation are that the past service funding level of the Fund as a whole has increased from 82% to 87% between 31 March 2013 and 31 March 2016. The improvement of the funding position since the previous valuation is mainly due to good investment returns and employer contributions.

The main assumptions used in the valuation were:

Future assumed returns

- Investment return - gilts 2.4% per annum
- Investment return - other bonds 3.3% per annum
- Investment return - cash / temporary investments 1.8% per annum
- Investment return - equities 7.4% per annum
- Investment return - property 5.9% per annum
- Investment return - absolute return fund (LIBOR+) 5.8% per annum
- Investment return - expense allowance -0.2% per annum

Financial assumptions

- Discount rate 5.4% per annum
- Pension increases 2.4% per annum
- Short term pay increases in line with CPI from 31 March 2016 to 31 March 2020
- Long term pay increases 3.9% per annum

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 2016. On an IAS 19 basis the Actuary estimates that the net liability as at 31 March 2017 is £1,858m (31 March 2016 £1,440m), 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 2016		31 March 2017
£000		£000
3,653,503	Present value of funded obligation	4,503,310
(2,213,549)	Fair value of scheme assets	(2,645,301)
1,439,954	Net Liability	1,858,009

The Present Value of Funded Obligation consists of £4,351m (£3,508m at 31 March 2016) in respect of Vested Obligation and £152m (£145m at 31 March 2016) 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 2016		31 March 2017
3.3%	RPI increases	3.6%
2.4%	CPI increases	2.7%
4.2%	Salary increases	4.2%
2.4%	Pension increases	2.7%
3.7%	Discount rate	2.8%

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 20 years. The discount rate is the annualised yield at the 20 year point on the Merrill Lynch AA-rated corporate bond yield curve which has been chosen to meet the requirements of IAS19 and with

Pension Fund Accounts

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 20 year point on the Bank of England market implied inflation curve. The RPI assumption is therefore 3.6% 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. 2.7%.

Salaries are then assumed to increase at 1.5% 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 2017 are:

Contractual Commitments	Amount Paid as at 31 March 2016 \$000	Amount Paid as at 31 March 2017 \$000	Total Contractual Commitment \$000
Pantheon Asia Fund V LP	22,688	22,938	25,000
Pantheon Asia Fund VI LP	25,521	29,704	47,000
Pantheon USA Fund VII Limited	19,274	19,635	21,250
Pantheon USA Fund VIII Feeder LP	61,200	65,325	75,000
Pantheon Global Secondary Fund IV Feeder LP	9,975	9,975	15,000
Partners Group Global Resources 2009, LP	27,527	27,751	35,000
	166,185	175,328	218,250
	€000	€000	€000
Pantheon Europe Fund V "A" LP	16,548	16,548	18,125
Pantheon Europe Fund VI LP	53,560	57,980	65,000
Partners Group Global Real Estate 2008 SICAR	22,989	22,996	25,000
Partners Group Global Infrastructure 2009 SICAR	21,520	21,842	25,000
	114,617	119,366	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 2017 is the same as the total contractual commitment at 31 March 2016.

On 31 March 2017 there were 7 group transfers to the Fund being negotiated with other Funds (3 on the 31 March 2016), the value of the transfers to the Fund is being negotiated between the Funds' actuaries. The income due to the Fund for 5 of the 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 2017 there were 3 group transfers from the Fund being negotiated with other Funds (2 on the 31 March 2016), 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.

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).

2015/16	Prudential	2016/17
£000		£000
5,441	Value of AVC fund at beginning of year	4,085
(1,299)	Correction opening value	-
634	Employees' contributions and transfers in	650
151	Investment income	150
(842)	Benefits paid and transfers out	(850)
4,085	Value of AVC fund at year end	4,035

1.11.2014 -	Clerical Medical	1.11.2015 -
31.10.2015		31.10.2016
£000		£000
3,788	Value of AVC fund at beginning of year	3,581
149	Employees' contributions	142
235	Investment income	318
(591)	Benefits paid and transfers out	(807)
3,581	Value of AVC fund at year end	3,233

21. List of Scheduled and Admitted Bodies

Scheduled Bodies

Buckinghamshire County Council	Shenley Brook End and Tattenhoe Parish Council
Buckinghamshire Fire and Rescue Service	Shenley Church End Parish Council
Thames Valley Police	Stantonbury Parish Council
Aylesbury Vale District Council	Stony Stratford Town Council
Chiltern District Council	Taplow Parish Council
Milton Keynes Council	Waddesdon Parish Council
South Bucks District Council	Wendover Parish Council
Wycombe District Council	West Bletchley Town Council
	Weston Turville Parish Council
Amersham Town Council	West Wycombe Parish Council
Aston Clinton Parish Council	Winslow Town Council
Aylesbury Town Council	Woburn Sands Town Council
Bletchley & Fenny Stratford Town Council	Wolverton & Greenleys Town Council
Broughton & Milton Keynes Parish Council	Wooburn & Bourne End Parish Council
Buckingham Town Council	Woughton Community Council
Burnham Parish Council	
Campbell Park Parish Council	Alfriston School
Chalfont St Giles Parish Council	Amersham School
Chalfont St Peter Parish Council	Amersham & Wycombe College
Chepping Wycombe Parish Council	Aylesbury College
Chesham Bois Parish Council	Aylesbury Grammar School
Chesham Town Council	Aylesbury High School
Chiltern Crematorium	Aylesbury Vale Academy
Chilterns Conservation Board	Beaconsfield High School
Coldharbour Parish Council	Beechview Academy
Gerrards Cross Parish Council	Bedgrove Infant School
Great Missenden Parish Council	Bedgrove Junior School
Hambleden Parish Council	Bourne End Academy
Hazlemere Parish Council	Bourton Meadow Academy
Iver Parish Council	Bridge Academy
Ivinghoe Parish Council	Brill CofE Combined School
Kents Hill and Monkston Parish Council	Brookmead School
Lacey Green Parish Council	Brookward School
Lane End Parish Council	Brushwood Middle School
Little Marlow Parish Council	Buckinghamshire New University
Longwick-cum-Ilmer Parish Council	Buckinghamshire University Technical College
Marlow Town Council	Burnham Grammar School
New Bradwell Parish Council	Bushfield School
Newport Pagnell Town Council	Castlefield School
Newton Longville Parish Council	Chalfonts Community College
Olney Town Council	Chalfont St Peter CE Academy
Penn Parish Council	Chalfont Valley E-Act Academy
Piddington & Wheeler End Parish Council	Charles Warren Academy
Princes Risborough Town Council	Chepping View Primary Academy

Chesham Grammar School	Ousedale School
Chestnuts Academy	Overstone Combined School
Chiltern Hills Academy	Oxley Park Academy
Chiltern Way Academy	PCC for Thames Valley
Cottesloe School	Portfields Combined School
Danesfield School	Princes Risborough Primary School
Denbigh School	Princes Risborough School
Denham Green E-Act Academy	Rickley Park Primary School
Dr Challoner's Grammar School	Royal Grammar School
Dr Challoner's High School	Royal Latin School
E-Act Burnham Park Academy	St Nicolas' CE Combined School Taplow
George Grenville Academy	St Paul's RC School
Germader Park School	Seer Green CofE School
Gerrards Cross C E School	Shenley Brook End School
Glastonbury Thorn First School	Shepherdswell School
Great Marlow School	Sir Henry Floyd Grammar School
Great Missenden CoE Combined School	Sir Herbert Leon Academy
Green Park School	Sir Thomas Fremantle Academy
Hamilton Academy	Sir William Borlase's Grammar School
Hazeley Academy	Sir William Ramsay School
Heronsgate School	Southwood Middle School
Highcrest Academy	Stanton School
Holmer Green Senior School	Stantonbury Campus
Ickford School	Stephenson Academy
Ivingswood Academy	The Beaconsfield School
John Colet School	The Premier Academy
John Hampden Grammar School	The Radcliffe School
Kents Hill School	Two Mile Ash School
Khalsa Secondary Academy	Waddesdon C E School
Lace Hill Academy	Walton High
Lent Rise Combined School	Water Hall Primary School
Lord Grey School	Wycombe High School
Loudwater Combined School	Wyvern School
Loughton School	
Middleton Primary	Election Fees:
Milton Keynes Academy	Aylesbury Vale Local
Milton Keynes College	Aylesbury Vale Parliamentary
Milton Keynes Development Partnership	Chiltern Local
NET Academies Trust	Chiltern Parliamentary
New Bradwell Combined School	Milton Keynes Local
New Chapter Primary School	Milton Keynes Parliamentary
Oakgrove School	Wycombe Local
Olney Infant School	Wycombe Parliamentary
Olney Middle Academy	South Bucks Local
Orchard Academy	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
Archgate Cleaning
Ashridge Security Management
Aspens Services
Beacon Housing Association
Birkin Cleaning (John Colet)
Birkin Cleaning (Oakgrove School)
Bucks County Museum Trust
Bucks Learning Trust
C-SALT (Woughton Leisure Centre)
Capita (WDC)
Chiltern Rangers CIC
Cleantec Services Limited
Connection FS (BCC)
Connexions Buckinghamshire
Cucina Restaurants Ltd
Enterprise Support Services UK
Excelcare
Fremantle Trust
Frosts (MKC)
Hayward Services
Heritage Care
Hertsmere Leisure Trust
Hightown Housing Association Ltd
Innovate Ltd
Kids Play Ltd
Mears Group plc
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
Ringway Jacobs
SCS Wothorpe Ltd

Serco (MKC)
Serco MKC Recreation & Maintenance
Servest Group Limited
Sports Leisure Management
Spurgeons
Stantonbury Arts & Leisure
The Fremantle Trust
Vale of Aylesbury Housing Trust
Wolverton & Watling Way Pools Trust
Wycombe Heritage and Arts Trust

Regulatory and Audit Committee

Title: Business Assurance Team Update (Including Quarter 1 Internal Audit Plan)
Date: Wednesday 24 May 2017
Author: Maggie Gibb, Head of Business Assurance (& 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

- The Business Assurance Team is in the process of completing the approved 16/17 Internal Audit Plan, and all outputs will be reported to the Regulatory and Audit Committee as part of the Chief Auditor's Annual Audit Opinion.
- The progress of delivery of the Internal Audit activity has been monitored through the Audit Board on a bi-monthly basis. The Board has approved all changes to the plan during the year, including the addition of new audits to react to the changing risk profile within the organisation.
- Audit investigations are reported to the Statutory Officers Group, and a summary of on-going investigations will be presented to the next Regulatory and Audit meeting.
- The Business Assurance Team is working in line with the Public Sector Internal Audit Standards (PSIAS), and a statement regarding our level of compliance with the standards will be included in the Chief Auditor's Annual Audit Opinion.
- The 2017/18 Business Assurance Strategy, including the Internal Audit Plan, is in development and will be presented to Regulatory and Audit Committee for approval on 14 June 2017.
- We have already commenced the Q1 Internal Audit activity, which mainly consists of work carried forward from the 2016/17 plan, as agreed with the Audit Board. The proposed Q1 Internal Audit activity is as follows:

BU	Audit	Outline scope
HQ/ALL	Medium Term Financial Plan/Business Cases	Governance Arrangements; Business cases (including savings/growth targets); Delivery and management of MTFP
HQ	Complaints Process	Policies and procedures; recording and reporting of complaints; escalation; BU compliance.
CSC&L	Commissioning Placements	Follow Up Audit (Limited Assurance 15/16)
HQ/ALL	Corporate Governance	Based on Operating Framework compliance
HQ/BSP	K2 Application	IT audit to review application controls, access and interfaces.
TEE	Waste Management	Recycling credits; Trade waste
TEE	Client Transport	Commissioning/procurement; Demand management; Safeguarding
ALL	Follow Up Audits (Limited Assurance reports)	Elmhurst School; Hannah Ball School; Mandeville School

- The Internal Audit plan has to remain flexible to enable us to resource unplanned/urgent audits and investigations. Changes to the plan will be agreed by the Audit Board before being presented to the Regulatory and Audit Committee.

Recommendation

Members are requested to **approve** the Q1 Internal Audit Plan.

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

Resource implications

Managed within Business Assurance 17/18 budget, delivered through the in-house team and outsourced arrangement with Mazars.

Legal implications

None

Other implications/issues

None

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

Not relevant

Local Members must be given advance notification of a forthcoming decision that affects their local division. In addition, they must be consulted on the detail of the decision in question.]

Background Papers

Regulatory and Audit Committee

Title: Risk Management Group Update

Date: Wednesday 24 May 2017

Author: Maggie Gibb, Head of Business Assurance (& 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

The Risk Management Group (RMG) met on 5 April 2017, and was attended by:

- Mr D Martin (Chairman);
- Mr T Butcher;
- Mrs A Davies;
- Mr R Scott; and
- Mr W Chapple OBE

The RMG were presented with the risk registers for Head Quarters (HQ) and Communities, Health and Adult Social Care (CHASC). Risks with a score of 20 or above (high) were reviewed in detail to ensure that appropriate mitigating actions were in place.

The RMG received a detailed update from the Interim Director of Direct Care and Support relating to the Bucks Care Transfer Management Group. Members questioned the information provided to establish whether there was an appropriate level of assurance in place. Members were satisfied with the progress of the transfer and felt assured that it was being managed appropriately.

Officers from TEE attended the meeting to provide an update on the Energy from Waste (EfW) contract. At a previous RMG a summary of the benefits (financial and non-financial) income and risk had been requested. Members were presented with the information they had requested and were assured by the level of knowledge and detail demonstrated by the officers relating to this contract.

Recommendation

Members should **note** this report

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

Resource implications

None

Legal implications

None

Other implications/issues

None

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

Not relevant

Local Members must be given advance notification of a forthcoming decision that affects their local division. In addition, they must be consulted on the detail of the decision in question.]

Background Papers

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

