# Agenda

## *REGULATORY AND AUDIT COMMITTEE*

**Date:** Thursday 31 May 2018

**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**<br>To disclose any Personal or Disclosable Pecuniary Interests | | |
| 5 | **MINUTES**<br>Minutes of the meeting held on 31 January 2018 to be confirmed as a correct record | | **5 - 12** |

| | | | |
|---|---|---|---|
| 6 | **DRAFT STATEMENT OF ACCOUNTS**<br>Draft Statement of Accounts for Buckinghamshire County Council and Pension Fund for the year ended 31 March 2018. | **09:05** | **13 - 100** |
| 7 | **TREASURY MANAGEMENT ANNUAL REPORT 2017/18** | **09:35** | **101 - 114** |
| 8 | **GRANT THORNTON AUDIT PLAN** | **10:05** | **115 - 130** |
| 9 | **GRANT THORNTON PENSION FUND AUDIT PLAN** | **10.20** | **131 - 146** |
| 10 | **FORWARD PLAN** | **10:35** | **147 - 148** |
| 11 | **EXCLUSION OF THE PRESS AND PUBLIC**<br>**To resolve to exclude the press and public as the following item is exempt by virtue of Paragraph 3 of Part 1 of Schedule 12a of the Local Government Act 1972 because it contains information relating to the financial or business affairs of any particular person (including the authority holding that information)** | **10:40** | |
| 12 | **CONFIDENTIAL MINUTES**<br>Confidential minutes of the meeting held on 31 January 2018 to be confirmed as a correct record | | **149 - 150** |
| 13 | **DATE AND TIME OF NEXT MEETING**<br>25 July 2018, Mezz 1 | **10:45** | |

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*For further information please contact: Leone Dale on 01296 383042, email: ldale@buckscc.gov.uk*

**Members**

| | |
|---|---|
| Mr R Bagge | Mr M Farrow |
| Mrs P Birchley | Mr D Martin (C) |
| Mr T Butcher (VC) | Mr P Martin |
| Mr D Dhillon | Mr D Watson |

**Buckinghamshire County Council**
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# Minutes *REGULATORY AND AUDIT COMMITTEE*

**MINUTES OF THE MEETING OF THE REGULATORY AND AUDIT COMMITTEE HELD ON WEDNESDAY 31 JANUARY 2018 IN MEZZANINE ROOM 1, COUNTY HALL, AYLESBURY, COMMENCING AT 9.00 AM AND CONCLUDING AT 10.40 AM.**

**MEMBERS PRESENT**

Mr R Bagge
Mr T Butcher (Vice-Chairman)
Mr D Dhillon
Ms N Glover
Mr D Martin (Chairman)
Mr P Martin
Mr D Watson

**OTHERS IN ATTENDANCE**

Ms R Bennett, Committee Assistant
Ms L Forsythe, Deputy Monitoring Officer and Corporate Governance Lawyer
Ms M Gibb, Head of Business Assurance
Mr R Schmidt, Head of Strategic Finance
Mr T Slaughter, Executive, Grant Thornton Auditors

## 1 APOLOGIES FOR ABSENCE / CHANGES IN MEMBERSHIP

The Committee were advised that Mr Steve Bowles had stepped down with Mr Ralph Bagge joining the Committee.

Apologies were received from Mr Martin Farrow.

## 2 DECLARATIONS OF INTEREST

There were no declarations of interest.

## 3 MINUTES

The following comments were raised concerning the minutes of the meeting held on 8 November 2017.

- The actions for Ms J Edwards had been completed.
- Compliments and Complaints would report back to committee in a years' time.
- The Petitions review would report back to the committee in July 2018.
- All other updates would be picked up under items at the meeting.

**RESOLVED: The minutes from the meeting held on 8 November 2017 were agreed as a correct record and signed by the Chairman.**

## 4 CONTRACT STANDING ORDERS EXEMPTIONS/BREACHES

Mr R Schmidt, Head of Strategic Finance presented the Contract Standing Orders Exemptions/Breaches report to the Committee and highlighted the following points:

- Similar exemptions to last year had been reported with the value reduced slightly.
- One exemption had been removed as the relevance was successfully challenged.

Following a question from the committee Mr Schmidt confirmed that the sign off of the exemptions had been delegated to him by the S151 Officer. Mr Schmidt confirmed that these could be escalated if necessary and that all exemptions were signed off by the relevant Executive Director.

It was also noted that there had been no further mystery shopping cases but Mr Schmidt suspected that this was due to the governments system recently having issues.

**RESOLVED: The Committee NOTED the report**

## 5 CORPORATE DEBT MANAGEMENT STRATEGY

Mr M Strevens, Corporate Finance Business Partner attended the Committee to update Members on the development of the Corporate Debt Management Strategy. Mr Strevens highlighted the following points:

- Debt management had recently been reviewed by the Risk Management Group (RMG) and comments from this session were actions in progress.
- Levels of debt were reducing but needed to come down further.

Mr Strevens highlighted the following updates in relation to the progress on the updated Debt Management Strategy:

- A task and finish group was created in December 2016 to address the levels of debt within business units.
- Three key timeframes had been including in the reporting, December 2016 as a baseline, April 2017 as year-end and November 2017 as latest position.
- Debt in total had fallen and level of sales had increased. Debt had fallen from 25.5% to 15.5% which included secured debt in Adult Social Care There had been an 8.3% to 5.1% reduction in unsecured debt. Mr Strevens confirmed that this excluded any sales where payment had been taken in advance and that moving to online payments in advance was being implemented where possible.
- There had been spikes in the number of invoices falling into the agedness category and these were being investigated within the business units.
- There had been an additional post recruited to look at the most aged debt and following work carried out this had been reduced from £2.1m to less than £0.8m. The post was due to finish in January 2018 and actions for each Business Unit would be taken forward by the relevant Finance Director.
- Monthly reports were produced for the Corporate Management Team (CMT) and base data was also provided to the finance team to drill down in to.
- There had been a new process in SAP to remind managers when debts were overdue and dunning codes had been refreshed to give more clarity regarding the status of the debt.
- Adult Social Care (ASC) had seen an increase in the uptake of Direct Debit payments which was now over 70% of clients.
- Bad practices and inconsistency had been addressed with workshops and training taking place with those that raise invoices. These workshops would be rerun to embed best practices.
- Going forward there would be a new model of operation with a central debt management team, with there being process changes such as when debts are 5 days overdue the BU would be alerted and the central team would be able to take over the debt, unless the BU stated how they are going to recover the debt themselves.

**The Committee raised and discussed the following points:**

- If the impact of writing debts off had an impact on the annual accounts or if provisions were made. Mr Strevens confirmed that there were provisions made for bad debts, but any impact on the accounts would depend on the magnitude of the requirement to write off debts.
- A member of the committee requested that data be provided about the agedness of the debt when reporting on those that had been written off.

**ACTION: Mr Strevens**

- A member of the committee asked when the report from the debt management post would be available.  Mr Strevens confirmed that the post was ending at the end of January 2018 and following this a report would be shared with the business units.  This would give recommendations on debt that could be recovered and the debt advised to be written off.  Mr Strevens also stated that this process would now become business as usual and would be kept under review.
- The committee discussed cancelled debts and those written off to be treated in the same way in particular those over £10k and for the S151 officer to have sight of them. Mr Strevens agreed to feedback the suggestion.

**ACTION: Mr Strevens**

- Mr Strevens confirmed that new starters would receive the same training as given in recent workshops and that ongoing training would be provided going forward to ensure consistency and best practice when raising invoices.

The Corporate Debt Management Strategy would be put on the forward plan for a future meeting.

**ACTION: Ms Gibb**

**RESOLVED:  The Committee NOTED the report**

## 6 TREASURY MANAGEMENT STRATEGY

Mr G Williams, Deputy Cabinet Member for Resources and Ms J Edwards, Pensions and Investments Manager attended the Committee to ask Members to consider the Council's Annual Treasury Management Policy Statement, Treasury Management Strategy Statement, Annual Investment Strategy and the Minimum Revenue Provision Policy Statement for 2018/19, together with the Prudential Indicators for the next four years before they are submitted to Council at its meeting on 22 February 2018.

Mr Williams highlighted the following points:

- The report set out The Council's treasury portfolio position as at 31 December 2017 which stood at £213m net borrowing.
- Borrowing was still through the Public Works Loan Board with a preferential rate and the County Council still had some of their Lender Option Borrower Option (LOBOs) in place, the remaining of which were under review.
- The report also highlighted the interest paid on loans.

**The Committee raised and discussed the following points:**

- The Strategy was to run for four years however it was felt that this seem too long. Ms Edwards confirmed that the strategy statements were for one year. The Prudential Indicators were for four years, 2018/19 to 2021/22. They were reviewed on a yearly basis.
- A member of the committee asked to be able to see a cash flow plan. Mr Williams stated that the treasury cash position were a snapshot at any one time due to e.g. managing wage bills and that the Council wouldn't know what their investments will be as part of the Property Strategy. Mr Schmidt agreed to give some thought to providing a cash flow plan.

**ACTION: Mr Schmidt**

- A member of the committee asked if historic loans had been reviewed to see if they could be rescheduled or new loans taken out. Mr Williams commented that this was something already undertaken by the Treasury Management Group. The committee gave a steer that where there was a business case to repay or reschedule loans then they should be.
- The Chairman requested that the wording in paragraph 18 on page 11 be reworded to the committee should have oversight and scrutiny rather than implementation.

**ACTION: Ms Edwards**

- The Chairman questioned the use of standalone financial derivatives and asked for assurances of the decision making process. Mr Williams advised the committee that he did not believe there to be any current derivatives and that the implementation of these would go through the Treasury Management Group. Mr Williams agreed that how these would be agreed would be added to the strategy

**ACTION: Ms Edwards**

**RESOLVED: The Committee AGREED the recommendations as set out in the report.**

## 7 BUSINESS ASSURANCE STRATEGY UPDATE

Ms M Gibb, Head of Business Assurance and Chief Internal Auditor updated the Committee on the Business and Assurance Strategy and changes to the internal audit plan due to reacting to unplanned activity.

Ms Gibb highlighted the following points:

- The report provided an update on the work delivered by the Business Assurance Team since the last Regulatory and Audit Committee.
- The team had a resource of eight with external support drawn down from the London Borough of Croydon framework.
- Risk Management training was continuing to be delivered with most of the organisation now trained. E-learning had been developed
- There had been a refresh of all the business unit risk registers including a clear escalation process.

- Transport for Bucks had also been added to the risk management system having worked with the provider to give them their own portal which enabled them to escalate risks over to the County Council if they believed to be an impact.

Ms Gibb ran through the most recent audit activity and the internal audit tracker which she stated was now on the corporate risk management system and reported into business unit boards on a quarterly basis.

Ms Gibb stated that the Assurance and Risk Strategy were due to come to this meeting but they were in the process of producing a Local Code of Practice and part of that included an Escalation Protocol. These would be report back to the committee at a later date and would be rolled out over the next financial year.

**ACTION: Ms Gibb**

An IR35 review had been carried out due to changes in personnel and the HR team there had been concerns raised. Ms Gibb confirmed that a new senior officer was now in post and a number of audit actions had already been addressed. A full audit would be carried out in six months' time. The committee discussed the data of vendors within the system. Mrs Harlock gave an explanation of the work being carried out particularly within Children's to ensure data quality.

The Chairman thanked the team for their continued hard work.

**RESOLVED: The Committee NOTED the update report.**

## 8 RISK MANAGEMENT GROUP UPDATE

Ms M Gibb, Head of Business Assurance and Chief Internal Auditor updated the Committee on the Risk Management Group meetings held on 7 December 2017 and 16 January 2018 which focused on debt management across the organisation.

The Children's Services Improvement programme manager had attended the December 2017 meeting to give an update on risk management within the programme. It was noted at the meeting that this was a work in progress with the transfer of risks to the new risk management system and the need for the pace to be urgent in updating those risks.

Financial risks in Children's Services were reported in to both the December 2017 and January 2018 meeting with recruitment and retention being a particular area discussed. There had been various work to address this including 'Grow Your Own' initiative. An update was also given on the Change for Children programme. Increased demand into the service was also being addressed with the Early Help review and the SEND programme which was underway.

It was reported that Communities Health and Adult Social Care Risk Registers were under review including those associated to the CHASC Transformation programme. These would be reported back to RMG at the February 2018 meeting.

The Chairman stated that risks with Children's Services were of principle concern with the recent Ofsted report highlighting a number of risks that would need to be translated on to the risk register.  Ms Gibb confirmed that she would be meeting with the Children's Services Executive Director.

**RESOLVED: The Committee NOTED the update report.**

## 9 FORWARD PLAN

Ms M Gibb, Head of Business Assurance and Chief Internal Auditor ran through the forward plan for the Committees in April, May and July.

**RESOLVED: The Committee NOTED the forward plan.**

## 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 CONFIDENTIAL MINUTES

**RESOLVED: The confidential minutes from the meeting held on 8 November 2017 were agreed as a correct record and signed by the Chairman.**

## 12 BUSINESS ASSURANCE STRATEGY UPDATE (LIMITED ASSURANCE AND FRAUD UPDATE)

## 13 CONFIDENTIAL BREACHES UPDATE

## 14 DATE AND TIME OF NEXT MEETING

Ms Gibb advised that the next meeting would move from 11 April to 12 April.

**Action: Miss Bennett**

**CHAIRMAN**

# Buckinghamshire County Council

# Draft Statement of Accounts

**For the year ended 31st March 2018**

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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 & Procurement;
- 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 & Procurement Responsibilities**

The Director of Finance & Procurement 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 2017-18 (the Code).

In preparing this Statement of Accounts, the Director of Finance & Procurement 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 & Procurement**

I certify that this draft Statement of Accounts for the year ended 31 March 2018 gives a true and fair view of the financial position of the Council as at 31 March 2018 and its income and expenditure for the year ended 31 March 2018.

**Richard Ambrose**
Date: 31 May 2018
Director of Finance & Procurement

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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.

## Annual Update 2017/18

This annual update highlights our achievements against the three strategic aims: Safeguarding Our Vulnerable, Creating Opportunities and Building Self-reliance and Ensuring Buckinghamshire is Thriving and Attractive.

We have a long history of managing within our resources, despite ongoing financial challenges. Central Government financial support has fallen from £60.8m in 2013/14 to £0 in 2018/19. However, thanks to our robust planning, scrutiny processes and prudent approach to managing the financial risks, we continue to balance our budgets. We have focused on efficient and effective services, concentrating service transformation in the vital and important areas of children's and adult services, with a focus on improving outcomes as well as meeting rising demand and ensuring we continue to improve services whilst delivering savings.

Partnerships remain a critical focus for us. We have strengthened our relationships with the voluntary sector through a strategic working group ensuring an integrated approach to tackling some the key challenges facing the county over the next 20 years. Hosting 'big tent' events on health and social care, Brexit and Prevent has helped share understanding and develop collaborative solutions with a wide range of local partners and stakeholders. In June 2017 Buckinghamshire became one of the first wave of innovative integrated care systems in the country working with partners in health to join up services to deliver better outcomes for residents.

Whilst we are disappointed with the outcome of the Ofsted inspection for Children's Social Care Services, we recognise the commitment and dedication of our staff in Children's Services who were praised in the inspection. We will work closely with the DfE appointed Commissioner and we are absolutely committed to transform and improve our services to better support and help children in Buckinghamshire.

Following a particularly harsh winter, our roads have suffered the consequences. We have invested £15.9m in our roads and welcomed the additional funding by government to tackle potholes, but know that, like children's services and social care, potholes must continue to be priority for us.

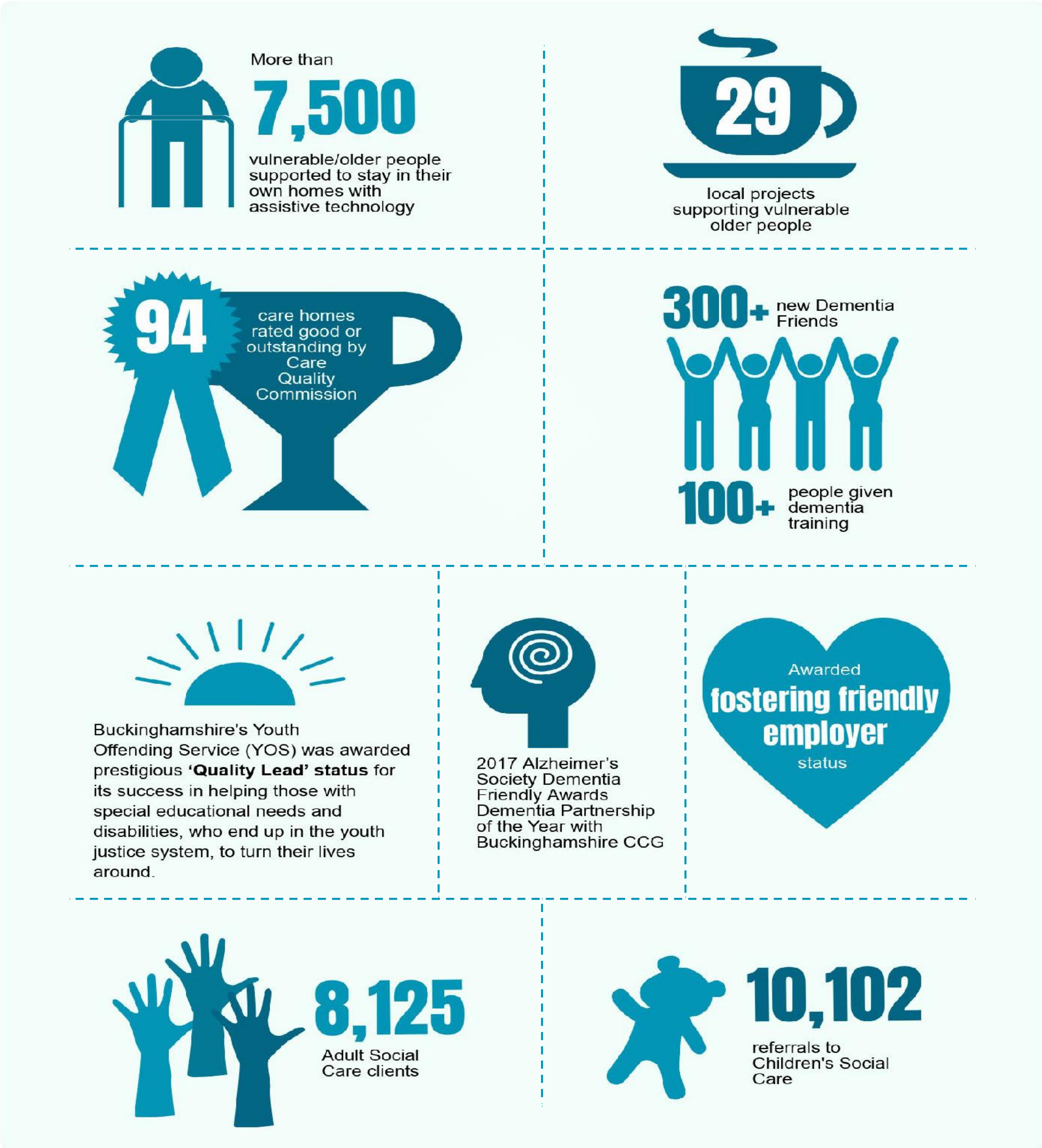
Looking ahead we are hoping the Secretary of State for Housing, Communities and Local Government will confirm his decision to replace the existing five councils with a single new council for Buckinghamshire. If it proceeds, this new council will combine the best of the County and Districts and will be simpler, better value and closer to residents, communities and businesses. A new council will deliver at least £18.2m in savings every year, ensuring more money is available to continue to deliver great services to our residents.

I would like to thank all our staff and partners for the incredible work they have done over the past year.

**Martin Tett**
**Leader of Buckinghamshire County Council**

# SAFEGUARDING OUR VULNERABLE

## SOME OF OUR KEY ACHIEVEMENTS IN 2017/18



# CREATING OPPORTUNITIES AND BUILDING SELF-RELIANCE

## SOME OF OUR KEY ACHIEVEMENTS IN 2017/18

**94%**
of schools rated good or outstanding by OFSTED (compared to 89% nationally)

**91%**
of parents offered their first choice of primary school for their child

**115,929**
computer sessions in our libraries (first hour free)

**99.5%**
customer satisfaction with registrars services

**5,114**
new babies registered

**2,810**
people getting more active through Active Bucks

**13,600**
adults and children safely transported to day centres, schools and other care establishments

**308**
disadvantaged residents given intensive support to help them into employment

# ENSURING BUCKINGHAMSHIRE IS THRIVING AND ATTRACTIVE

## SOME OF OUR KEY ACHIEVEMENTS IN 2017/18

**3,300km**
of public rights of way maintained

**30,000+**
potholes and other highway defects repaired

**35,823**
gullies cleared

**20,761,160**
sq metres of urban grass cut

**2m**
visits to our tips
**99% customer satisfaction**

Approximately
**148,470km**
of road gritted

**72**
convictions for fly-tipping

**287**
homes and business properties protected from flooding

**1m+**
country parks visitors
**95% customer satisfaction**

## Revenue budget

2017/18 saw strong financial performance with an overall revenue underspend of £2.888m. This comprises portfolio overspends of £0.819m, offset by underspends in Corporate Costs of £3.707m. Whilst most Portfolios have come close to break-even, there are significant variances within Children's Services and Planning and Environment. Children's Services (£1.708m overspend) mainly relates to the increase in the number of looked after children in year as well as increased unit costs. Planning and Environment (£0.868m underspend) is mainly due to the Energy from Waste contract performance. The significant underspend in Corporate Cost is due to the financial contingencies provided for the National Living Wage and the risks of non-delivery of savings plans not being fully required.

The revenue outturn is summarised below:

| Portfolio Area | Outturn £000 | Budget £000 | Variance £000 | Variance % |
|---|---|---|---|---|
| Leader | 6,937 | 6,955 | (18) | (0.3%) |
| Community Engagement | 9,509 | 9,490 | 19 | 0.2% |
| Health & Wellbeing | 131,274 | 131,275 | (1) | (0.0%) |
| Children's Services | 67,326 | 65,618 | 1,708 | 2.6% |
| Education & Skills | 26,638 | 26,750 | (112) | (0.4%) |
| Resources | 24,735 | 24,677 | 58 | 0.2% |
| Planning & Environment | 9,769 | 10,637 | (868) | (8.2%) |
| Transportation | 27,549 | 27,516 | 33 | 0.1% |
| **Subtotal - Portfolios** | **303,737** | **302,918** | **819** | **0.3%** |
| Corporate Costs (non Portfolio) | (306,625) | (302,918) | (3,707) | 1.2% |
| **Overall BCC** | **(2,888)** | **-** | **(2,888)** | |

## 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 £52.804m (2016/17 £27.295m) 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 £2.888m (2016/17 surplus of £7.124m) as reported to Members in the outturn report to Cabinet.

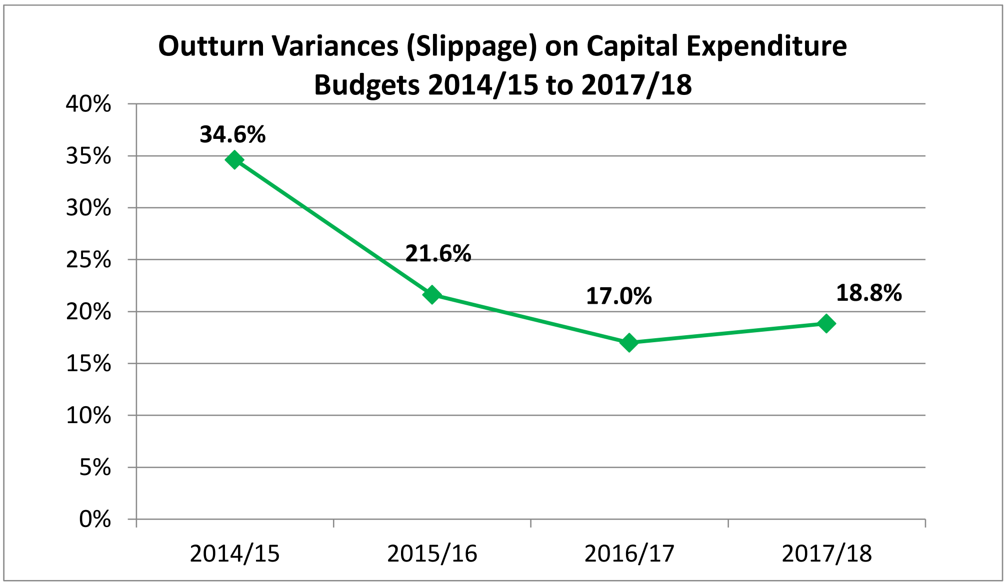
The Expenditure Funding Analysis statement on p29 provides a direct reconciliation between the operating deficit and the overall surplus reported in outturn; the main differences being the inclusion of depreciation, revaluation gains and losses and other capital adjustments required under the accounting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

## Capital budget

There is an overall underspend / slippage of £16.474m (13.2%) on the 2017/18 Capital programme.

| Portfolio Area | Outturn £000 | Budget £000 | Variance £000 | Variance % |
|---|---|---|---|---|
| Leader | 10,574 | 13,998 | (3,424) | (24.5%) |
| Community Engagement | 167 | 716 | (549) | (76.7%) |
| Children's Services | 743 | 992 | (249) | (25.1%) |
| Education and Skills | 26,645 | 35,138 | (8,493) | (24.2%) |
| Resources | 41,912 | 42,905 | (993) | (2.3%) |
| Planning and Environment | 1,239 | 2,277 | (1,038) | (45.6%) |
| Transportation | 26,937 | 28,665 | (1,728) | (6.0%) |
| **Total** | **108,217** | **124,691** | **(16,474)** | **(13.2%)** |

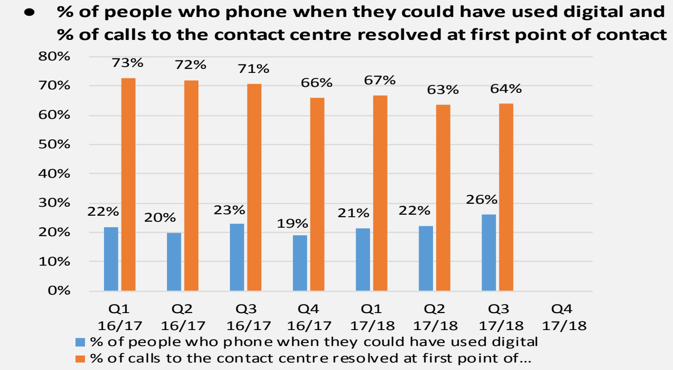
A comparison of slippage over the last 4 years is shown below.
This details slippage, including underspends brought forward from previous years. Expenditure schedule for 2017/18 slipped by 13.2%. Expenditure scheduled for 2017/18 including underspent expenditure from previous years, brought forward to spend in 2017/18 slipped by 18.8% as detailed below.

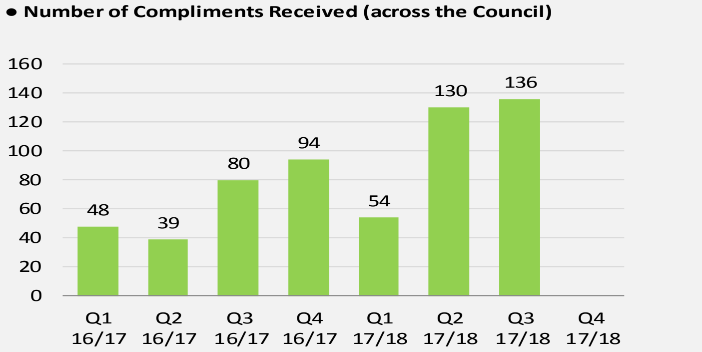


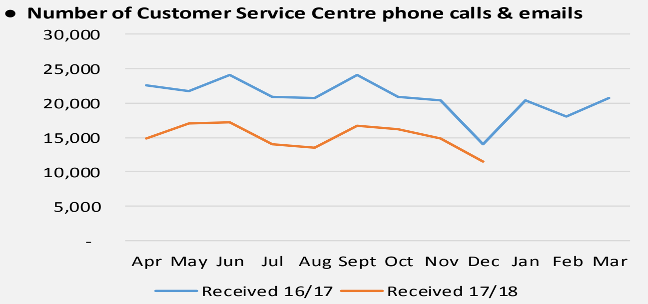
## Operational performance

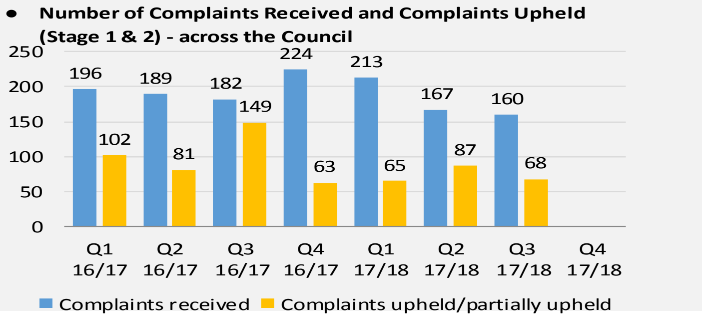
The Council's performance management framework focuses on four key elements of performance: Finance, Business Improvement, Service to Customers and Human Resources. The Business Improvement Performance Indicators provides information on the progress in achieving the Council's priorities as detailed in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

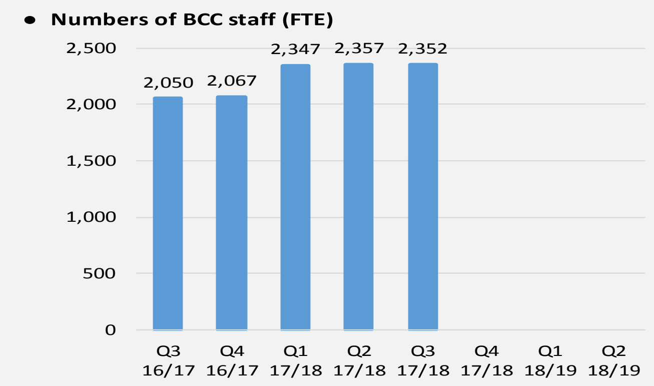
Performance as at Quarter 3 against Service to Customers and HR is shown below.

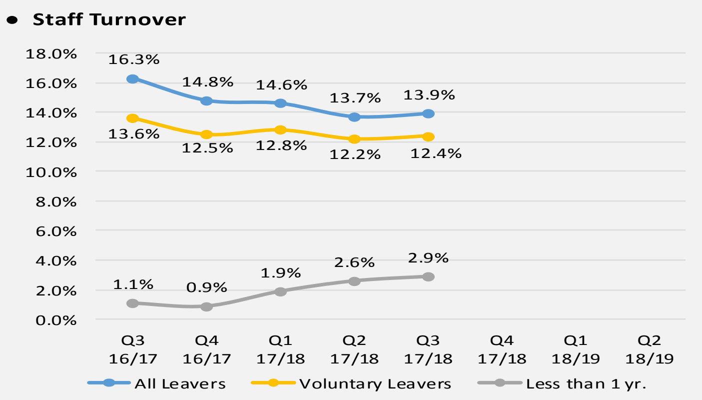


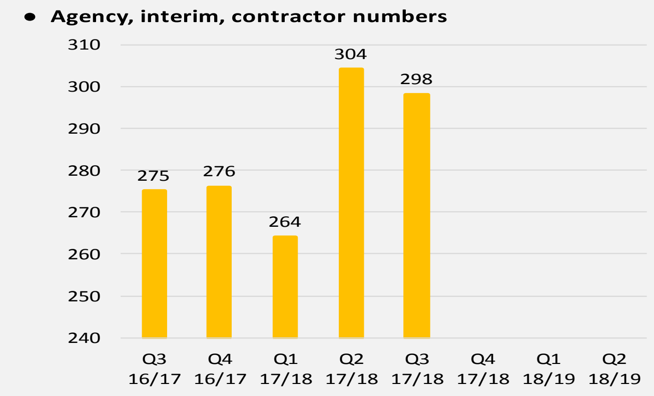



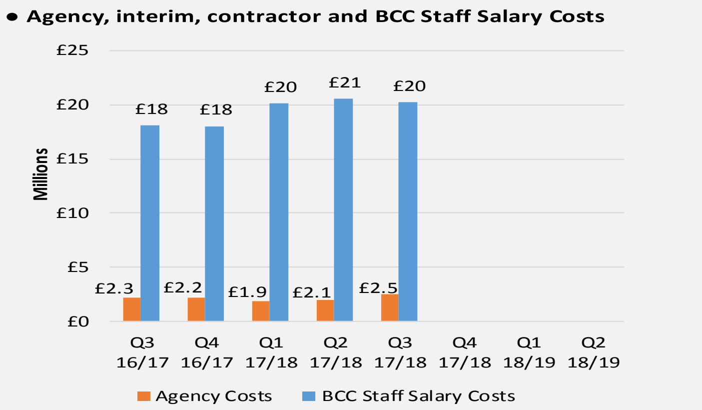



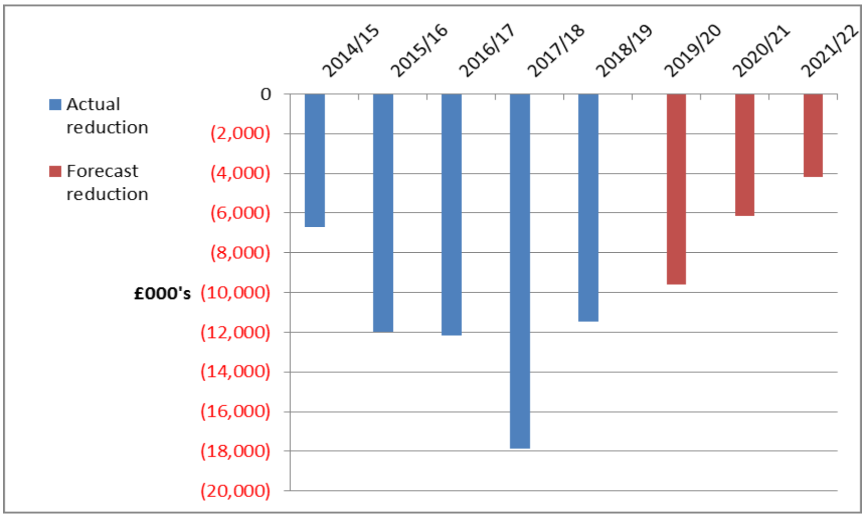



## Medium Term Financial Plan (MTFP)

Although the wider economic picture has been relatively stable recently the outlook for local authority budgets continues to be challenging. Recent analysis from the LGA highlighted that Council's will face a funding gap of £5bn by 2020 (with adult social care and children's services being particularly acute), as well as a £1.3bn pressure to stabilise the adult social care provider market immediately. The Chancellor's Autumn Budget, whilst recognising that the national deficit will not be removed within the lifetime of the current Parliament, continued to keep to the previously announced funding settlement.

The chart below shows the decrease in the funding settlement for the last few years on a like for like basis, despite increasing demands on services mainly due to demographic changes. 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 the funding reductions will not change materially over this period.

**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 to Buckinghamshire by a larger degree than for other authorities due to the resources the Council can generate for itself though Council Tax, due to its relatively large tax base. In 2018/19 Buckinghamshire becomes one of the first authorities to receive no Revenue Support Grant at all.

The current funding system has allowed councils to keep a proportion of any growth in business rates. The Government keeps 50%, with 40% retained by districts. Buckinghamshire County Council retains 9% and the fire authority 1%. The level of outstanding appeals continues to create some uncertainty, but this is decreasing allowing increased confidence over future forecasts.

The Business Rates system is aimed at incentivising councils to support growth. Similarly, the New Homes Bonus incentivises house building but, as with Business Rates Retention, the larger proportion (80%) goes to districts with only 20% coming to the County Council despite it being responsible for the major part of infrastructure development which supports growth. The New Homes Bonus, which was initially paid for 6 years after a new home was built, was reduced to 5 years in 2017/18, and is reducing to 4 years from 2018/19 onwards in order to allow the Government to focus more resources towards the integration of health and social care. The change in 2018/19 was already known.

To some extent the Government have recognised, at least in the short-term, the increasing pressures building within social care. Local authorities with social care responsibilities had been given the ability to raise Council Tax by an additional 2% from April 2016, known as the 'Social Care Precept'. This 'precept' had initially been capped at 2% per annum. However, in 2017/18 a new flexibility was announced which allowed the 'precept' to be raised by up to 3% as long as the total increase over the next 3 years did 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 for 2019/20.

In addition it was announced in the Final Local Government Settlement that an additional £150m has been identified in 2018/19 to support pressures in Adult Social Care. This is to be distributed in accordance with the existing Relative Needs Formula, with the allocation for Buckinghamshire being £1.045m. This will be used to support the transformation of services within Adult Social Care.
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 has also been looking to generate other income sources, including by reviewing fees & charges and expanding on our shared services. One other strategy that has been pursued over the last few years is the purchasing of commercial property for a return and exploring the income generating potential of surplus assets rather than defaulting to disposal.

**Key Financial Risks**

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

- ***Achievability of Reductions*** – the Council has a good track record of successfully delivering significant efficiency savings and service reductions. Further budget reductions have been included within the Medium Term Financial Plan (£12.65m in 2018/19). 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 is likely to become harder and harder for services. These will need to be carefully managed;
- ***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, who 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. There is a potential shortage in available and suitable placements which can result in higher costs. 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;
- ***Care Market Sustainability*** – The Council has recognised that there are pressures within the provider marker for care services, including the National Living Wage implications and has made some provision in recognition that there is a 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 increasing the Council Tax referendum limit and being able to change the profiling of the Social Care Precept 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;
- ***Investment Property Income*** – Over recent years the council has invested in a portfolio of property assets in order to generate an income stream to help offset the loss of Government Funding and protect services from additional reductions. There is risk inherent in this strategy which is mitigated through the use of professional advisers, to support the identification and evaluation of potential purchase opportunities, and through our decision to set aside a proportion of the income received to address any periods where properties are vacant and rental income is not being received.
- ***Capital*** – During 2017/18 the Asset Strategy Board has continued to use the gateway process to ensure strong governance in this area. As a result slippage has been reduced and the 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

In the Autumn 2016, the Council submitted proposals to the Ministry of Housing, Communities and Local Government (MHCLG) to abolish the 'two tier' system of County and District Councils, and create a new, single council for Buckinghamshire.
The Secretary of State for Housing, Communities and Local Government, announced in Parliament in March 2017 that he is 'minded' to implement, subject to Parliamentary approval and further discussions, the locally-led proposal to replace the existing five councils across Buckinghamshire with a single council for the area.
We are currently in a period of ten weeks consultation to allow local residents and stakeholders to submit representations and feedback to the MHCLG (by 25 May 2017). Following this, the MHCLG will reflect on the views received before the Secretary of State announces his final decision. There will also need to be a process to seek parliamentary approval before beginning to implement the changes.

## Financial Position

### Net Asset Position

The Council has net assets of £457.017m (2016/17 £385.432m) backed by usable reserves of £151.739m (2016/17 £125.865m) and unusable reserves of £305.278m (2016/17 £259.566m). This is shown in the Balance Sheet p28 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 decreased to £743.363m as at 31 March 2018 (2016/17 £753.943m). The main factors impacting on this are:

- £29.216m decrease in the liability due primarily to an decrease in the discount rate from 2.7% to 2.55%. 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.
- The pension increase assumption has also decreased by 0.25% (from 2.6% to 2.35%) which has also decreased the estimated liability.
- This has been a strong year in relation to asset growth with a net increase in assets of £24.1m.
- 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.

**Adequacy of Reserves**

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

There is an overall increase in usable reserves of £25.874m (2016/17 decrease of £10.792m). This increase comprises:

- a net General fund increase of £2.888m as detailed above;
- a net deficit on schools balances of £2.339m (2016/17 deficit of £4.236m);
- a net increase of earmarked reserves of £14.595m and
- the increase of £10.730m (2016/17 decrease of £0.867m) of capital reserves.

The table below summarises the Council's usable reserves:

| | Balance at 31 March 2017 £m | Balance at 31 March 2018 £m |
|---|---|---|
| General Fund | 24.5 | 27.4 |
| Schools Balances | 15.0 | 12.6 |
| Earmarked Reserves | 84.6 | 99.2 |
| **Total** | **124.1** | **139.3** |

## 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 2018 was £44.2m. 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 2018/19 onwards are based on estimates:

| | Actual 2017/18 £000 | 2018/19 £000 | 2019/20 £000 | 2020/21 £000 |
|---|---|---|---|---|
| Gross borrowing | 213,200 | 330,000 | 320,000 | 310,000 |
| Capital Financing Requirement | 395,587 | 354,597 | 352,968 | 350,338 |

During 2017/18 £15.732m of debt was repaid (2016/17 £11.732m).

The Cash Flow Statement p29 shows how the movement in resources has been reflected in cash flows. The net decrease in cash and cash equivalents during the year was £1.916m (2016/17 net increase of £5.659m).

## Capital programme

The four year capital programme has been developed following an assessment and prioritisation of aspirations against key Council priorities and statutory requirements. The Council has managed to find the resources to continue its road improvement programme for 2018/19 through to 2021/22. Although the Council continues to commit significant resources to its school build programme it remains unclear whether this will be sufficient to deal with rate of growth in the school population and relies on significant developer contributions.

The capital programme is funded from a variety of sources including grants, capital receipts and prudential borrowing. There are risks around the sale of assets predominantly due to market conditions and planning approvals. There is also increasing complexity as the Council works in partnership with other bodies to develop projects, such as the BTVLEP (Buckinghamshire Thames Valley Local Enterprise Partnership) on infrastructure projects, district 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 2018/19 £000's | Year 2 2019/20 £000's | Year 3 2020/21 £000's | Year 4 2021/22 £000's | Grand Total £000's |
|---|---|---|---|---|---|
| **Capital Expenditure** | | | | | |
| Primary School Places | 19,664 | 13,450 | 10,100 | 10,000 | 53,214 |
| Secondary School Places | 16,950 | 43,450 | 16,950 | 26,000 | 103,350 |
| School Property Maintenance | 5,000 | 5,000 | 3,000 | 3,000 | 16,000 |
| Other Education & Skills | 3,023 | 3,300 | 2,295 | 3,200 | 11,818 |
| Children's Homes | 1,009 | - | - | - | 1,009 |
| Respite Provision | 2,800 | 265 | 100 | - | 3,165 |
| Waterside North Development | 2,402 | - | - | - | 2,402 |
| Leader - LEP Schemes | 21,722 | 28,092 | 15,000 | - | 64,814 |
| Biowaste Treatment | 2,151 | 3,248 | 180 | - | 5,579 |
| Other Planning & Environemnt Schemes | 1,513 | 2,715 | 3,611 | 3,592 | 11,430 |
| ICT Investment | 4,845 | 4,455 | 1,780 | 3,500 | 14,580 |
| Property Investment | 4,406 | 2,641 | 3,264 | 1,015 | 11,326 |
| Strategic Highway Maintenance | 15,000 | 15,000 | 16,000 | 16,000 | 62,000 |
| Other Transport Schemes | 20,368 | 19,425 | 7,646 | 7,367 | 54,806 |
| All Other Schemes | 1,759 | 800 | 800 | 800 | 4,159 |
| **Total Expenditure** | **122,612** | **141,841** | **80,726** | **74,474** | **419,652** |
| **Capital Funding** | | | | | |
| Unringfenced Capital Grants | (64,747) | (66,225) | (33,717) | (33,717) | (198,406) |
| Prudential Borrowing | (3,677) | (226) | (2,249) | - | (6,152) |
| Capital Receipts | (2,400) | (4,750) | (11,000) | (4,000) | (22,150) |
| Developer Contributions | (15,174) | (9,764) | (3,696) | (110,560) | (139,194) |
| Revenue Contributions | (7,923) | (4,153) | (3,988) | (3,952) | (20,016) |
| Balances Brought Forwards | (26,460) | - | - | - | (26,460) |
| Other Funding | (2,231) | (1,681) | (1,681) | (1,681) | (7,274) |
| **Total Funding** | **(122,612)** | **(86,799)** | **(56,331)** | **(153,910)** | **(419,652)** |
| **Net Funding (surplus) / or gap** | **-** | **55,042** | **24,395** | **(79,436)** | **-** |

### 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 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 2017/18 financial year and its position at the year end of 31 March 2018. 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 2017/18 (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.

## 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 £743.363m (2016/17 £753.943m) has an impact on the net worth of the Council as recorded in the Balance Sheet.

### 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.

### Investment Property

The Council increased and diversified its investment property portfolio during the year by investing £34.75m in commercial investment properties including Knaves Beech Retail Park and Clarion House.

## Interests in Companies and Other Entities

### Buckinghamshire Learning Trust

On 1 August 2013, Buckinghamshire Learning Trust commenced trading. Services to the value of around £8.9m per annum transferred to the Trust 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. As at the 1st April 2018 some activities that were carried out by the BLT will be returning to the Council. On the 31st July 2018 all remaining activities will be returning to the Council.

### 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.

### Adventure Learning Charity

On the 1st November 2013 the Council entered in to a Partnership Agreement with The Adventure Learning Charity, 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.

**IFRS 9 – Financial Instruments**

IFRS 9 Financial Instruments has been issued by the IASB (International Accounting Standards Board) with an effective date of the 1 January 2018. This will become effective within the 2018/19 statement of accounts. IFRS 9 includes:-

- a single classification approach for financial assets driven by cash flow characteristics and how an instrument is managed
- a forward looking ‘expected loss’ model for impairment rather than the ‘incurred loss’ model under IAS 39
- new provisions on hedge accounting

Overall this standard is not expected to have a material impact on the Statement of Accounts.

**IFRS 15 – Revenue from Contracts with Customers**

IFRS 15 Revenue from Contracts with Customers has been issued by the IASB with an effective date of the 1 January 2018. This will become effective within the 2018/19 statement of accounts. IFRS 15 provides a comprehensive standard for revenue recognition to address inconsistent practices. The core principle in IFRS 15 is that entities should recognise revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Overall this standard is not expected to have a material impact on the Statement of Accounts.

**IFRS 16 - Leases**

IFRS 16 Leases has been issued by the IASB with an effective date of the 1 January 2019. This will become effective within the 2019/20 statement of accounts. IFRS 16 establishes a new accounting model for lessees in which all leases result in an entity (the lessee) obtaining the right to use an asset at the start of the lease and, if lease payments are made over time, also obtaining financing. The standard eliminates the classification of leases as either operating leases or finance leases as required by IAS 17 *Leases* and, instead, introduces a single lessee accounting model.

## 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 £108m.

- **Group Accounts** the Council has not prepared Group Accounts on the basis that there would be no material difference to the Single Entity Accounts. Details of the Councils interests in other companies 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 2018 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

| Item | Uncertainties | Effect if Actual Results Differ from Assumptions |
|---|---|---|
| Depreciation (and amortisation of intangible assets) | Useful lives of assets are estimated and components are only recognised and depreciated separately where the asset value is greater than £1m. The Council relies on the expertise of a qualified valuer to provide these estimates based on his professional opinion and experience. | Any increase or decrease in component values and useful lives will affect the level of depreciation and the carrying value of the assets.<br>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 £1.3bn. |
| 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 £0.949bn 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 £743.363m. |
| Fair Value | When the fair values of financial assets and financial liabilities cannot be measured based on quoted prices in active markets their fair value is measured using valuation techniques. Where there is no observable data judgement is required in establishing fair values. Changes in the assumptions used could affect the fair value of the Councils assets and liabilities. | The Council uses discounted cash flow (DCF) to measure the fair value of Long-term Trade and Other Receivables.<br>The significant unobservable inputs used in the fair value measurement include assumptions regarding rent growth and discount rates.<br>Significant changes in any of the unobservable inputs would result in a significantly lower or higher fair value measurement for the investment properties and financial assets. |

## Events after the Balance Sheet Date

Waterside School has converted to Academy status since the 31.03.2018. Waterside School is currently valued as Building £1.115m and Land £1.193m.

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 (Comprehensive Income and Expenditure Statement). This is different from the statutory amounts required to be charged to the General Fund Balance for Council Tax setting purposes. Authorities raise taxation to cover expenditure in accordance with regulations. The Net Increase/Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council. The unusable reserves hold unrealised gains and losses (for example the Revaluation Reserve) and account for differences under regulations between accounting basis and funding basis which are detailed in Note 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 2017** | **(24,505)** | **(14,966)** | **(84,640)** | **(124,112)** | **-** | **(1,752)** | **(125,864)** | **(259,566)** | **(385,430)** |
| **Movement in reserves during 2017/18** | | | | | | | | | |
| (Surplus) or deficit on the Provision of Services | 52,804 | - | - | **52,804** | - | - | 52,804 | - | 52,804 |
| Other Comprehensive Income and Expenditure | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **(124,591)** | **(124,591)** |
| **Total Comprehensive Income and Expenditure** | **52,804** | **-** | **-** | **52,804** | **-** | **-** | **52,804** | **(124,591)** | **(71,787)** |
| Adjustments between accounting basis & funding basis under regulations (Note 3) | (67,948) | - | - | **(67,948)** | | (10,997) | (78,945) | 78,945 | **-** |
| **Net (Increase) / Decrease before Transfers to Earmarked Reserves** | **(15,144)** | **-** | **-** | **(15,144)** | | **(10,997)** | **(26,141)** | **(45,646)** | **(71,787)** |
| Transfers to/(from) Earmarked Reserves (Note 4) | 12,256 | 2,339 | (14,595) | **-** | - | - | **-** | - | **-** |
| **(Increase) / Decrease in 2017/18** | **(2,888)** | **2,339** | **(14,595)** | **(15,144)** | | **(10,997)** | **(26,141)** | **(45,646)** | **(71,788)** |
| **Balance at 31 March 2018** | **(27,393)** | **(12,627)** | **(99,235)** | **(139,256)** | | **(12,749)** | **(152,005)** | **(305,213)** | **(457,217)** |

## Comparative Figures 2016/17

| | 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** | **(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 | 27,295 | - | - | **27,295** | - | - | **27,295** | - | **27,295** |
| Other Comprehensive Income and Expenditure | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **18,938** | **18,938** |
| **Total Comprehensive Income and Expenditure** | **27,295** | **-** | **-** | **27,295** | **-** | **-** | **27,295** | **18,938** | **46,233** |
| Adjustments between accounting basis & funding basis under regulations (Note 3) | (17,370) | - | - | **(17,370)** | | 867 | (16,503) | 16,503 | - |
| **Net (Increase) / Decrease before Transfers to Earmarked Reserves** | **9,925** | **-** | **-** | **9,925** | | **867** | **10,792** | **35,441** | **46,233** |
| Transfers to/(from) Earmarked Reserves (Note 4) | (17,048) | 4,236 | 12,812 | | - | - | | - | |
| **(Increase) / Decrease in 2016/17** | **(7,123)** | **4,236** | **12,812** | **9,925** | | **867** | **10,792** | **35,441** | **46,233** |
| **Balance at 31 March 2017** | **(24,505)** | **(14,966)** | **(84,640)** | **(124,112)** | **-** | **(1,752)** | **(125,864)** | **(259,566)** | **(385,430)** |

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.

| 2016/17 | | | | 2017/18 | | |
|---|---|---|---|---|---|---|
| **Gross Expenditure** | **Gross Income** | **Net Expenditure** | | **Gross Expenditure** | **Gross Income** | **Net Expenditure** |
| **£000** | **£000** | **£000** | | **£000** | **£000** | **£000** |
| 196,857 | (65,016) | 131,842 | Health & Wellbeing | 187,609 | (51,409) | 136,199 |
| 64,480 | (5,734) | 58,746 | Children's Services | 77,918 | (7,239) | 70,679 |
| 395,508 | (326,654) | 68,854 | Education & Skills | 424,716 | (335,016) | 89,700 |
| 13,846 | (2,763) | 11,083 | Community Engagement | 37,330 | (24,318) | 13,013 |
| 14,602 | (1,775) | 12,826 | Leader | 9,608 | (1,976) | 7,632 |
| 24,458 | (11,004) | 13,454 | Planning & Environment | 21,832 | (8,153) | 13,679 |
| 36,677 | (7,303) | 29,375 | Resources | 51,134 | (6,591) | 44,542 |
| 47,233 | (7,957) | 39,277 | Transportation | 47,301 | (7,916) | 39,385 |
| 3,794 | (1,047) | 2,748 | Corporate Costs | 1,550 | (5,569) | (4,019) |
| **797,455** | **(429,252)** | **368,203** | **Cost of Services** | **858,998** | **(448,188)** | **410,811** |
| 26,385 | | 26,385 | Other Operating Expenditure (Note 5) | 21,803 | - | 21,803 |
| 31,106 | (5,429) | 25,677 | Financing and Investment Income and Expenditure (Note 6) | 26,922 | (7,165) | 19,757 |
| - | (392,971) | (392,971) | Taxation and Non-Specific Grant Income (Note 7) | - | (399,568) | (399,568) |
| **854,946** | **(827,652)** | **27,295** | **(Surplus) or Deficit on Provision of Services** | **907,724** | **(854,920)** | **52,804** |
| | | (176,826) | (Surplus) or Deficit on Revaluation of Non-Current Assets (Note 26) | | | (70,991) |
| | | 391 | Surplus or deficit on revaluation of available-for-sale financial assets* (Note 26) | | | (278) |
| | | 195,373 | Remeasurement of the defined benefit liability / (asset) (Note 14) | | | (53,322) |
| | | **18,938** | **Other Comprehensive Income and Expenditure** | | | **(124,591)** |
| | | **46,232** | **Total Comprehensive Income and Expenditure** | | | **(71,787)** |

* 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.

| 31 March 2017 £000 | | Notes | 31 March 2018 £000 |
|---|---|---|---|
| 1,280,150 | Property, Plant & Equipment | 15 | 1,302,808 |
| 7,524 | Heritage Assets | 17 | 7,524 |
| 83,820 | Investment Property | 19 | 130,812 |
| 2,389 | Intangible Assets | 18 | 2,264 |
| 506 | Long Term Investments | 21 | 761 |
| 15,170 | Long Term Trade and Other Receivables | 24 | 13,454 |
| **1,389,560** | **Long Term Assets** | | **1,457,623** |
| 5,108 | Short Term Investments | 21 | 89 |
| 26 | Temporary Loans | 21 | 1,927 |
| 1,071 | Assets Held for Sale | 20 | 1,278 |
| 228 | Inventories | | 86 |
| 50,433 | Short Term Trade and Other Receivables | 24 | 46,063 |
| 17,678 | Available for Sale Financial Assets | 21 | 23,448 |
| 3,843 | Cash and Cash Equivalents | 23 | 1,927 |
| **78,387** | **Current Assets** | | **74,818** |
| (85,342) | Short Term Borrowing | 21 | (44,188) |
| (97,289) | Short Term Trade and Other Payables | 24 | (111,766) |
| **(182,631)** | **Current Liabilities** | | **(155,954)** |
| (6,941) | Provisions and Long Term Liabilities | 25 | (7,011) |
| (139,000) | Long Term Borrowing | 21 | (169,096) |
| (753,943) | Pension Liability | 14 | (743,363) |
| **(899,884)** | **Long Term Liabilities** | | **(919,470)** |
| **385,431** | **Net Assets** | | **457,017** |
| (125,865) | Usable Reserves | MiRS* | (151,739) |
| (259,566) | Unusable Reserves | 26 | (305,278) |
| **(385,431)** | **Total Reserves** | | **(457,017)** |

*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.

| **2016/17** | | **2017/18** |
|---|---|---|
| **£000** | | **£000** |
| 27,295 | Net (surplus) or deficit on the provision of services | 52,804 |
| (92,163) | Adjustments to net surplus or deficit on the provision of services for non-cash movements | (153,495) |
| 66,952 | Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities | 74,753 |
| **2,084** | **Net cash flows from operating activities (note 28)** | **(25,938)** |
| 110,172 | Purchase of property, plant and equipment, investment property and intangible assets | 88,791 |
| 1,040,513 | Purchase of short-term and long-term investments | 816,638 |
| (5,968) | Proceeds from the sale of property, plant and equipment, investment property and intangible assets | (8,200) |
| (1,190,624) | Proceeds from short-term and long-term investments | (813,732) |
| (60,984) | Other receipts from investing activities | (66,425) |
| **(106,891)** | **Net cash flows from investing activities** | **16,795** |
| 121,922 | Cash receipts of short and long-term borrowing | 101,020 |
| (61,381) | Repayments of short and long-term borrowing | (112,078) |
| (159,691) | Cash payments for the reduction of the outstanding liabilities relating to on-Balance-Sheet Service Concessions | - |
| **99,150** | **Net cash flows from financing activities** | **11,058** |
| **(5,657)** | **Net (increase) or decrease in cash and cash equivalents** | **1,915** |
| (1,816) | Cash and cash equivalents at the beginning of the reporting period | 3,842 |
| **3,842** | **Cash and cash equivalents at the end of the reporting period** | **1,927** |

## 1 – Expenditure and Funding Analysis

The objective of the Expenditure and Funding Analysis is to demonstrate to council tax payers how the funding available to the Council (i.e. government grants, 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 | 131,274 | 1,290 | 132,564 | 3,636 | 136,199 |
| Children's Services | 67,326 | (71) | 67,255 | 3,424 | 70,679 |
| Education & Skills | 26,638 | (1,427) | 25,211 | 64,489 | 89,700 |
| Community Engagement | 9,509 | (218) | 9,291 | 3,721 | 13,013 |
| Leader | 6,937 | 851 | 7,789 | (157) | 7,632 |
| Planning & Environment | 9,769 | (2,721) | 7,048 | 6,631 | 13,679 |
| Resources | 24,735 | 4,135 | 28,870 | 15,672 | 44,542 |
| Transportation | 27,549 | (475) | 27,074 | 12,312 | 39,385 |
| Corporate costs | 5,703 | (5,819) | (116) | (3,903) | (4,019) |
| **Net Cost of Services** | **309,440** | **(4,454)** | **304,986** | **105,825** | **410,811** |
| Other Income and Expenditure in CIES | (323,115) | (161) | (323,276) | (34,731) | (358,007) |
| **(Surplus) or Deficit on Provision of Services** | **(13,675)** | **(4,615)** | **(18,291)** | **71,094** | **52,804** |
| Adjustments under Regs | 10,787 | (7,641) | 3,146 | (71,094) | (67,948) |
| **Net (Increase) / Decrease before Transfers to Earmarked Reserves** | **(2,888)** | **(12,256)** | **(15,144)** | **-** | **(15,144)** |
| Transfers to / (from) earmarked reserves | - | 12,256 | 12,256 | - | 12,256 |
| **(Increase) / Decrease in 2017/18** | **(2,888)** | **-** | **(2,888)** | **-** | **(2,888)** |
| General Fund Balance as at 31 March 2017 | | | | | (24,505) |
| **General Fund Balance as at 31 March 2018** | | | | | **(27,393)** |
| Planned Use of General Fund | - | | | | |
| **Net Budget (surplus) / deficit** | **(2,888)** | | | | |

**Comparative Figures 2016/17**

| | 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 | 3,613 | 131,842 |
| Children's Services | 58,012 | 425 | 58,437 | 309 | 58,746 |
| Education & Skills | 32,809 | 2,208 | 35,018 | 33,835 | 68,853 |
| Community Engagement | 10,083 | 162 | 10,246 | 837 | 11,083 |
| Leader | 6,262 | 2,606 | 8,868 | 3,958 | 12,826 |
| Planning & Environment | 11,113 | 1,966 | 13,078 | 376 | 13,454 |
| Resources | 23,743 | 2,910 | 26,653 | 2,722 | 29,375 |
| Transportation | 27,322 | (275) | 27,047 | 12,230 | 39,277 |
| Corporate costs | 2,078 | 98 | 2,177 | 571 | 2,748 |
| **Net Cost of Services** | **300,553** | **9,199** | **309,752** | **58,450** | **368,202** |
| Other Income and Expenditure in CIES | (323,588) | (363) | (323,952) | (16,957) | (340,908) |
| **(Surplus) or Deficit on Provision of Services** | **(23,035)** | **8,835** | **(14,200)** | **41,493** | **27,294** |
| Adjustments under Regs | 15,911 | 8,212 | 24,123 | (41,493) | (17,370) |
| **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)** | | | | |

## 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.

| 2016/17 | | | | | 2017/18 | | | |
|---|---|---|---|---|---|---|---|---|
| Capital Adjustments | Pensions Adjustments | Other Differences | Total Adjustments | | Capital Adjustments | Pensions Adjustments | Other Differences | Total Adjustments |
| £000 | £000 | £000 | £000 | | £000 | £000 | £000 | £000 |
| 3,458 | 132 | 23 | 3,613 | Health & Wellbeing | 755 | 2,881 | - | 3,636 |
| 155 | 154 | (1) | 309 | Children's Services | 472 | 2,976 | (24) | 3,424 |
| 31,163 | 722 | 1,951 | 33,835 | Education & Skills | 52,965 | 11,599 | (75) | 64,489 |
| 766 | 64 | 7 | 837 | Community Engagement | 2,377 | 1,364 | (20) | 3,721 |
| 3,912 | 40 | 6 | 3,958 | Leader | (147) | - | (9) | (157) |
| (253) | 42 | 587 | 376 | Planning & Environment | 5,178 | 821 | 632 | 6,631 |
| 1,658 | 193 | 871 | 2,722 | Resources | 7,663 | 6,667 | 1,342 | 15,672 |
| 12,309 | 31 | (110) | 12,230 | Transportation | 11,694 | 617 | - | 12,312 |
| - | 32 | 539 | 571 | Corporate costs | - | (4,080) | 177 | (3,903) |
| **53,167** | **1,410** | **3,873** | **58,450** | **Net Cost of Services** | **80,956** | **22,846** | **2,023** | **105,825** |
| (37,889) | 18,712 | (657) | (19,834) | Other Income and Expenditure in CIES | (45,095) | 19,896 | (9,532) | (34,731) |
| **15,278** | **20,122** | **3,216** | **38,616** | **(Surplus) or Deficit on Provision of Services** | **35,861** | **42,742** | **(7,509)** | **71,094** |

**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 (employees 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 NNDR; 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 Council's expenditure and income is analysed as follows:

| 2016/17 | | 2017/18 |
|---|---|---|
| **£000** | | **£000** |
| (103,148) | Fees, charges & service income | (113,203) |
| (1,470) | Interest and investment income | (10,120) |
| (265,131) | Income from Council Tax, NDR | (279,367) |
| (454,117) | Government Grants and contributions | (450,696) |
| **(823,866)** | **Total Income** | **(853,386)** |
| 314,808 | Employee benefit expenses | 334,121 |
| 446,514 | Other Service Expenses | 456,735 |
| - | Support Service recharges | |
| 8,381 | Interest expenses | 10,155 |
| 55,070 | Depreciation, amortisation and impairment | 83,375 |
| 467 | Precepts & Levies | 474 |
| 25,918 | Gain & loss on disposal of non-current assets | 21,330 |
| **851,159** | **Total Expenditure** | **906,189** |
| **27,293** | **Surplus or Deficit on Provision of Services** | **52,804** |

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 £55.662m (2016/17 £55.012m) relating to employees of Voluntary Aided and Foundation Schools.

### Segmental income

Income received on a segmental basis is analysed below:

| 2016/17 | Revenues from external customers | 2017/18 |
|---|---|---|
| **£000** | | **£000** |
| (20,926) | Health & Wellbeing | (23,806) |
| (1,358) | Children's Services | (1,030) |
| (20,698) | Education & Skills | (20,431) |
| (2,049) | Community Engagement | (2,291) |
| (654) | Leader | (494) |
| (7,876) | Planning & Environment | (7,894) |
| (8,803) | Resources | (10,072) |
| (5,961) | Transportation | (6,236) |
| (511) | Corporate costs | (555) |
| **(68,835)** | | **(72,808)** |

## 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.

## 2017/18

| Usable Reserves | | 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 | (37,820) | - | - | 37,820 |
| Revaluation losses on Property, Plant and Equipment | (24,954) | - | - | 24,954 |
| Fair Value gains / losses on Investment Properties | 1,939 | | | (1,939) |
| Amortisation of Intangible Assets | (992) | - | - | 992 |
| Capital grants and contributions applied | 54,422 | - | - | (54,422) |
| Revenue Expenditure Funded from Capital Under Statute | (19,563) | - | - | 19,563 |
| Amounts of non-current assets w ritten off on disposal as part of the (gain)/loss on disposal to the CIES | (28,151) | - | - | 28,151 |
| **Insertion of items not debited or credited to the CIES:** | | | | - |
| Statutory provision for the financing of capital investment (minimum revenue provision) | 5,946 | - | - | (5,946) |
| Capital expenditure financed from the General Fund | 4,691 | - | - | (4,691) |
| 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 | 12,004 | - | (12,004) | - |
| Application of grants to capital financing transferred to the Capital Adjustment Account | - | - | 1,007 | (1,007) |
| **Adjustments primarily involving the Capital Receipts Reserve:** | | | | |
| Transfer of cash sale proceeds credited as part of the (gain)/loss on disposal to the CIES | 8,259 | (8,259) | - | - |
| Use of the Capital Receipts Reserve to finance new capital expenditure | - | 9,701 | - | (9,701) |
| Contribution from the Capital Receipts Reserve tow ards the costs of non-current asset disposals | (59) | 59 | - | - |
| Transfer from Deferred Capital Receipts Reserve upon receipt of cash | - | (1,501) | - | 1,501 |
| Write Dow n of deferred capital receipts | (7) | | - | 7 |
| Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement | (234) | - | - | 234 |
| **Adjustments primarily involving the Financial Instruments Adjustment Account:** | | | | |
| Amount by w hich finance costs charged to the CIES are different from finance costs chargeable in the year in accordance w ith statutory requirements | (1,894) | - | - | 1,894 |
| **Adjustments primarily involving the Pension Reserve:** | | | | |
| Reversal of items relating to retirement benefits debited or credited to the CIES | (75,058) | - | - | 75,058 |
| Employer's pension contributions and direct payments to pensioners payable in the year | 32,316 | - | - | (32,316) |
| **Adjustments primarily involving the Collection Fund Adjustment Account:** | | | | |
| Amount by w hich Council Tax and NNDR income credited to the CIES is different from Council Tax and NNDR income calculated for the year in accordance w ith statutory requirements | (906) | - | - | 906 |
| **Adjustments primarily involving the Accumulated Absences Account:** | | | | |
| Amount by w hich officer remuneration charged to the CIES on an accrual basis is different from remuneration chargeable in the year in accordance w ith statutory requirements | 154 | - | - | (154) |
| **Total Adjustments** | **(67,948)** | | **(10,997)** | **78,945** |

## Comparative Figures 2016/17

| | 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 |
| Writedow n of final deferred charges | (1,358) | | | 1,358 |
| Revenue Expenditure Funded from Capital Under Statute | (20,138) | - | - | 20,138 |
| Amounts of non-current assets w ritten off on disposal as part of the (gain)/loss on disposal to the CIES | (30,766) | - | - | 30,766 |
| 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 tow ards the costs of non-current asset disposals | (198) | 198 | - | - |
| Transfer from Deferred Capital Receipts Reserve upon receipt of cash | - | (1,527) | - | 1,527 |
| Transfer or deffered sale proceeds credited as part of the gains/losses on the disposal to the CIES | - | | | - |
| 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 w hich finance costs charged to the CIESt are different from finance costs chargeable in the year in accordance w ith statutory requirements | 160 | - | - | (160) |
| **Adjustments primarily involving the Pension Reserve:** | | | | |
| Reversal of items relating to retirement benefits debited or credited to the CIES | (50,070) | - | - | 50,070 |
| Employer's pension contributions and direct payments to pensioners payable in the year | 29,894 | - | - | (29,894) |
| **Adjustments primarily involving the Collection Fund Adjustment Account:** | | | | |
| Amount by w hich Council Tax and NNDR income credited to the Comprehensive Income and Expenditure Statement is different from Council Tax income calculated for the year in accordance w ith statutory requirements | 2,306 | - | - | (2,306) |
| **Adjustments primarily involving the Accumulated Absences Account:** | | | | |
| Amount by w hich officer remuneration charged to the CIES on an accrual basis is different from remuneration chargeable in the year in accordance w ith statutory requirements | (2,269) | - | - | 2,269 |
| **Total Adjustments** | **(17,370)** | **-** | **867** | **16,503** |

## 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 2016 | Transfers Out 2016/17 | Transfers In 2016/17 | Balance at 31 March 2017 | Transfers Out 2017/18 | Transfers In 2017/18 | Balance at 31 March 2018 |
|---|---|---|---|---|---|---|---|
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| **Earmarked General Fund Reserves** | | | | | | | |
| Health & Wellbeing | (4,067) | 18,839 | (17,498) | (2,726) | 1,206 | (372) | (1,892) |
| Children's Services | (1,891) | 1,130 | (835) | (1,596) | 119 | (735) | (2,212) |
| Education & Skills | (2,336) | 770 | (2,732) | (4,299) | 3,749 | (7,128) | (7,678) |
| Community Engagement | (609) | 298 | (136) | (446) | 391 | (286) | (342) |
| Leader | (17,214) | 4,203 | (9,610) | (22,621) | 1,596 | (5,782) | (26,807) |
| Planning & Environment | (22,763) | 25,535 | (7,241) | (4,469) | 1,256 | (3,094) | (6,308) |
| Resources | (13,789) | 4,835 | (3,091) | (12,045) | 3,478 | (7,682) | (16,248) |
| Transportation | (4,231) | 403 | (2,161) | (5,990) | 1,018 | (1,962) | (6,934) |
| Corporate Costs | (30,551) | 10,938 | (10,835) | (30,448) | 7,975 | (8,341) | (30,815) |
| **Subtotal** | **(97,452)** | **66,951** | **(54,139)** | **(84,640)** | **20,787** | **(35,382)** | **(99,236)** |
| **Earmarked for Schools** | | | | | | | |
| Earmarked Schools Revenue Balances | (16,836) | 16,941 | (13,055) | (12,949) | 13,070 | (10,920) | (10,799) |
| Earmarked Schools Devolved Formula Capital | (2,366) | 2,366 | (2,017) | (2,017) | 2,017 | (1,828) | (1,828) |
| **Subtotal** | **(19,202)** | **19,307** | **(15,072)** | **(14,966)** | **15,087** | **(12,748)** | **(12,627)** |
| **Total** | **(116,654)** | **86,258** | **(69,211)** | **(99,607)** | **35,874** | **(48,130)** | **(111,863)** |

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 2017 | Balance at 31 March 2018 |
|---|---|---|
| Devolved Formula Capital carried forward | (2,017) | (1,828) |
| Surpluses carried forward* | (14,608) | (12,696) |
| Deficits carried forward* | 1,659 | 1,897 |
| **Total** | **(14,966)** | **(12,627)** |

*Excluding Academy Schools

**Health & Wellbeing** including the Public Health Reserve which holds grant funding of £1.6m that will be used in future years. It also includes £0.2m of Better Care Fund monies

**Children's Services** including Families First grant funding to be used in future years (£0.9m).

**Education & Skills** including SEND Reform monies of £0.3m and School Improvement Monitoring and Brokering monies (£0.4m) and the carry-forward of unspent DSG of £7.0m

**Leader** including funds held on behalf of other bodies such as the South East Strategic Leaders Partnership (£0.2m) and the Buckinghamshire Thames Valley Local Enterprise Partnership (£22m). Also included is the Broadband Expansion Reserve (£0.5m) and the Benefit Delivery Reserve £0.4m

**Planning & Environment** including a Waste reserve of £5.4m to smooth the effect of volatility in thrid party income and selling electricity. Also included are the Country Parks Reserves (£0.7m)

**Resources** including the Insurance Reserve (£6.1m) which relates to the estimated liabilities in respect of insurance claims not yet notified. Also included is the Energy Efficiency & Salix Reserve (£1.2m) 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 (£1.3m) and the Revenue Invest to Save Reserve (£0.9m) enables the Council to invest in existing or new asset in order to generate an income stream or future savings. The Renewals Reserve (£0.9m) 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 (£0.5m) is used to fund upfront work required to achieve future savings resulting from the Council's service transformation activities. There is a new reserve, the Unitary Reserve, set up this year to meet future costs of embedding any new local government structure (£5.5m)

**Transportation** including monies set aside for Adverse Weather (£2.1m), revenue contribution to East West Rail (£2.8m), and Fleet Renewals (£0.9m)

**Corporate Costs** including the Revenue Contribution to Capital Reserve (£30.4m) 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.

## 5 - Other Operating Expenditure

| 2016/17 | | 2017/18 |
|---|---|---|
| £000 | | £000 |
| 1,012 | (Gain)/losses on the disposal of non-current assets | 3,632 |
| 24,906 | Loss on de-recognition of Academies non-current assets | 17,698 |
| 467 | Levies - Environment Agency | 474 |
| **26,385** | **Total** | **21,803** |

## 6 - Financing and Investment Income and Expenditure

| 2016/17 | | 2017/18 |
|---|---|---|
| £000 | | £000 |
| 8,381 | Interest payable and similar charges | 10,074 |
| 18,766 | Net interest on the defined pension liability | 19,896 |
| (2,774) | Interest receivable and similar income | (2,642) |
| 1,304 | Investment Properties Income and expenditure and changes in Fair Value | (7,571) |
| **25,677** | **Total** | **19,757** |

## 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.

The Council credited the following from taxation, grants, contributions and donations to the CIES in 2017/18.

### Taxation and Non Specific Grant Income

| 2016/17 £000 | Grants Held Centrally | 2017/18 £000 |
|---|---|---|
| (248,700) | Council Tax | (264,553) |
| (23,713) | Revenue Support Grant | (8,076) |
| (16,431) | Locally Retained Non Domestic Rates | (14,814) |
| (25,391) | NNDR Top up Grant | (27,122) |
| (17,752) | Non-ringfenced Government Grants * | (18,578) |
| (60,984) | Capital Grants and Contributions | (66,425) |
| **(392,971)** | **Total** | **(399,568)** |

* Non ringfenced government grants detailed below

| 2016/17 £000 | Non-ringfenced Government Grants | 2017/18 £000 |
|---|---|---|
| (4,635) | Transition Grant | (4,587) |
| (5,145) | Education Service Grant | (1,382) |
| (1,128) | Independent Living Fund | (1,091) |
| (3,711) | New Homes Bonus | (3,220) |
| (583) | SEN / SEND Reform Grants | (682) |
| (1,038) | Small Business Rates Relief | (1,238) |
| (1,512) | Total of other grants below £1m each | (6,378) |
| **(17,752)** | **Total** | **(18,578)** |

| 2016/17 £000 | Grants Credited to Services | 2017/18 £000 |
|---|---|---|
| (270,721) | Dedicated Schools Grant | (276,837) |
| (21,614) | Public Health Grant | (21,081) |
| (5,698) | Education Funding Agency 16-19 | (5,118) |
| (3,667) | Skills Funding Agency | (3,379) |
| (1,540) | PE and Sports Grant | (2,398) |
| (465) | Department of Transport Grant | (465) |
| (6,055) | Universal Free School Meals | (5,954) |
| (8,864) | Pupil Premium | (8,737) |
| (1,109) | Devolved Formula Capital Grant | (1,075) |
| (2,777) | Disabled Facilities Grant | (3,049) |
| (3,767) | Total of other grants below £1m each | (5,122) |
| **(326,278)** | **Total** | **(333,215)** |

## 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 2017/18 are as follows:

| | Central Expenditure | Individual Schools Budgets | Total |
|---|---|---|---|
| | £000 | £000 | £000 |
| Final DSG for 2017/18 before Academy recoupment | | | 411,090 |
| Academy figure recouped for 2017/18 | | | (133,581) |
| **Total DSG after Academy recoupment for 2017/18** | | | **277,509** |
| Brought forward from 2016/17 | | | 2,732 |
| Carry-forward to 2018/19 agreed in advance | | | (1,177) |
| **Agreed initial budgeted distribution in 2017/18** | | | **279,064** |
| Final budgeted distribution for 2017/18 | 72,295 | 205,993 | 278,288 |
| Less Actual central expenditure | (69,034) | | (69,034) |
| Less Actual ISB deployed to schools | | (203,464) | (203,464) |
| Plus agreed carry-forward for 2018/19 | | | 1,177 |
| **Carry Forward to 2018/19** | **3,261** | **2,529** | **6,967** |

## 9 - Members Allowances

| 2016/17 | | 2017/18 |
|---|---|---|
| £000 | | £000 |
| 546 | Salaries | 558 |
| 98 | Employer Contributions | 68 |
| 344 | Allowances | 344 |
| **988** | **Total** | **970** |

## 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 Pension Fund £2.3m in 2017/18 (2016/17 £1.9m) for expenses incurred in administering the Pension Fund.

### Members

Members of the Council have direct control over the Council's financial and operating policies. The total of Members' allowances paid in 2017/18 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 the Director and majority shareholder of TWK Transit, a specialist transport management company that has both private and public sector contracts providing transport services. TWK Transit is part of the Khattak Group of companies including Redline Buses, Red Eagle Buses Ltd and Red Rose Buses. During 2017/18 TWK Transit provided the Council with transport services to the value of £1.57m (2016/17 £1.54m). Collectively the Khattak Group have provided services to the value of £3.71m (2016/17 £3.67m).

### Interests in Companies and Other Entities

### Buckinghamshire Learning Trust (BLT)

The BLT is an educational charity delivering a comprehensive range of services to schools and early years' settings, including school and early years' improvement, specialist teaching, CPD and other key support services. The Trust received £7.72m from the Council (2016/17 £8.01m) including grant funding of £6.5m (2016/17 £6.9m). Income received by the Council from the BLT in relation to a support services buy-back agreement was £0.20m (2016/17 £0.58m).

### Adventure Learning Charity

The Adventure Learning Charity is a registered charity and a company limited by guarantee. Its aim is to provide high quality, affordable outdoor education, activity and sports services for young people. In 2013/14, the Council leased the Green Park Centre, Aston Clinton and the Shortenhills Centre, Chalfont St Giles to the ALF for a period of 25 years. Overall responsibility for the strategic direction of the organisation sits with the board of trustees who delegate operational responsibility to the CEO. The Trustees include representatives from the founding centres, the Council and key stakeholders. The Council has made a £0.765m loan to ALF to cover initial investment. An assessment of the recoverability of loans due to operating losses currently being incurred by the Charity has resulted in a provision being held against this loan. The Council has purchased services of £0.43m during the year from ALF (2016/17 £0.40m).

**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 July 2014 to provide a museum and arts service previously provided by the Council. During 2017/18 the Trust received funding from the Council totalling £0.44m (2016/17 £0.43m).

**Buckinghamshire Business First (BBF)**

Buckinghamshire Business First (BBF) is a not for profit organisation that works in partnership with key stakeholders to co-ordinate business, innovation and trade support within Buckinghamshire. Its mission is to foster the conditions that encourage businesses to invest, grow and thrive in Buckinghamshire. The Council has a Service Level Agreement with BBF and contributed £0.525m (2016/17 £0.428m) towards operating costs and an additional £0.06m (2016/17 £0.1m) towards administration of the BDUK Broadband Project

**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. During 2017/18 the Council has made a contribution towards operating costs of £0.55m (2016/17 £0.179m).

**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 £0.19m (2016/17 £0.15m) and been reimbursed £0.08m (2016/17 £0.08m) for services provided to the BTVLEP. In addition BTVLEP funding had available new funds to be used to pump prime of £10.874m (2016/17 £17.492m) for strategic capital infrastructure projects. As at 31 March 2018 £22.00m (2016/17 £20.52m) 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 2017/18 was £0.63m (2016/17 £0.68m). In addition Buckinghamshire County Council provided a contribution of £0.04m towards an office move.

**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 (SCC). The joint service is hosted by Surrey County Council, and provides trading standards services across the two counties. During 2017/18 the joint service fee paid by BCC to SCC totalled £0.941m (2016/17 £1.017m)

**HR and Legal Shared Service Arrangement**

The Council has entered into an Inter Authority Agreement with the 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 Councils under this agreement, which also involves 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 2017/18 BCC paid fees of £4.461m (£2.506m in 2016/17) and received income of £0.203m (£0.310m in 2016/17) under this arrangement.

**Aylesbury Garden Town**

A partnership between AVDC, BCC, two LEPs (Buckinghamshire Thames Valley LEP and South East Midlands LEP) and Buckinghamshire Advantage Ltd. Garden Town status provides the support to better plan and develop already proposed housing, and ensure new and existing development within the town works well together. No BCC financial contribution in 17/18.

**England's Economic Heartland (EEH)**

EEH coordinates the work of local authorities and Local Enterprise Partnerships to develop transport proposals for the Cambridge/Milton Keynes/Oxford corridor. In 2017/18 BCC contributed £0.13m.  As at 31 March £0.71m the Council holds on behalf of EEH.

**East West Rail Consortium**

A group of 19 local authorities and businesses with an interest in improving access to and from East Anglia and the Milton Keynes South Midlands growth area. BCC has the role of the accountable body for the Joint Delivery Board (Western Section). Buckinghamshire County Council's element of the funding in 2017/18 was £1.0m

## 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 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 2017/18 was as follows:

| | Employee Name | Salary, Fees and Allowances £ | Pension Contrib'ns £ | 2017/18 Total £ | 2016/17 Total £ |
|---|---|---|---|---|---|
| Chief Executive | Rachel Shimmin | 199,484 | 52,664 | 252,148 | 158,434 |
| Chief Executive (Interim Apr-Aug) | | | | - | 100,980 |
| Assistant Chief Executive (Monitoring Officer) | | 86,754 | 22,903 | 109,657 | 125,764 |
| Director of Finance and Procurement (s151 Officer) | Richard Ambrose | 120,044 | 31,692 | 151,736 | 156,766 |
| Director of Public Health | | 125,807 | 18,091 | 143,898 | 144,037 |
| **Resources** | | | | | |
| Managing Director (Apr - Dec) | Gillian Quinton | 116,761 | 30,825 | 147,585 | 186,008 |
| Managing Director (Jan - Mar) | | 28,918 | 7,634 | | |
| **Transport Economy and Environment** | | | | | |
| Managing Director | | 126,261 | 14,156 | 140,417 | 205,251 |
| **Children's Services** | | | | | |
| Executive Director (Apr) | | 16,060 | 3,207 | 19,266 | 178,108 |
| Executive Director (Apr - Oct) | Gladys Rhodes-White | 135,141 | - | 135,141 | |
| Executive Director (Oct - Mar) | | 75,150 | 19,800 | 94,950 | |
| **Communities, Health & Adult Social Care** | | | | | |
| Executive Director (Apr - Oct) | Shelia Norris | 135,000 | 35,640 | 170,640 | 196,164 |
| Executive Director (Nov - Jan) | Gladys Rhodes-White | 38,341 | - | 38,341 | |
| Executive Director (Jan - Mar) | Gillian Quinton | 38,821 | 10,249 | 49,069 | |
| | | **1,242,539** | **246,860** | **1,452,847** | **1,451,513** |

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:

| | | | 2016/17 | | | 2017/18 |
|---|---|---|---|---|---|---|
| | **Non Schools** | **Schools** | **Total** | **Non Schools** | **Schools** | **Total** |
| £50,000 - £54,999 | 71 | 79 | 150 | 72 | 58 | 130 |
| £55,000 - £59,999 | 37 | 61 | 98 | 38 | 57 | 95 |
| £60,000 - £64,999 | 27 | 35 | 62 | 30 | 37 | 67 |
| £65,000 - £69,999 | 14 | 21 | 35 | 21 | 20 | 41 |
| £70,000 - £74,999 | 11 | 11 | 22 | 8 | 10 | 18 |
| £75,000 - £79,999 | 6 | 11 | 17 | 5 | 7 | 12 |
| £80,000 - £84,999 | 8 | 3 | 11 | 4 | 4 | 8 |
| £85,000 - £89,999 | 1 | 4 | 5 | 5 | 2 | 7 |
| £90,000 - £94,999 | 2 | 2 | 4 | 2 | 1 | 3 |
| £95,000 - £99,999 | - | 2 | 2 | 4 | - | 4 |
| £100,000 - £104,999 | 4 | - | 4 | 3 | - | 3 |
| £105,000 - £109,999 | 4 | - | 4 | 2 | - | 2 |
| £110,000 - £114,999 | 1 | - | 1 | 2 | - | 2 |
| £115,000 - £119,999 | - | - | - | 2 | - | 2 |
| £120,000 - £124,999 | - | - | - | 1 | - | 1 |
| £125,000 - £129,999 | 3 | - | 3 | 2 | - | 2 |
| £130,000 - £134,999 | - | 1 | 1 | - | 1 | 1 |
| £135,000 - £139,999 | | | | 1 | | 1 |
| £140,000 - £149,999 | 1 | - | 1 | | | - |
| £150,000 - £154,999 | 1 | - | 1 | | | - |
| £155,000 - £159,999 | | | | 1 | | 1 |
| £160,000 - £164,999 | | | | 1 | | 1 |
| £170,000 - £174,999 | 1 | - | 1 | | | - |
| £175,000 - £199,999 | - | - | - | 1 | | 1 |
| | **192** | **230** | **422** | **205** | **197** | **402** |

## 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 2017/18, incurring liabilities of £0.760m (2016/17 £0.801m). 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 | |
|---|---|---|---|---|---|---|---|---|
| | 2016/17 | 2017/18 | 2016/17 | 2017/18 | 2016/17 | 2017/18 | 2016/17 | 2017/18 |
| | | | | | | | £000 | £000 |
| £0 - £19,999 | 11 | 5 | 38 | 49 | 49 | 54 | 322 | 303 |
| £20,000 - £39,999 | 3 | 1 | 2 | 10 | 5 | 12 | 151 | 363 |
| £40,000 - £59,999 | 2 | 1 | 1 | 1 | 3 | 1 | 135 | 94 |
| £150,000-£199,999 | - | | 1 | | 1 | | 193 | |
| | **16** | **7** | **42** | **60** | **58** | **67** | **801** | **760** |

## 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 2017/18, the Council paid an estimated £13.045m (2016/17 £13.182m) to Teachers' Pensions in respect of teachers' retirement benefits, representing 16.48% (2016/17 16.7%) of pensionable pay. The expected contribution to be paid by the Council in relation to Teachers Pensions for 2018/19 is estimated around £13.436m. 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 2017/18 the Council paid an estimated £0.163m to NHS Pensions in respect of public health staff retirement benefits (2016/17 £0.038m). The expected contribution to be paid by the Council in relation to the NHS Pension Scheme for 2018/19 is estimated around £0.179m. 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:

| 2016/17 | | 2017/18 |
|---|---|---|
| **£000** | **Cost of Services** | **£000** |
| 30,790 | Service Cost (comprising) | 54,403 |
| 30,758 | - current service cost | 58,483 |
| 880 | - past service costs | 286 |
| (848) | - settlements and curtailments | (4,366) |
| 514 | Administration expenses | 759 |
| | **Financing and Investment Income and Expenditure** | |
| 18,766 | Net interest on the defined liability | 19,896 |
| **50,070** | **Total Post Employment Benefit Charged to the Surplus/Deficit on the Provision of Services** | **75,058** |

| 2016/17 | Other Comprehensive Income and Expenditure | 2017/18 |
|---|---|---|
| **£000** | **Remeasurement of the defined benefit liability, comprising:** | **£000** |
| 88,026 | Return on plan assets in excess of interest | 24,106 |
| 17,627 | Actuarial gains and losses | |
| (278,847) | Change in Financial assumptions | 29,216 |
| 19,445 | Change in demographic assumptions | |
| (41,624) | Experience gain/loss on defined benefit obligation | |
| **(195,373)** | **Total Post Employment Benefit charged to the CIES** | **53,322** |

| 2016/17 | | 2017/18 |
|---|---|---|
| **£000** | **Movement in Reserves Statement** | **£000** |
| (50,070) | Reversal of net charges made to the Surplus/Deficit for the Provision of Services for post employment benefits in accordance with the Code | (75,058) |
| 29,894 | Actual amount charged against the General Fund balance employers' contributions payable in year to the scheme | 32,316 |

The change in financial assumptions has resulted in a gain of £29.216m in respect of pensions liabilities (as shown above). This is due to an increase in the discount rate by 0.15% p.a.

## 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:

| | 2013/14 | 2014/15 | 2015/16 | 2016/17 | 2017/18 |
|---|---|---|---|---|---|
| | **£000** | **£000** | **£000** | **£000** | **£000** |
| Present value of the defined benefit obligation | (1,043,725) | (1,211,823) | (1,168,307) | (1,511,758) | (1,555,403) |
| Fair value of plan assets | 597,615 | 655,142 | 654,147 | 783,865 | 836,822 |
| **Net liability on Fund** | **(446,110)** | **(556,681)** | **(514,160)** | **(727,893)** | **(718,581)** |
| Present value of unfunded obligation | (24,999) | (26,327) | (24,234) | (26,050) | (24,782) |
| **Net liability in Balance Sheet** | **(471,109)** | **(583,008)** | **(538,394)** | **(753,943)** | **(743,363)** |

## 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 2.55% (2016/17 2.7%) based on the annualised yield at the 18 year point on the Merill Lynch AA rated corporate bond curve. This is consistent with the approach used at the last accounting date.

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

- Current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the CIES to the services for which the employees worked;
- Past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to 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.

| **2016/17** | | **2017/18** |
|---|---|---|
| **£000** | | **£000** |
| (1,192,541) | **Opening balance at 1 April** | (1,537,808) |
| (30,758) | Current service cost | (58,483) |
| (880) | Past service costs, including curtailments | (286) |
| (42,179) | Interest cost | (41,182) |
| (7,734) | Contributions by scheme participants | (7,627) |
| | **Remeasurement gains and losses:** | |
| (278,847) | - change in financial assumptions | 29,216 |
| 19,445 | - change in demographic assumptions | |
| (41,624) | - experience loss/(gain) on defined benefit obligation | |
| (1,819) | Liabilities extinguished on settlements | 5,448 |
| 37,260 | Estimated benefits paid net of transfers in | 28,820 |
| 1,869 | Unfunded pension payments | 1,717 |
| **(1,537,808)** | **Closing balance at 31 March** | **(1,580,185)** |

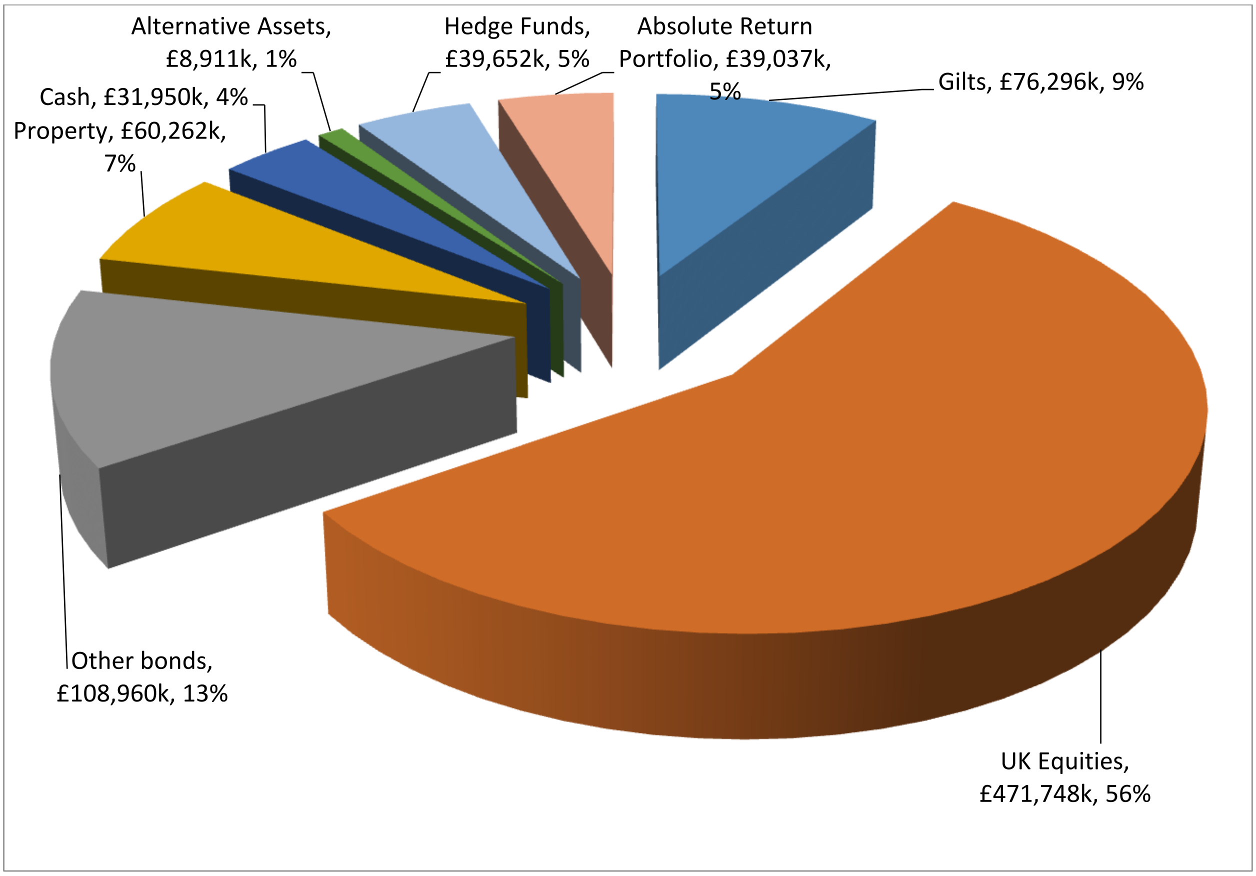
## Reconciliation of the movement in the fair value of the scheme (plan) assets

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

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

| 2016/17 £000 | | 2017/18 £000 |
|---|---|---|
| 654,147 | **Opening balance at 1 April** | 783,865 |
| 23,413 | Interest on assets | 21,286 |
| | Remeasurement gains and losses: | |
| 88,026 | - return on plan assets less the amount included in net interest expense | 24,106 |
| 17,627 | - other actuarial gains/(losses) | |
| (514) | Administration expenses | (759) |
| 29,894 | Employer contributions | 32,316 |
| 7,734 | Contributions by scheme participants | 7,627 |
| (39,129) | Estimated benefits paid plus unfunded net of transfers in | (30,537) |
| 2,667 | Settlement prices received/(paid) | (1,082) |
| **783,865** | **Closing balance at 31 March** | **836,822** |

## 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:

| 2016/17 | Mortality assumptions: | 2017/18 |
|---|---|---|
| | Longevity at 65 for current pensioners: | |
| 23.8 years | ■ Men | 24 years |
| 26 years | ■ Women | 26.1 years |
| | **Longevity at 65 for future pensioners:** | |
| 26.1 years | ■ Men | 26.2 years |
| 28.3 years | ■ Women | 28.4 years |
| | **Other assumptions:** | |
| 3.5% | RPI Increases | 3.35% |
| 2.6% | CPI Increases | 2.35% |
| 4.1% | Rate of increase in salaries | 3.85% |
| 2.6% | Rate of increase in pensions | 2.35% |
| 2.7% | Rate for discounting scheme liabilities | 2.55% |
| 10.0% | Take-up option to convert annual pension into retirement lump sum | 10.00% |

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 only 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% | 1,580,185 | 58,187 |
| Adjustment to discount rate | +0.1% | 1,552,345 | 56,758 |
| | -0.1% | 1,608,551 | 59,653 |
| Adjustment to long term salary increase | +0.1% | 1,582,164 | 58,187 |
| | -0.1% | 1,578,218 | 58,187 |
| Adjustment to pension increases and deferred revaluation | +0.1% | 1,606,600 | 59,655 |
| | -0.1% | 1,554,232 | 56,754 |
| Adjustment to mortality age rating assumption | + 1 year | 1,641,184 | 60,043 |
| | - 1 year | 1,521,523 | 56,388 |

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 of 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 £31.498m in 2018/19. 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 Charity, 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. The Council has also provided Pension guarantees in relation to Action for Children, Bucks County Museum and Connexions

## 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 the 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 and 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 2017/18 is £5.946m (2016/17 £4.035m).

## 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 |
|---|---|---|---|---|---|---|
| **Cost or Valuation** | | | | | | |
| **At 1 April 2017** | **850,004** | **124,659** | **446,263** | **3,721** | **648** | **1,425,295** |
| Additions | 14,378 | 1,054 | 32,763 | 158 | 1,759 | 50,112 |
| Revaluation increases recognised in the Revaluation Reserve | 44,723 | - | - | 193 | - | 44,917 |
| Revaluation (decreases) recognised in the Revaluation Reserve | (2,684) | - | - | (97) | - | (2,781) |
| Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services | (23,409) | - | - | (7) | - | (23,416) |
| Derecognition - disposals | (30,495) | (6,079) | - | - | - | (36,573) |
| Derecognition - other | (1,538) | - | - | - | - | (1,538) |
| Assets reclassified | (2,008) | - | - | 1,469 | - | (539) |
| **At 31 March 2018** | **848,972** | **119,635** | **479,026** | **5,437** | **2,407** | **1,455,476** |
| **Accumulated Depreciation and Impairment** | | | | | | |
| At 1 April 2017 | **(46,577)** | **(10,816)** | **(86,283)** | **(1,467)** | **-** | **(145,144)** |
| Depreciation charge | (21,584) | (4,062) | (12,088) | (74) | - | (37,808) |
| Depreciation written out to the Revaluation Reserve | 20,632 | | | 165 | | 20,797 |
| Derecognition - disposals | 3,597 | 5,831 | - | - | - | 9,428 |
| Derecognition - other | | | | | | - |
| Assets reclassified | 166 | - | - | (108) | - | 58 |
| **At 31 March 2018** | **(43,765)** | **(9,047)** | **(98,371)** | **(1,485)** | **-** | **(152,668)** |
| **Net Book Value** | | | | | | |
| as at 31 March 2018 | 805,206 | 110,588 | 380,655 | 3,953 | 2,407 | 1,302,809 |
| as at 1 April 2017 | 803,427 | 113,843 | 359,980 | 2,254 | 648 | 1,280,152 |

The main movements include revaluation increases of £65.356m (made up of gross valuation of £44.723 and accumulated depreciation of £20.632). Other main movements include the transfer of some schools to Academy status. This has resulted in a disposal of £17.698m, within the Other Land & Buildings disposal figure of £30.495m.

| | Other Land and Buildings £000 | Vehicles, Plant and Equipment £000 | Infrastructure Assets £000 | Surplus Assets £000 | Assets Under Construction £000 | Total £000 |
|---|---|---|---|---|---|---|
| **Cost or Valuation** | | | | | | |
| **At 1 April 2016** | **676,270** | **12,611** | **415,476** | **4,274** | **166,325** | **1,274,956** |
| Additions | 23,220 | 1,213 | 27,591 | 61 | 13,807 | 65,891 |
| Revaluation increases recognised in the Revaluation Reserve | 127,844 | | | 207 | | 128,051 |
| 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 | (31,838) | (269) | | | | (32,108) |
| Derecognition - other | (3,773) | | | | | (3,773) |
| Assets reclassified | 64,886 | 111,104 | 3,196 | (10) | (179,484) | (308) |
| **At 31 March 2017** | **850,006** | **124,659** | **446,263** | **3,721** | **648** | **1,425,295** |
| **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) | | | (29,860) |
| Depreciation written out to the Revaluation Reserve | 51,485 | | | | | 51,485 |
| Derecognition - disposals | 5,315 | 238 | | | | 5,553 |
| Derecognition - other | 153 | | | | | 153 |
| Assets reclassified | 31 | | | | | 31 |
| **At 31 March 2017** | **(46,578)** | **(10,816)** | **(86,283)** | **(1,467)** | **-** | **(145,144)** |
| **Net Book Value** | | | | | | |
| as at 31 March 2017 | 803,427 | 113,843 | 359,979 | 2,254 | 648 | 1,280,150 |
| as at 1 April 2016 | 590,526 | 2,284 | 340,508 | 2,807 | 166,325 | 1,102,451 |

## Capital Commitments

| Project | Type of Contract | Name of Contractor | Contract Value | Amount Outstandi |
|---|---|---|---|---|
| | | | £000 | £000 |
| Green Ridge Primary Academy, Berryfiel | Construction | Kier Construction-Southern | 19,531 | 15,058 |
| Highcrest Academy | Construction | LIFE Build Solutions Limited | 3,291 | 2,376 |
| John Hampden School, Wendover | Construction | E W Beard Ltd | 3,238 | 2,598 |
| Beaconsfield Adult Learning Centre | Construction | Glenman Corporation Ltd | 1,427 | 1,427 |
| Aylesbury Satellite Secondary School | Construction | BAM construction | 1,957 | 1,395 |
| Millbrook Combined School | Construction | Lakehouse Contracts Ltd | 1,605 | 905 |
| Haydon Abbey School | Construction | T&B (Contractors) Ltd^ | 1,124 | 662 |
| Turnfurlong Infant School | Construction | Jet Construction | 478 | 478 |
| Oakridge School | Construction | C J Bricknall And Co. Ltd | 371 | 371 |
| Old County Offices | Construction | Willmott Dixon Construction Limited | 533 | 367 |
| Chiltern/BCC Area Office | Construction | Kier Construction-Southern | 311 | 311 |
| | | | **33,866** | **25,948** |

At 31 March 2018, the Council has £25.948m capital commitments for the construction or enhancement of Property, Plant, Equipment and Intangible Assets. Commitments as at 31 March 2017 were £18.296m.

## Revaluations

The following table shows the progress of the Council's five year rolling programme for the revaluation of fixed assets. The valuations for 2017/18 have been carried out by RICS qualified external company, Carter Jonas. The effective date of valuation for the current year was 1 April 2017.

| | Other Land and Buildings £000 | Vehicles, Plant and Equipment £000 | Infrastructure Assets £000 | Surplus Assets £000 |
|---|---|---|---|---|
| **Carried at historical cost:** | | 110,588 | 380,655 | |
| **Valued at fair value as at:** | | | | |
| 31 March 2014 | 147,060 | | | |
| 31 March 2015 | 159,360 | | | |
| 31 March 2016 | 159,192 | | | 2,010 |
| 31 March 2017 | 229,577 | | | 2,247 |
| 31 March 2018 | 133,350 | | | 3,617 |
| **Total Cost or Valuation** | **828,540** | **110,588** | **380,655** | **7,874** |

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 £237.732m as at 31 March 2018 (£217.131m as at 31 March 2017).

### 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 the 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.

| 2016/17 £000 | | 2017/18 £000 |
|---|---|---|
| 325,827 | Opening Capital Financing Requirement | 362,872 |
| | **Capital Investment** | |
| 65,891 | Property, plant and equipment | 50,248 |
| 42,763 | Investment properties | 37,538 |
| 1,517 | Intangible assets | 868 |
| 20,138 | Revenue Expenditure Funded from Capital Under Statute | 19,563 |
| | **Source of Finance** | |
| (7,495) | Capital receipts | (9,701) |
| (61,851) | Government grants and other contributions | (55,428) |
| (2,261) | Direct revenue contributions | (4,691) |
| (17,622) | Waste reserve contributions | - |
| (4,035) | Minimum revenue provision | (5,946) |
| **362,872** | **Closing Capital Financing Requirement** | **395,323** |
| | Explanation of movements in year | |
| 37,045 | Increase/(decrease) in underlying need to borrowing (unsupported by government financial assistance) | 32,451 |
| **37,045** | **Increase/(decrease) in Capital Financing Requirement** | **32,451** |

## 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 2017 | 787 | 1,056 | 5,681 | 7,524 |
| **31 March 2018** | 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.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.

## 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 £0.992m charged to revenue in 2017/18 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:

| 2016/17 £000 | | 2017/18 £000 |
|---|---|---|
| | **Balance at start year:** | |
| 8,812 | Gross carrying amounts | 9,172 |
| (7,420) | Accumulated amortisation | (6,783) |
| | **Net carrying amount at start of year** | |
| 1,517 | Purchases | 868 |
| (1,157) | Disposals | (5,613) |
| 1,068 | Accumulated amortisation written out on disposal | 5,613 |
| (431) | Amortisation for the period | (992) |
| **2,389** | **Net carrying amount at end of year** | **2,264** |
| | Comprising: | |
| 9,172 | Gross carrying amounts | 4,427 |
| (6,783) | Accumulated amortisation | (2,163) |
| **2,389** | | **2,264** |

## 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:

| **2016/17** | | **2017/18** |
|---|---|---|
| **£000** | | **£000** |
| (2,396) | Rental income from Investment Property | (4,277) |
| 632 | Direct operating expenses arising from Investment Property | 212 |
| 3,155 | Revaluation gains and losses | (9,873) |
| (87) | Profit or loss on disposal of Investment Property | |
| **1,304** | **Balance outstanding at year end** | **(13,938)** |

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

| **2016/17** | | **2017/18** |
|---|---|---|
| **£000** | | **£000** |
| 44,773 | Balance at start of the year | 83,819 |
| 42,763 | Additions | 37,675 |
| (504) | Disposals | (230) |
| (3,072) | Net gains / loses from fair value adjustments | 9,122 |
| (142) | Transfers to / from Property, Plant and Equipment | 426 |
| **83,819** | **Balance outstanding at year end** | **130,812** |

### Valuation Process for Investment Properties

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

### Fair Value Hierarchy

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

| Other Significant Observable Inputs (Level 2) | Fair Value as at 31 March 2017 | | Other Significant Observable Inputs (Level 2) | Fair Value as at 31 March 2018 |
|---|---|---|---|---|
| 41,469 | 41,469 | Residential Property (market rental) | 42,575 | 42,575 |
| 42,350 | 42,350 | Commercial Units | 88,236 | 88,236 |
| **83,819** | **83,819** | **Total** | **130,811** | **130,811** |

## 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.

| 2016/17 £000 | | 2017/18 £000 |
|---|---|---|
| 671 | **Balance outstanding at start of the year:** | 1,071 |
| | **Assets newly classified as held for sale:** | |
| 371 | Property, Plant and Equipment | 55 |
| 40 | Revaluation gains | 940 |
| (12) | Depreciation | (12) |
| | **Assets declassified as held for sale:** | |
| - | Assets sold | (776) |
| **1,071** | **Balance outstanding at year end** | **1,278** |

## 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 | |
|---|---|---|---|---|
| **Investments** | **31 March 2017** | **31 March 2018** | **31 March 2017** | **31 March 2018** |
| **Loans and Receivables:** | **£000** | **£000** | **£000** | **£000** |
| Cash and Cash Equivalents | - | - | 3,843 | 1,927 |
| Temporary Loans | - | - | 26 | 1,927 |
| Loans to Local Authority companies and other entities | 185 | 185 | - | - |
| Investments | 321 | 576 | 5,108 | 89 |
| Available for sale Financial Assets | - | - | 17,678 | 23,448 |
| **Total Investments** | **506** | **761** | **26,655** | **27,391** |
| **Trade and Other Receivables** | | | | |
| Loans and Receivables | 15,169 | 13,454 | 50,434 | 46,065 |
| **Total Trade and Other Receivables** | **15,169** | **13,454** | **50,434** | **46,065** |
| **Less Statutory Items to be Excluded** | | | | |
| Payments in Advance | - | - | (4,214) | (3,752) |
| Collection Fund Adjustment | - | - | (10,375) | (6,126) |
| Her Majesty's Revenue and Customs (HMRC) | - | - | (5,803) | (6,394) |
| **Total to be Deducted from Loans and Receivables** | **-** | **-** | **(20,392)** | **(16,272)** |
| **Total Value of Assets** | **15,675** | **14,215** | **56,697** | **57,184** |
| **Borrowings** | | | | |
| Financial Liabilities at Amortised Cost | (139,000) | (169,096) | (85,342) | (44,188) |
| **Total Borrowings** | **(139,000)** | **(169,096)** | **(85,342)** | **(44,188)** |
| **Trade and Other Payables** | | | | |
| Financial Liabilities at Amortised Cost | - | - | (97,289) | (111,766) |
| **Total Trade and Other Payables** | **-** | **-** | **(97,289)** | **(111,766)** |
| **Less Statutory Items to be Excluded** | | | | |
| Receipts in Advance and Deferred Income | - | - | 16,081 | 15,715 |
| Collection Fund Adjustment | - | - | 5,022 | 4,964 |
| Her Majesty's Revenue and Customs (HMRC) | - | - | 4,365 | 4,631 |
| **Total to be Deducted from Liabilities** | **-** | **-** | **25,468** | **25,310** |
| **Total Value of Liabilities** | **(139,000)** | **(169,096)** | **(157,163)** | **(130,644)** |

## Income, Expenditure, Gains and Losses

| | 2016/17 | | | | 2017/18 | | | |
|---|---|---|---|---|---|---|---|---|
| | measured at amortised cost | Financial Assets: Loans and receivables | Financial Assets: Available for sale | Total | Financial Liabilities measured at amortised cost | Financial Assets: Loans and receivables | Financial Assets: Available for sale | Total |
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Interest Expense | 8,381 | - | - | **8,381** | 9,041 | | | **9,041** |
| **Total expense in Surplus or Deficit on the Provision of Services** | **8,381** | **-** | **-** | **8,381** | **9,041** | **-** | **-** | **9,041** |
| Interest Income | - | (2,069) | (705) | **(2,774)** | | (2,293) | (349) | **(2,642)** |
| **Total income in Surplus or Deficit on the Provision of Services** | **-** | **(2,069)** | **(705)** | **(2,774)** | **-** | **(2,293)** | **(349)** | **(2,642)** |
| Gains on revaluation | - | - | - | **-** | | | (336) | **(336)** |
| Losses on revaluation | - | - | 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** | **-** | **-** | **391** | **391** | **-** | **-** | **(336)** | **(336)** |
| **Net loss/(gain) for the year** | **8,381** | **(2,069)** | **(314)** | **5,997** | **9,041** | **(2,293)** | **(685)** | **6,063** |

## 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.

| **Recurring fair value measurements usi** | 2016/17 | | | | 2017/18 | | | |
|---|---|---|---|---|---|---|---|---|
| | 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 | 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 2018 |
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Available for Sale Financial Assets | 5,911 | 11,767 | - | 17,678 | 6,122 | 18,239 | | 24,361 |
| **Total** | **5,911** | **11,767** | **-** | **17,678** | **6,122** | **18,239** | **-** | **24,361** |

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 2018 is the repayment cost calculated using the repayment interest rates at 31 March 2018. 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 2018
- 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 2017 | | 31 March 2018 | |
|---|---|---|---|---|
| | Carrying amount | Fair value | Carrying amount | Fair value |
| | £000 | £000 | £000 | £000 |
| Financial liabilities | (224,342) | (332,102) | (213,284) | (274,663) |

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 2017 | | 31 March 2018 | |
|---|---|---|---|---|
| | Carrying amount | Fair value | Carrying amount | Fair value |
| | £000 | £000 | £000 | £000 |
| Loans and receivables | 57,204 | 57,216 | 51,401 | 51,401 |
| Long-term Trade and Other Receivables | 15,169 | 15,169 | 13,454 | 13,454 |

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 2017 | | | 31 March 2018 | | |
|---|---|---|---|---|---|---|
| | Other significant observable inputs (level 2) £000 | Significant unobservable inputs (level 3) £000 | Total £000 | Other significant observable inputs (level 2) £000 | Significant unobservable inputs (level 3) £000 | Total £000 |
| **Financial liabilities** | | | | | | |
| Loans/borrowings | (332,102) | - | (332,102) | (274,663) | - | (274,663) |
| **Total** | **(332,102)** | - | **(332,102)** | **(274,663)** | - | **(274,663)** |
| **Financial assets** | | | | | | |
| Other loans and receivables | 5,429 | - | 5,429 | 665 | - | 665 |
| Soft Loans | - | 532 | 532 | - | 2,688 | 2,688 |
| Other Long-term Debtors | - | 15,169 | 15,169 | - | 13,454 | 13,454 |
| **Total** | **5,429** | **15,701** | **21,130** | **665** | **16,142** | **16,807** |

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 2018 | Historical experience of default | Historical experience adjusted for market conditions at 31 March 2018 | Estimated maximum exposure to default and uncollectability at 31 March 2018 | Estimated maximum exposure at 31 March 2017 |
|---|---|---|---|---|---|
| | £000 | % | % | £000 | £000 |
| | A | B | C | (A x C) | |
| Deposits with banks and financial institutions | 18,238 | 0.006% | 0.009% | 1.64 | 14.00 |
| Customers | 17,656 | 0.005% | 10.155% | 1,793.00 | 1,380.00 |
| | | | | **1,794.64** | **1,394.00** |

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 £17.565m (2016/17 £15.954m) balance £11.977m (2016/17 £13.803m) 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 £1.793m (2016/17 £1.380m) to be made in respect of these trade receivables.

The Council does not generally allow credit for customers, such that £10.716m of the £11.977m balance is past its due date for payment. The past due amount can be analysed by age as follows:

| 31 March 2017 | | 31 March 2018 |
|---|---|---|
| £000 | | £000 |
| 2,430 | Less than three months | 5,349 |
| 740 | Three to six months | 854 |
| 1,538 | Six months to one year | 1,442 |
| 3,975 | More than one year | 3,070 |
| **8,683** | | **10,716** |

## 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 2017 | | 31 March 2018 |
|---|---|---|
| £000 | | £000 |
| 85,324 | Less than one year | 44,198 |
| 10,000 | Between one and two years | 7,000 |
| 7,000 | Between two and five years | 10,000 |
| 122,000 | More than five years | 152,096 |
| **224,324** | | **213,294** |

## 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 2017/18 would have been:

| 31 March 2017 | | 31 March 2018 |
|---|---|---|
| £000 | | £000 |
| (498) | Increase in interest payable on variable rate borrowings | (252) |
| 132 | Increase in interest receivable on variable rate investments | 197 |
| **(366)** | **Impact on Surplus/Deficit on the Provision of Services** | **(55)** |
| (13) | Decrease in fair value of fixed rate investment assets | - |
| **(13)** | **Impact on Other Comprehensive Income and Expenditure** | **-** |
| 45,076 | 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) | (44,310) |

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 2017 | | 31 March 2018 |
|---|---|---|
| £000 | | £000 |
| 3,843 | Bank current accounts | 1,927 |
| **3,843** | **Total Cash and Cash Equivalents** | **1,927** |

## 24 - Trade and Other Receivables and Payables

### Short Term Trade and Other Receivables

| 31 March 2017 | | 31 March 2018 |
|---|---|---|
| £000 | | £000 |
| 1,686 | Central Government bodies | 810 |
| 5,803 | HM Revenue and Customs | 6,394 |
| 1,946 | Other local authorities and NHS | 464 |
| 10,375 | Collection Fund adjustment | 12,670 |
| 27,790 | Sundry Trade and Other Receivables | 23,768 |
| 4,214 | Payments in advance | 3,752 |
| **51,814** | **Total** | **47,858** |
| (1,380) | Provision for doubtful debts | (1,793) |
| **50,434** | **Total Short Term Trade and Other Receivables** | **46,065** |

## Long Term Trade and Other Receivables

| 31 March 2017 £000 | | 31 March 2018 £000 |
|---|---|---|
| 12,766 | Reprovisioning of Adult Social Care | 12,012 |
| 1,428 | Finance lease | 483 |
| 975 | Other Long Term Trade and Other Receivables | 959 |
| **15,169** | **Total Long Term Trade and Other Receivables** | **13,454** |

## Short Term Trade and Other Payables

| 31 March 2017 £000 | | 31 March 2018 £000 |
|---|---|---|
| (4,365) | HM Revenue and Customs | (4,631) |
| (511) | Central Government bodies | (1,070) |
| (3,114) | Other local authorities and NHS | (4,269) |
| (5,022) | Collection Fund adjustment | (8,582) |
| (18,443) | Deposits from contractors and others | (28,413) |
| (39,708) | Other sundry creditors | (41,746) |
| (16,081) | Receipts in advance and deferred income | (15,715) |
| (10,045) | Capital expenditure | (7,340) |
| **(97,289)** | **Total** | **(111,766)** |

## 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 2018:

| | Insurance | National Non-Domestic Rates | Other | Total |
|---|---|---|---|---|
| | £000 | £000 | £000 | £000 |
| **1 April 2017** | **(5,420)** | **(1,520)** | **-** | **(6,940)** |
| Additional provisions made | (256) | (1,162) | (205) | (1,623) |
| Amounts used | 32 | | | 32 |
| Unused amounts reversed | | 1,520 | | 1,520 |
| **Balance at 31 March 2018** | **(5,644)** | **(1,162)** | **(205)** | **(7,011)** |

### 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.

| 2016/17 | | 2017/18 |
|---|---|---|
| £000 | | £000 |
| (361,443) | Revaluation Reserve | (425,714) |
| (640,572) | Capital Adjustment Account | (615,543) |
| 1,923 | Financial Instruments Adjustment Account | 3,817 |
| (15,800) | Deferred Capital Receipts Reserve | (14,058) |
| 753,943 | Pensions Reserve | 743,363 |
| (3,831) | Collection Fund Adjustment Account | (2,926) |
| 7,058 | Accumulated Absences Account | 6,904 |
| (844) | Available for Sale Financial Instruments Reserve | (1,122) |
| **(259,566)** | **Total Unusable Reserves** | **(305,278)** |

### 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.

| 2016/17 restated £000 | | | | 2017/18 £000 |
|---|---|---|---|---|
| **(197,397)** | | **Balance at 1 April** | | **(363,901)** |
| | (179,577) | Upward revalution of assets | (74,281) | |
| | 2,750 | Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services | 3,290 | |
| **(176,826)** | | Surplus or deficit on revaluation of non-current assets not posted to the Surplus/Deficit on the Provision of Services | | **(70,991)** |
| | 2,310 | Difference between fair value depreciation and historical cost depreciation | 4,902 | |
| | 8,012 | Accumulated gains on assets sold or scrapped | 4,276 | |
| **10,322** | | Amount written off to the Capital Adjustment Account | | **9,178** |
| **(363,901)** | | **Balance at 31 March** | | **(425,714)** |

## 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.

| 2016/17 restated £000 | | 2017/18 £000 |
|---|---|---|
| **(621,562)** | **Balance as restated as at 1 April** | **(638,116)** |
| | Reversal of items relating to capital expenditure debited or credited to the CIES: | |
| 29,873 | - Charges for depreciation and impairment of non-current assets | 37,820 |
| 4,712 | - Revaluation losses on Property, Plant and Equipment | 24,954 |
| 3,072 | - Movements in the market value of Investment Properties | (1,939) |
| 431 | - Amortisation of intangible assets | 992 |
| 20,138 | - Revenue Expenditure Funded from Capital Under Statute | 19,563 |
| - | - Expenditure recategorised as REFCUS financed in prior year | |
| 30,766 | - Amounts on non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES | 28,087 |
| **88,992** | | **109,478** |
| | Adjusting amounts written out of the Revaluation Reserve: | |
| (10,322) | - Net written out amount of the cost of non-current assets consumed in the year | (9,178) |
| | Capital financing applied in the year: | |
| (7,495) | - Use of the Capital Receipts Reserve to finance new capital expenditure | (9,701) |
| (59,633) | - Capital grants and contributions credited to the CIES that have been applied to capital financing | (54,421) |
| (2,218) | - Application of grants to capital financing from the Capital Grants Unapplied Account | (1,007) |
| (4,035) | - Statutory provision for the financing of capital investment charged against the General Fund balance | (5,946) |
| (1,961) | - Voluntary provision for the financing of capital investment charged against the General Fund balance | (1,961) |
| (19,883) | - Capital expenditure financed from the General Fund | (4,691) |
| **(105,546)** | | **(86,905)** |
| **(638,116)** | **Balance at 31 March** | **(615,543)** |

## 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.

| 2016/17 | | 2017/18 |
|---|---|---|
| £000 | | £000 |
| **2,083** | **Balance at 1 April** | **1,923** |
| - | Premiums incurred in the year and charged to the Comprehensive Income and Expenditure Statement | 2,088 |
| (160) | Proportion of premiums incurred in previous financial years to be charged against the General Fund balance in accordance with statutory requirements | -194 |
| **(160)** | | **1,894** |
| **1,923** | **Balance at 31 March** | **3,817** |

## 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.

| 2016/17 | | 2017/18 |
|---|---|---|
| £000 | | £000 |
| **(18,557)** | **Balance at 1 April** | **(15,800)** |
| 1,358 | Write-down / impairment of benefit | 7 |
| (128) | Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehenisve Income and Expenditure Statement | 234 |
| 1,527 | Transfer to the Capital Receipts Reserve upon receipt of cash | 1,501 |
| **(15,800)** | **Balance at 31 March** | **(14,058)** |

## 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.

| 2016/17 | | 2017/18 |
|---|---|---|
| £000 | | £000 |
| **538,394** | **Balance at 1 April** | **753,943** |
| 195,373 | Actuarial gains and losses on pensions assets and liabilities | (53,322) |
| 50,070 | Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the CIES | 75,058 |
| (29,894) | Employer's pension contributions and direct payments to pensioners payable in the year | (32,316) |
| **753,943** | **Balance at 31 March** | **743,363** |

## 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.

| 2016/17 £000 | | 2017/18 £000 |
|---|---|---|
| **(1,525)** | **Balance at 1 April** | **(3,831)** |
| (860) | 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 | 399 |
| (1,446) | 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 | 507 |
| **(3,831)** | **Balance at 31 March** | **(2,925)** |

## Accumulated Absenses 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.

| 2016/17 £000 | | 2017/18 £000 |
|---|---|---|
| **4,788** | **Balance at 1 April** | **7,058** |
| (4,788) | Settlement or cancellation of accrual made at the end of the preceding year | (7,058) |
| 7,058 | Amounts accrued at the end of the current year | 6,904 |
| **2,270** | 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 | **(154)** |
| **7,058** | **Balance at 31 March** | **6,904** |

## 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.

| 2016/17 £000 | | 2017/18 £000 |
|---|---|---|
| (1,235) | **Balance at 1 April** | **(844)** |
| 391 | Fair Value adjustments on Available for Sale Financial Instruments | (278) |
| **(844)** | **Balance at 31 March** | **(1,122)** |

## 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:

| 2016/17 £000 | | 2017/18 £000 |
|---|---|---|
| 90 | Fees payable with regard to external audit services carried out by the appointed auditor for the year for Buckinghamshire County Council | 88 |
| 31 | Fees payable with regard to external audit services carried out by the appointed auditor for the year for Buckinghamshire Care | |
| 12 | Fees payable for the certification of grant claims and returns for the year | 12 |
| 10 | Fees payable in respect of other services provided during the year | |
| **143** | **Total** | **100** |

## 28 - Notes to the Cash Flow Statement

| 2016/17 £000 | | 2017/18 £000 |
|---|---|---|
| **24,210** | Net (surplus) or deficit on the provision of services | **52,804** |
| | **Adjustments for non-cash movements** | |
| (34,584) | ■ Depreciation, impairment and downward valuations | (62,775) |
| (3,072) | ■ Changes in fair value of Investment Properties | 1,939 |
| (431) | ■ Amortisations | (992) |
| (646) | ■ Increase in impairment for provision of bad debts | (413) |
| (6,210) | ■ Increase / decrease in creditors | (14,477) |
| 3,535 | ■ Increase /decrease in debtors | (5,672) |
| 37 | ■ Increase / decrease in inventories | (142) |
| (17,092) | ■ Movement in Pension liability | (42,742) |
| (30,766) | ■ Carrying amount of non-current assets sold or derecognised | (28,151) |
| 151 | ■ Other non-cash items charged to the net Surplus or Deficit on the provision of services | (70) |
| **(89,079)** | | **(153,495)** |
| | **Adjustment for items that are Investing and Financing activities** | |
| 5,968 | ■ Proceeds from the sale of property, plant and equipment, investment property and intangible assets | 8,061 |
| 60,984 | ■ Any other items for which the cash effects are investing or financing activities | 66,425 |
| **66,952** | | **74,486** |
| **2,083** | **Net cash flows from Operating Activities** | **(26,205)** |

## 29 - Pooled Budgets

### Better Care Fund

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

| 2016/17 £000 | | 2017/18 £000 |
|---|---|---|
| | **Expenditure** | |
| 30,214 | Better Care Fund | 34,466 |
| **30,214** | **Total Expenditure** | |
| | **Income** | |
| (2,777) | Contribution from Buckinghamshire County Council | (6,538) |
| (307) | Contribution from Milton Keynes Clinical Commissioning Group | (312) |
| (12,912) | Contribution from Aylesbury Vale Clinical Commissioning Group | (13,144) |
| (14,218) | Contribution from Chiltern Clinical Commissioning Group | (14,472) |
| **(30,214)** | **Total Income** | **(34,466)** |
| **-** | **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.

| 2016/17 £000 | | 2017/18 £000 |
|---|---|---|
| | **Expenditure** | |
| 8,141 | Integrated mental health provision | 8,183 |
| **8,141** | **Total Expenditure** | |
| | **Income** | |
| (2,422) | Contribution from Buckinghamshire County Council | (2,725) |
| (5,719) | Contribution from Oxfordshire and Buckinghamshire Mental Health Trust | (5,458) |
| **(8,141)** | **Total Income** | **(8,183)** |
| **-** | **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.

| 2016/17 £000 | | 2017/18 £000 |
|---|---|---|
| | **Expenditure** | |
| 6,744 | Children and adolescence mental health services | 6,585 |
| **6,744** | **Total Expenditure** | |
| | **Income** | |
| (1,621) | Contribution from Buckinghamshire County Council | (1,621) |
| (1,998) | Contribution from Aylesbury Vale Clincial Commissioning Group | (1,914) |
| (3,125) | Contribution from Chiltern Clinical Commissioning Group | (3,050) |
| **(6,744)** | **Total Income** | **(6,585)** |
| - | **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.

| 2016/17 £000 | | 2017/18 £000 |
|---|---|---|
| | **Expenditure** | |
| 7,006 | Community Equipment Loan Service (CELS) | 7,821 |
| **7,006** | **Total Expenditure** | |
| | **Income** | |
| (1,843) | Contribution from Buckinghamshire County Council | (2,466) |
| (2,453) | Contribution from Aylesbury Vale Clincial Commissioning Group | (2,423) |
| (2,710) | Contribution from Chiltern Clinical Commissioning Group | (2,932) |
| **(7,006)** | **Total Income** | **(7,821)** |
| **-** | **Balance** | **-** |

**Section 117 Aftercare**

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

| 2016/17 | | 2017/18 |
|---|---|---|
| £000 | | £000 |
| | **Expenditure** | |
| | Section 117 | 10,603 |
| | **Total Expenditure** | **10,603** |
| | **Income** | |
| | Contribution from Buckinghamshire County Council | (5,726) |
| | Contribution from Aylesbury Vale Clinical Commissioning Group | (4,877) |
| | **Total Income** | **(10,603)** |
| - | **Balance** | - |

**Integrated Therapies Contract (SALT, OT and Physiotherapy)**

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

| 2016/17 | | 2017/18 |
|---|---|---|
| £000 | | £000 |
| | **Expenditure** | |
| | Integrated Therapies Contract (commenced 1.4.2017) | 3,780 |
| | **Total Expenditure** | |
| | **Income** | |
| | Contribution from Buckinghamshire County Council | (1,726) |
| | Contribution from Chiltern Clinical Commissioning Group | (2,054) |
| | **Total Income** | **(3,780)** |
| | **Balance** | - |

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

| 2016/17 | | 2017/18 |
|---|---|---|
| £000 | **Other Pooled Budget Arrangements** | £000 |
| 2,947 | Integrated Mental Health Provision for Older People Agreement | 2,870 |
| 2,316 | Residential Respite Short Breaks Pooled Fund | 2,215 |
| 1,962 | Speech and Language Therapy | 1,958 |

## 30 - Leases

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

### The Council as Lessee

### Finance Leases

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

The Council has ten properties (libraries and offices) included in its asset register that are finance leases with a net book value of £6.397m (2016/17 £9.591m). 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 2017 | | 31 March 2018 |
|---|---|---|
| £000 | | £000 |
| 9,591 | Other Land and Buildings | 6,397 |
| **9,591** | **Finance Lease Net Book Value** | **6,397** |

### 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 2017 | | 31 March 2018 |
|---|---|---|
| £000 | | £000 |
| **934** | **Amounts paid during the year** | **830** |
| 803 | Not later than one year | 747 |
| 1,437 | Later than one year and not later than five years | 1,048 |
| 998 | Later than five years | 734 |
| **3,238** | **Total Estimated Future Payments** | **2,529** |

The amounts paid in year comprise the following elements:

| 31 March 2017 | | 31 March 2018 |
|---|---|---|
| £000 | | £000 |
| 934 | Minimum lease payments | 830 |
| | Sublease payments receivable | |
| **934** | **Total Amounts Paid In Year** | **830** |

### The Council as Lessor

## Finance Leases

Where the Council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal; a gain or loss on disposal is credited to the CIES and matched by a lease (long-term trade receivables) asset in the Balance Sheet. Any consideration is treated as a capital receipt.

In 2007/08 the Council granted a finance lease to a company for rights to gravel extraction from Council land near Denham. The Council has a gross investment in the lease, made up of the minimum lease payments expected to be received over the remaining term and the residual value anticipated for the land when the lease comes to an end. The minimum lease payments are apportioned between:

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

The gross investment is made up of the following amounts:

| 31 March 2017 £000 | | 31 March 2018 £000 |
|---|---|---|
| | Finance lease debtor (net present value of minimum lease payments): | |
| 845 | ■ current | 808 |
| 1,428 | ■ non-current | 483 |
| 232 | Unearned finance income | 91 |
| 200 | Unguaranteed residual value of property | 200 |
| **2,705** | **Gross investment in the lease** | **1,582** |

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

| Gross Investment in the Lease 31 March 2017 £000 | Minimum Lease Payments 31 March 2017 £000 | | Gross Investment in the Lease 31 March 2018 £000 | Minimum Lease Payments 31 March 2018 £000 |
|---|---|---|---|---|
| 976 | 976 | Not later than one year | 883 | 883 |
| 1,729 | 1,529 | Later than one year and not later than five years | 700 | 500 |
| | | Later than five years | - | - |
| **2,705** | **2,505** | | **1,582** | **1,382** |

The Council has granted a number finance leases to schools on obtaining Academy status for nil rentals. The value of buildings derecognised totals £237.732 2017/18 (£217.131m 2016/17). 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 2017 | | 31 March 2018 |
|---|---|---|
| £000 | | £000 |
| 1,243 | Not later than one year | 1,531 |
| 2,391 | Later than one year and not later than five years | 3,077 |
| 3,215 | Later than five years | 6,407 |
| **6,849** | | **11,015** |

**Buckinghamshire County Council**

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# Regulatory and Audit Committee

| | |
|---|---|
| **Title:** | **DRAFT Statement of Accounts for the year ending 31 March 2018** |
| **Date:** | 31 May 2018 |
| **Author:** | Richard Ambrose – Director of Finance & Procurement |
| **Contact officer:** | Rachael Martinig - Financial Accountant<br>Telephone (01296) 387783 |
| **Electoral divisions affected:** | All |


**Summary**

The draft unaudited Statement of Accounts for Buckinghamshire County Council and Pension Fund for the year ended 31 March 2018 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 & Procurement 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 25 July 2018.


**Recommendation**
**To review the Draft Statement of Accounts for Buckinghamshire County Council for the year ended 31 March 2018 and to note the timing and requirements for completion and authorisation of the draft and final Statement of Accounts.**

## Executive Summary

### Annual report
The Statement of Accounts contains 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.

### Investment Property
This year we increased and diversified our property investment portfolio by investing £34.75m in commercial investment properties including Knaves Beech Retail Park and Clarion House. The investment portfolio (including Agriculture Estates) increased in fair value (FV) by £9.112m (£11.726m increase in FV and £2.604 decrease in FV).

### Pension Liability
This year has seen a slight decrease in the overall pension liability from £753.943m to £743.363m. The pension increase assumption has decreased by 0.25%, which has resulted in the decreased liability.

Market conditions have been favourable for assets during 2017/18. This has resulted in an asset growth with a net increase of £24.1m.

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:

- finance is only required to be raised to cover discretionary benefits when the pensions are actually paid.
- 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.

### Resource implications
The overall position shows a £2.888m underspend against the net revenue budget of £302.918m, as a result increasing the General Fund reserve to £27.393m. Earmarked reserves have increased by £14.595 to £99.235m. There are no planned reductions to the General Fund reserve in the MTFP which is 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

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### Background Papers

None

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

# Regulatory and Audit Committee

| | |
|---|---|
| **Title:** | **Treasury Management Annual Report 2017/18** |
| **Date:** | 31 May 2018 |
| **Author:** | Director of Finance and Procurement |
| **Contact officer:** | Pensions & Investments Manager, Julie Edwards 01296 383910 |
| **Electoral divisions affected:** | n/a |

**Summary**

The Council is required to report to members on the previous year's treasury management activity. It was agreed at County Council that an annual treasury management report, reporting on treasury management activity in the previous financial year would be reported to the Regulatory and Audit Committee prior to submitting the report to County Council for approval.

**Recommendation**

**The Committee are asked to recommend to Council the Treasury Management Annual Report and the actual Prudential Indicators for 2017/18.**

## A Supporting information

**Background**

1 In line with the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice for Treasury Management and the Council's Financial Regulations (A3.2), this Council is required to provide the Regulatory and Audit Committee with a report on the previous year's treasury management activity.

2 The Code of Practice defines Treasury Management as:
*The management of the organisation's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.*

3 CIPFA recently published revised editions of the Treasury Management and Prudential Codes. The required changes from the 2011 Code will be incorporated into Treasury Management Strategies and monitoring reports for 2019/20.

4 The 2017 Prudential Code introduces the requirement for a Capital Strategy which provides a high-level overview of the long-term context of capital expenditure and

investment decisions and their associated risks and rewards along with an overview of how risk is managed for future financial sustainability. Where this strategy is produced and approved by full Council, the determination of the Treasury Management Strategy can be delegated to a committee. The Code also expands on the process and governance issues of capital expenditure and investment decisions.

**Treasury Management Strategy**

5 The Council approved the 2017/18 treasury management strategy at its meeting on 16 February 2017. The general policy objective for this Council is the prudent investment of its treasury balances. The Council's investment priorities are the security of capital and liquidity of its investments. The Council will aim to achieve the optimum return on its investments commensurate with the proper levels of security and liquidity. The effective management and control of risk are prime objectives of the Council's treasury management activities. The Council paid a single bullet payment of £180m plus £36m VAT in June 2016 in respect of the Energy from Waste (EfW) Plant. This was financed by a combination of borrowing, earmarked reserves and current cash investments, the Council changed from a net positive cash position to a net borrower:

| | **31 Mar 2016** | **31 Mar 2017** | **31 Mar 2018** |
|---|---|---|---|
| **Borrowing:** | **£m** | **£m** | **£m** |
| PWLB* | -80.4 | -68.7 | -102.1 |
| LOBO# | -82.0 | -82.0 | -78.0 |
| Temporary Borrowing | 0.0 | -72.5 | -32.0 |
| Accrued Interest | -1.4 | -1.1 | -1.1 |
| Gross Borrowing | -163.8 | -224.3 | -213.2 |
| | | | |
| **Treasury Cash:** | | | |
| Money market funds | 94.5 | 11.8 | 15.3 |
| Term deposits<1 year | 55.0 | 0.0 | 0.0 |
| Term deposits >1 year | 15.0 | 5.0 | 0.0 |
| Property fund | 5.0 | 5.0 | 5.0 |
| Gross Cash | 169.5 | 21.8 | 22.1 |
| | | | |
| **Net Cash / (Borrowing)** | **5.7** | **-202.5** | **-213.1** |

*PWLB Public Works Loans Board. The PWLB is a statutory body, part of HM Treasury, it's purpose is to lend money to local authorities The Council's main objective when borrowing money is to strike an appropriately low risk balance between securing low interest costs and achieving certainty of those costs over the period for which funds are required.

#LOBO Lender Option Borrower Option. LOBOs are long term borrowing instruments which include an option for the lender to periodically revise the interest rate. If the lender decides to revise the interest rate, the borrower then has the option to pay the revised interest rate or repay the loan.

6 The following table summarises interest paid on external debt and interest earned on cash balances:

| | 2016/17 | 2017/18 | 2018/19 |
|---|---|---|---|
| | £m | £m | £m |
| Interest paid on Loans | 8.9 | 7.7 | 7.6 |
| Interest Income | 0.8 | 0.4 | 0.4 |

7 All treasury management activity undertaken during the period complied with the approved strategy, the CIPFA Code of Practice and the relevant legislative provisions.

**Borrowing Strategy**

8 The Council's borrowing objectives are:

- To minimise the revenue costs of debt whilst maintaining a balanced loan portfolio.
- To manage the Council's debt maturity profile, leaving no one future year with a disproportionate level of repayments.
- To maintain a view on current and possible future interest rate movements and borrow accordingly.
- To monitor and review the balance between fixed and variable rate loans against the background of interest rate levels and the Prudential Indicators.
- The strategy for new borrowing in 2017/18 was to borrow short term since short-term interest rates are currently lower than long term interest rates. Arlingclose, the Council's treasury advised that it is likely to be a more cost effective approach to borrow short-term initially. Paragraphs 14 to 17 provide more detail of the Council's borrowing activities in 2017/18.

**Investment Performance in 2017/18**

9 Internal monitoring procedures of the Treasury Management function included:

- The Treasury Management Group which includes the Cabinet Member for Resources, the Deputy Cabinet Member for Resources, the Director of Finance and Procurement and other key officers meets periodically to review the Council's investments, agreed lending list and investment / borrowing strategies.
- Periodic internal and external audit scrutiny, no significant findings were reported;
- Chartered Institute of Public Finance and Accountancy (CIPFA) benchmarking to monitor performance compared to other local authorities; and
- Proactive management – acting on Arlingclose's (the Council's treasury advisor) advice and liaising with other Council's treasury functions regarding best practice and new initiatives.

10 During 2017/18 Buckinghamshire County Council (BCC) invested cash balances not required on a day-to-day basis in instant access money market funds. The total of these investments at any one time varied between £5m and £45m at interest rates between 0.2% and 0.44%. The Director of Finance and Procurement approves and monitors the institution lending list in line with a predetermined set of criteria (approved by County Council as part of the Treasury Management Strategy) and investments were made within the agreed list of lenders and associated lending limits and maturity periods.

11 The average rate of return on investments was 1.0%. The interest earned and credited to the Council's revenue account was £360k. Following payment for the Energy from Waste plant, the Council has maintained minimum cash levels for operational purposes. The Bank of England's Monetary Policy Committee (MPC) sets monetary policy to meet the 2% inflation target, and in a way that helps to sustain growth and employment. At its meeting ending on 9 May 2018, the MPC voted by a majority of 7-2 to maintain Bank Rate at 0.5%. All MPC members agree that any future increases in Bank Rate are likely to be at a gradual pace and to a limited extent.

12 The principal of sums invested as at 31 March 2018 totalled £22.3m. These investments were placed with 4 institutions in sums of between £5.0m and £6.0m at

interest rates of between 0.44% and 4.5%. Of the 4 institutions, 3 are AAA rated money market funds operated by financial institutions and 1 is a UK property fund.

**Prudential Indicators**

13 Each year, the Council agrees Prudential Indicators under the Local Government Act 2003 which are affordable, prudent and sustainable. The actual Prudential Indicators for 2017/18 are shown in Appendix 1.

**Borrowing in 2017/18**

14 The Council arranged a combination of PWLB long term loans and short term bank loans to meet its borrowing requirements in 2017/18. Loans outstanding totalled £213.2m at 31 March 2018; £102.1m was from the Public Works Loan Board (PWLB), £78.0m Lenders Option Borrowers Option (LOBOs) from the money markets, £32.0m temporary borrowing from other local authorities and £1.1m accrued interest. The provisional outturn for interest on external borrowing is £8.9m. £1.732m was repaid to the PWLB as part of scheduled instalments and £10m upon maturity of a loan. The Council also pre-paid a £4m Lender Option Borrower Option (LOBO) loan. The Council borrowed £45.1m from the PWLB during 2017/18. The PWLB Certainty Rate allows the authority to borrow at a reduction of 20bps on the Standard Rate. In April 2018 the Council pre-paid a further £48m LOBO loans in 2017/18.

15 As reported in November 2017, the Council pre-paid a £4m LOBO loan running at 4.11% and was willing to consider other prepayments options as they arose. The eventual prepayment of the £4m loan totalled £6.1m. At the point of prepayment, net interest savings are expected to be at least £0.3m over five financial years.

16 The Council had been offered attractive prepayment terms from the bank and decided to proceed following consideration of the risk/benefits of maintaining the current position against a range of alternative restructuring scenarios. A further prepayment of 3 loans totalling £48m running at 4.28% was made in April 2018. These loans were replaced by £48m of PWLB loans with an average interest rate of 2.34%. The eventual prepayment of the £48m totalled £74m. Savings over the next 25 years are projected to be £10.4m. Savings will be reduced should interest rates rise faster than expected. Additionally, the Council has both reduced its exposure to the uncertain refinancing risk represented by the inherent optionality of the LOBO structure and reduced the overall term of the debt portfolio. Consequently, the debt portfolio and borrowing need can now be managed more flexibly. The Council continues to be aware of the potential to restructure PWLB debt, but there are unlikely to be opportunities in the prevailing interest rate environment.

17 Following the EfW payment the Council has managed its cashflow requirements through undertaking temporary borrowing. During 2017/18 there were 32 occasions when the Council borrowed temporarily from other local authorities for short term cash flow purposes. The amounts ranged from £1m to £10m at interest rates from 0.25% to 0.9%.

**B Resource implications**

There are no additional costs associated with the recommendation.

**C Legal implications**

The publication of annual strategy, a mid year treasury report and an annual strategy conforms to best practice as required by the Code of Practice CIPFA Treasury Management in the Public Services.

**D Other implications/issues**

There are none.

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

Not applicable.

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**Background Papers**

Treasury Management Strategy Report to County Council 16 February 2017
https://democracy.buckscc.gov.uk/documents/g9240/Public%20reports%20pack%2016th-Feb-2017%2009.30%20County%20Council.pdf?T=10

Treasury Management Annual Report to County Council 13 July 2017
https://democracy.buckscc.gov.uk/documents/g9240/Public%20reports%20pack%2016th-Feb-2017%2009.30%20County%20Council.pdf?T=10

Treasury Management Update to County Council 23 November 2017
https://democracy.buckscc.gov.uk/documents/g9240/Public%20reports%20pack%2016th-Feb-2017%2009.30%20County%20Council.pdf?T=10

Treasury Management Strategy Report to County Council 22 February 2018
https://democracy.buckscc.gov.uk/documents/g9684/Public%20reports%20pack%2022nd-Feb-2018%2009.30%20County%20Council.pdf?T=10

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**Appendix 1**

# PRUDENTIAL INDICATORS FOR 2017/18

## 1 Background

**1.1.** The prudential framework for local authority capital investment was introduced through the Local Government Act 2003. The key objectives of the Prudential Code are to ensure that the capital investment plans of local authorities are affordable, prudent and sustainable. A further objective is to ensure that treasury management decisions are taken in accordance with good professional practice.

**1.2.** Local Authorities are required to have regard to the Prudential Code when carrying out their duties under Part 1 of the Local Government Act 2003. To demonstrate compliance the Code sets prudential indicators designed to support and record local decision making.

**1.3.** The purpose of this report is to report the outturn position for the indicators approved by Council last year for 2017/18. The report describes the purpose of each of the indicators. Monitoring of the Prudential Indicators takes place throughout the year and a mid-year and annual report are reported to Regulatory & Audit Committee and Council.

## 2 Capital Expenditure Indicators

### 2.1. Capital Expenditure

This indicator is required to inform the Council of capital spending plans. It is the duty of a local authority to determine and keep under review the amount that it can afford to allocate to capital expenditure.

Gross capital expenditure for 2017/18 is summarised below:

*Table 2.1 Capital Expenditure*

| Indicator | Unit | Actual 2017/18 | Original Approved 2017/18 |
|---|---|---|---|
| Estimates of capital expenditure | £000 | **108,217** | 82,680 |

Capital expenditure for 2017/18 has been updated to reflect the revised budget (inclusive of carry forwards) as reported to Cabinet in January 2018. The original forecast was based on 2017/18 approved budget during the year carry forward from 2016/17 was added and Cabinet approvals for new commercial acquisitions giving an approved budget of £132.14. The actual outturn shows a £23.9m (18.1%) underspend on the revised capital expenditure budget for the year. The main reasons for this are delays in delivering school places (£7.6m), the cancelled project at Orchard House (£5.1m), delay in A355 improvements (£2.2m), a review of the need for a third lift at NCO (£1.7m), High Wycombe town centre strategy (£1.5), (£1m) Waste Transfer Station and a variety of smaller items (£4m).

.

## 2.2. Capital Financing Requirement

The Capital Financing Requirement measures the Council's underlying need to borrow for capital purposes. This is essentially the Council's outstanding debt, necessary to finance the Council's capital expenditure. The actual debt is dependent on the type and maturity of the borrowing undertaken as well as seeking the optimal cashflow situation (see 6.3 and 6.4). The end of year Capital Financing Requirement for the Council for 2017/18, net of repayments, is:

*Table 2.2 Capital Financing Requirement*

| Indicator | Unit | Actual 2017/18 | Original Approved 2017/18 |
|---|---|---|---|
| Estimates of capital financing requirement (CFR) | £000 | **395,587** | 359,424 |

The actual capital financing requirement is higher than the original approved due to Cabinet approvals for borrowing to finance in-year commercial acquisitions.

Authorities can finance schemes in a variety of ways these include;

- The application of useable capital receipts
- A direct charge to revenue
- Application of a capital grant
- Contributions received from another party
- Borrowing

It is only the latter method that increases the Capital Financing Requirement (CFR) of the Council.

## 3 Affordability Indicators

## 3.1 Ratio of Financing Costs to Net Revenue Stream

### Purpose of the Indicator

This indicator measures the proportion of the revenue budget that is being allocated to finance capital expenditure. For the General Fund this is the ratio of financing costs of borrowing against net expenditure financed by government grant and local taxpayers.

Estimates of the ratio of financing costs to net revenue stream for the current and future years are:

*Table 3.1 Ratio of Financing Cost to Net Revenue Stream*

| Indicator | Unit | Actual 2017/18 | Approved 2017/18 |
|---|---|---|---|

| | | | |
|---|---|---|---|
| Estimates of ratio of financing costs to net revenue stream | % | 4.7% | 4.9% |

There are no significant variations to this indicator since it was agreed by Council in February 2017.

### 3.2 Estimates of Incremental Impact of New Capital Investment Decisions on Council Tax

This is a key affordability indicator that demonstrates the incremental effect of planned capital expenditure and hence any increased or decreased borrowing, on Council Tax.

*Table 3.2. Incremental impact of new Capital investment on Council Tax*

| Indicator | Unit | Actual 2017/18 | Approved 2017/18 |
|---|---|---|---|
| Estimates of the incremental impact of capital investment decisions on Council Tax | £ | -£9.27 | -£9.25 |
| | % | -0.20% | -0.76% |

The forecast impact on Council Tax has only changed very marginally as a consequence of delays in the delivery of the capital programme.

## 4 Financial Prudence Indicator

### 4.1. Gross Debt and the Capital Financing Requirement ('CFR')

This indicator records the extent that gross external borrowing is less than the capital financing requirement (2.2 above).

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 capital purposes. The Council should ensure that gross debt does not, except in the short term, exceed the total of capital financing requirement in the preceding year plus the estimates of any additional capital financing requirement for the current and next three financial years. The values are measured at the end of the financial year.

Where gross debt is greater than the capital financing requirement the reasons for this should be clearly stated in the annual treasury management strategy.

*Table 4.1 Gross Debt and the CFR*

| Indicator | Unit | Actual 2017/18 | Approved 2017/18 |
|---|---|---|---|
| Gross Borrowing | £000 | **213,200** | 340,000 |

| | | | |
|---|---|---|---|
| Capital Financing Requirement | £000 | **395,587** | 359,424 |

The actual external borrowing as at 31 March 2018 was £213.2m which includes £1.1m accrued interest. During 2017/18 £11.7m of PWLB debt was been repaid and £45.1m new borrowing from the PWLB was taken out. The Council pre-paid a £4m LOBO loan and in 2017/18 and made a further prepayment of £48m in April 2018. Temporary borrowing amounts have ranged from £30m to £70m depending on cash flow requirements. The mix of temporary and fixed rate borrowing will continue to be reviewed in line with advice from our Treasury advisors.

## 5 Treasury and External Debt Indicators

### 5.1 Authorised Limit for External Debt

The authorised limit for external debt is required to separately identify external borrowing (gross of investments) and other long term liabilities such as covenant repayments and finance lease obligations. The limit provides a maximum figure that the Council could borrow at any given point during each financial year.

*Table 5.1 Authorised limit for external debt*

| Indicator | Unit | Actual 2017/18 | Approved 2017/18 |
|---|---|---|---|
| Authorised limit (for borrowing) * | £000 | **350,000** | 350,000 |
| Authorised limit (for other long term liabilities) * | £000 | **9,000** | 9,000 |
| Authorised limit (for total external debt) * | £000 | **359,000** | 359,000 |

* These limits can only be changed with the approval of the full Council

The authorised limits are consistent with approved capital investment plans and the Council's Treasury Management Policy and Practice documents, but allow sufficient headroom for unanticipated cash movements. The limit will be reviewed on an on-going basis during the year. If the authorised limit is liable to be breached at any time, the Director of Finance and Procurement will either take measures to ensure the limit is not breached, or seek approval from the Council to raise the authorised limit.

## 5.2 Operational Boundary for External Debt

This is a key management tool for in-year monitoring and is lower than the Authorised Limit as it is based on an estimate of the most likely level of external borrowing at any point in the year. In comparison, the authorised limit is the maximum allowable level of borrowing.

*Table 5.2 Operational Boundary for External Debt*

| Indicator | Unit | Actual 2017/18 | Approved 2017/18 |
|---|---|---|---|
| Operational boundary (for borrowing) | £000 | **320,000** | 320,000 |
| Operational boundary (for other long term liabilities) | £000 | **7,500** | 7,500 |
| Operational boundary (for total external debt) | £000 | **327,500** | 327,500 |

This indicator is consistent with the Council's plans for capital expenditure and financing and with its Treasury Management Policy and Practice document. It will be reviewed on an on-going basis, the operational boundary allows the Council to borrow up to invest in new assets which will generate an income stream in excess of any borrowing costs.

## 5.3 Actual External Debt

This is a factual indicator showing actual external debt for the previous financial year.

The actual external borrowing as at 31 March 2018 was £213.2m which includes £102.1m from the PWLB, £78.0m Lenders Option Borrowers Option (LOBO) loans, £32.0m temporary borrowing from other local authorities and £1.1m accrued interest. During 2017/18 £11.7m of PWLB debt was repaid. £45.1m new borrowing from the PWLB has been taken out. The Council pre-paid a £4m LOBO loan in 2017/18 and made a further prepayment of £48m in April 2018. Temporary borrowing amounts have ranged from £30m to £70m depending on cash flow requirements. The mix of temporary and fixed rate borrowing will continue to be reviewed in line with advice from our Treasury advisors.

# 6 Treasury Management Indicators

The prudential code links with the existing CIPFA Code of Practice for Treasury Management in the Public Services.

The Treasury Management indicators consist of five elements that are intended to demonstrate good professional practice is being followed with regard to Treasury Management. The proposed values and parameters provide sufficient flexibility in undertaking operational Treasury Management.

## 6.1 Security Average Credit Rating

The Council is asked to adopt a voluntary measure of its exposure to credit risk by monitoring the weighted average rating of its investment portfolio.

*Table 6.1 Security Average Credit Rating*

| Security Average Credit Rating | Actual 2017/18 | Approved 2017/18 |
|---|---|---|
| Portfolio Average Credit Rating | AA- | A+ or above |

For the purpose of this indicator, local authorities which are unrated are assumed to hold an AA rating.

## 6.2 Has the Council adopted the CIPFA Treasury Management Code?

The Council has adopted the Code. In line with the Code the Treasury Strategy is reported to Regulatory and Audit Committee and Council.

*Table 6.2 The CIPFA Treasury Management Code*

| Indicator | Unit | Actual 2017/18 | Approved 2017/18 |
|---|---|---|---|
| Adoption of the CIPFA Code of Practice for Treasury Management in the Public Services | N/A | Yes | Yes |

## 6.3 Upper Limit of Fixed Rate Borrowing

This indicator is set to control the Council's exposure to interest rate risk and the rate is set for the whole financial year. The upper limits on fixed interest rate exposures expressed as an amount will be:

*Table 6.3 Upper Limit of Fixed Rate Borrowing*

| Indicator | Unit | Limit 2017/18 | Approved Limit 2017/18 |
|---|---|---|---|
| Fixed interest rate exposure - upper limit * | £000 | 285,000 | 350,000 |

* Any breach of these limits will be reported to the full Council

## 6.4 Upper Limit of Variable Rate Borrowing

This indicator is set to control the Council's exposure to interest rate risk. Here instruments that mature during the year are classed as variable, this includes the Council's Lender Option Borrower Option (LOBO) loans. For LOBO loans, on specified call dates, the lender has the option to increase the interest rate paid on the loan. If the lender exercises this option, then the borrower can agree to pay the revised interest rate or repay the loan immediately. The upper limits on variable interest rate exposures expressed as an amount will be:

*Table 6.4 Upper Limit of Variable Rate Borrowing*

| Indicator | Unit | Limit 2017/18 | Approved Limit 2017/18 |
|---|---|---|---|
| Variable interest rate exposure - upper limit * | £000 | 225,000 | 225,000 |

* Any breach of these limits will be reported to the full Council

Arlingclose, the Council's treasury advisor, advised that with short-term interest rates much lower than long-term rates, it was likely to be more cost effective in the short-term to borrow short-term loans instead of long-term loans. Instruments that mature during the year are classed as variable.

## 6.5 Maturity Structure of Fixed Rate Borrowing

This Indicator is set to control the Council's exposure to refinancing risk. The upper and lower limits on the maturity structure of the fixed borrowing will be:

*Table 6.5.1 Maturity Structure of Fixed Rate Borrowing*

| Maturity Structure of Fixed Rate Borrowing | Limit 2017/18 | | Approved Limit 2017/18 | |
|---|---|---|---|---|
| Period | Upper Limit | Lower Limit | Upper Limit | Lower Limit |
| Under 12 months | 80% | 0% | 80% | 0% |
| 12 months and within 24 months | 50% | 0% | 50% | 0% |
| 24 months and within 5 years | 55% | 0% | 55% | 0% |
| 5 years and within 10 years | 80% | 0% | 80% | 0% |
| 10 years and above | 100% | 20% | 100% | 20% |

These parameters control the extent to which the Council will have large concentrations of fixed rate debt needing to be replaced at times of uncertainty over interest rates. The maturity date of borrowing is the earliest date on which the lender can demand repayment.

### 6.6 <u>Total Principal Sums Invested for Periods Longer than 364 Days</u>

The purpose of this indicator is to control the council's exposure to the risk of incurring losses by seeking early repayment of its investments.

*Table 6.6 Total Principal Sums Invested for Periods Longer than 364 Days*

| Indicator | Unit | Actual 31 March 2018 | Approved Limit 2017/18 |
|---|---|---|---|
| Total principal sums invested for periods longer than 364 days | £m | **£0m** | £10m |

Cash balances are anticipated to continue to be low due to financing the EfW project.

## 7 Conclusion

In approving, and subsequently monitoring, the above prudential indicators the Council is fulfilling its duty to ensure that spending plans are affordable, prudent and sustainable.

Grant Thornton

# External Audit Plan

*Year ending 31 March 2018*

Buckinghamshire County Council

31 May 2018

# Contents

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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, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or any weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. 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.

# Introduction & headlines

## Purpose

This document provides an overview of the planned scope and timing of the statutory audit of Buckinghamshire County Council ('you' or 'the Council') for those charged with governance.

## Respective responsibilities

The National Audit Office ('the NAO') has issued a document entitled Code of Audit Practice ('the Code'). This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. Our respective responsibilities are also set in the Terms of Appointment and Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA), the body responsible for appointing us as you auditor. We draw your attention to both of these documents on the PSAA website.

## Scope of our audit

The scope of our audit is set in accordance with the Code and International Standards on Auditing (ISAs) (UK). We are responsible for forming and expressing an opinion on the:

- financial statements (including the Annual Governance Statement) that have been prepared by management with the oversight of those charged with governance (the Regulatory and Audit Committee); and
- Value for Money arrangements in place at the Council for securing economy, efficiency and effectiveness in your use of resources.

The audit of the financial statements does not relieve management or the Regulatory and Audit Committee of your responsibilities. It is your responsibility to ensure that proper arrangements are in place for the conduct of your business, and that public money is safeguarded and properly accounted for. We have considered how you are fulfilling these responsibilities.

Our audit approach is based on a thorough understanding of your business and is risk based.



| | |
|---|---|
| **Significant risks** | Those risks requiring specific audit consideration and procedures to address the likelihood of a material financial statement error have been identified as:<br>• Management over-ride of controls<br>• Valuation of property, plant and equipment<br>• Valuation of the net pension fund liability<br>We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings (ISA 260) Report. |
| **Materiality** | We have determined planning materiality to be £16.5m (2016/17: £15.9m), which equates to 2% of your gross service expenditure for 2016/17. We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. Clearly trivial has been set at £0.8m (2016/17: £0.8m). |
| **Value for Money arrangements** | Our risk assessment regarding your arrangements to secure value for money have identified the following VFM significant risks:<br>• Ofsted inspection of children's services<br>• Funding pressures<br>• Transformation of adult social care services<br>• Transfer of services from Buckinghamshire Learning Trust |
| **Audit logistics** | Our interim visit took place in January 2018 and our final visit will take place in June 2018. Our key deliverables are this Audit Plan and our Audit Findings Report.<br>Our fee for the audit will be no less than £88,088 (2016/17: £88,088) for the Council. |
| **Independence** | We have complied with the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements. |

# Deep business understanding

## Changes to service delivery

### Commercialisation

The scale of investment activity, primarily in commercial property, has increased as local authorities seek to maximise income generation. Local authorities need to ensure that their commercial activities are presented appropriately, in compliance with the CIPFA Code of Practice and statutory framework, such as the Capital Finance Regulations. Where borrowing to finance these activities, local authorities need to comply with CIPFA's Prudential Code.

### Transformation of Adult Social care services

You are currently transforming the way that adult social care is delivered in Buckinghamshire, including resolving residual challenges from bringing the work of Buckinghamshire Care back in house and greater health and social care integration, with a movement toward the establishment of an Accountable Care System in Buckinghamshire. Any large scale transformation programmes carry inherent risk and it is important to have a clear vision and benefits realisation strategy.

### Transfer of services from Buckinghamshire Learning Trust

In recent years, you have experienced some challenges in ensuring effective contract management of the contract with Buckinghamshire Learning Trust (BLT) to provide a range of services to support schools.

In January 2018, your Cabinet decided that your contract with BLT will not be renewed and their grant-funded services will transfer back in-house.

It is important to ensure that there are effective arrangements in place for managing this transition and ensuring the effective provision of these services going forward.

## Changes to financial reporting requirements

### Accounts and Audit Regulations 2015 (the Regulations)

The Department of Communities and Local Government (DCLG) is currently undertaking a review of the Regulations, which may be subject to change. The date for any proposed changes has yet to be confirmed, so it is not yet clear or whether they will apply to the 2017/18 financial statements.

Under the 2015 Regulations local authorities are required to publish their accounts along with the auditors opinion by 31 July 2018.

### Minimum Revenue Provision (MRP)

Local authorities are required to set aside a prudent amount of Minimum Revenue Provision (MRP). DCLG has issued 'Guidance on Minimum Revenue Provision' which sets out the principles and processes to be followed in complying with these regulations.

DCLG is consulting on new MRP statutory guidance. This would move away from the approach under the current regulations where authorities make a prudent judgement on the amount of MRP to calculate to a rule based system.

### Changes to the CIPFA 2017/18 Accounting Code

CIPFA have introduced other minor changes to the 2017/18 Code which confirm the going concern basis for local authorities, and updates for Leases, Service Concession arrangements and financial instruments.

## Key challenges

### Financial pressures

Buckinghamshire faces a challenging financial settlement going forward, with Revenue Support Grant reducing to £nil in 2018/19, compared to £8m in 2017/18m, and down from £60m in 2013/14.

Though you have a good track record on delivering budgets and savings plans to date, in common with other local authorities nationally you continue to remain in a challenging financial position. It is therefore of vital importance that you strive to deliver continued cost savings and develop new revenue streams to bridge the reduction in central funding and demand pressures that you face.

### Children's services

In August 2014, the Council was rated 'inadequate' by Ofsted in relation to services for children in need of help and protection, children looked after and care leavers. Following a re-inspection in November 2017, though some improvements were noted, Ofsted reported in January 2018 that children's services remain 'inadequate'.

Responding to the findings of Ofsted is a significant challenge that will take a number of years and will require significant continued investment in transforming ways of working. It will be critical to learn from the feedback from Ofsted around why you continue to underperform in this area.

## Our response

- We will consider your arrangements for managing and reporting your financial resources, as part of our work in reaching our Value for Money conclusion. We will consider whether your financial position leads to uncertainty about the going concern assumption and will review any related disclosures in the financial statements.
- We will keep you informed of changes to the Regulations and any associated changes to financial reporting or public inspection requirements for 2017/18 through on-going discussions and invitations to our technical update workshops. We will consider whether your financial statements reflect the financial reporting changes in the 2017/18 CIPFA Code, and the impact of impairment assessments and the adequacy of provisions in relation to essential work on high rise buildings.
- For the last four years we have qualified our conclusion on your arrangements for delivering Value for Money in respect of the issues identified by Ofsted around children's services. We will review the report of Ofsted dated and other correspondence you have had with Ofsted and the Department for Education in reaching our Value for Money conclusion for 2017/18.

# Significant risks identified

Significant risks are defined by professional standards as risks that, in the judgement of the auditor, require special audit consideration because they have a higher risk of material misstatement. Such risks often relate to significant non-routine transactions and judgmental matters. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood.

| Risk | Reason for risk identification | Key aspects of our proposed response to the risk |
|---|---|---|
| **The revenue cycle includes fraudulent transactions** | Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue.<br><br>This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition. | Having considered the risk factors set out in ISA240 and the nature of your revenue streams, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:<br>• there is little incentive to manipulate revenue recognition;<br>• opportunities to manipulate revenue recognition are very limited; and<br>• the culture and ethical frameworks of local authorities, including Buckinghamshire County Council, mean that all forms of fraud are seen as unacceptable.<br>Therefore we do not consider this to be a significant risk for your audit. |
| **Management over-ride of controls** | Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities.<br>You face external scrutiny of your spending, and this could potentially place management under undue pressure in terms of how they report performance.<br>Management over-ride of controls is a risk requiring special audit consideration. | We will:<br>• gain an understanding of the accounting estimates, judgements applied and decisions made by management and consider their reasonableness;<br>• obtain a full listing of journal entries, identify and test unusual journal entries for appropriateness; and<br>• evaluate the rationale for any changes in accounting policies or significant unusual transactions. |

# Significant risks identified

| Risk | Reason for risk identification | Key aspects of our proposed response to the risk |
|---|---|---|
| **Valuation of property, plant and equipment** | You revalue your land and buildings on an quinquennial basis to ensure that carrying value is not materially different from fair value. This represents a significant estimate by management in the financial statements.<br><br>We identified the valuation of land and buildings revaluations and impairments as a risk requiring special audit consideration and a key audit matter for the audit.<br>. | We will:<br>• review management's processes and assumptions for the calculation of the estimate, the instructions issued to the external valuer and the scope of their work;<br>• consider the competence, expertise and objectivity of the external valuer used by management;<br>• discuss with the valuer about the basis on which the valuation is carried out and challenge of the key assumptions;<br>• review and challenge the information used by the valuer to ensure it is robust and consistent with our understanding;<br>• testing revaluations made during the year to ensure they are input correctly into your asset register; and<br>• evaluate the assumptions made by management for those assets not revalued during the year and verify how management have 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 its balance sheet represent a significant estimate in the financial statements.<br><br>We identified the valuation of the pension fund net liability as a risk requiring special audit consideration and a key audit matter for the audit. | We will:<br>• 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;<br>• evaluate 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;<br>• undertake procedures to confirm the reasonableness of the actuarial assumptions made; and<br>• check the consistency of the pension fund asset and liability and disclosures in notes to the financial statements with the actuarial report from your actuary. |

# Reasonably possible 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 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.

| Risk | Reason for risk identification | Key aspects of our proposed response to the risk |
|---|---|---|
| **Employee remuneration** | Payroll expenditure represents a significant percentage of your operating expenses.<br><br>As the payroll expenditure comes from a number of individual transactions and an interface with a number of different sub-systems there is a risk that payroll expenditure in the accounts could be understated. We therefore identified completeness of payroll expenses as a risk requiring particular audit attention. | We will:<br>• evaluate your accounting policy for recognition of payroll expenditure for appropriateness;<br>• gain an understanding of your system for accounting for payroll expenditure and evaluate the design of the associated controls; and<br>• gain substantive assurance over payroll expenditure for the year. |
| **Operating expenses** | Non-pay expenses on other goods and services also represents a significant percentage of your operating expenses. Management uses judgement to estimate accruals of un-invoiced costs.<br><br>We identified completeness of creditors as a risk requiring particular audit attention. | We will:<br>• evaluate your accounting policy for recognition of non-pay expenditure for appropriateness;<br>• gain an understanding of your system for accounting for non-pay expenditure and evaluate the design of the associated controls; and<br>• undertake testing of post-year end payments to test completeness of expenditure recorded in the financial statements. |

# Other matters

## Other work

In addition to our responsibilities under the Code of Practice, we have a number of other audit responsibilities, as follows:

- We carry out work to satisfy ourselves that disclosures made in your Annual Governance Statement are in line with the guidance issued 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 carry out work on your consolidation schedules for the Whole of Government Accounts process in accordance with NAO group audit instructions.
- We consider our other duties under the Act and the Code, as and when required, including:
  - giving electors the opportunity to raise questions about your 2017/18 financial statements, consider and decide upon any objections received in relation to the 2017/18 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.

## 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 this report.

## 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) 570). We will review management's assessment of the going concern assumption and evaluate the disclosures in the financial statements..

# Materiality

### The concept of materiality

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. 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.

### Materiality for planning purposes

We propose to calculate financial statement materiality based on a proportion of your gross service expenditure for the financial year. In the prior year we used the same benchmark. We have determined planning materiality (the financial statements materiality determined at the planning stage of the audit) to be £16.5m (2016/17: £15.9m), which equates to 2% of your gross service expenditure for 2016/17. We design our procedures to detect errors in specific accounts at a lower level of precision.

We reconsider planning materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality

### Matters we will report to the Audit Committee

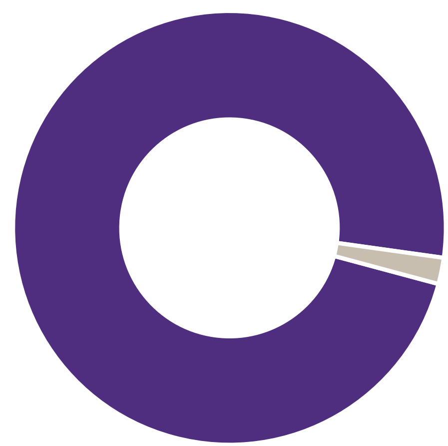
Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Regulatory and Audit Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. Under ISA 260 (UK) 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 (UK) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria. In the context of the Council, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £0.8m (2016/17: £0.8m).

If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Regulatory and Audit Committee to assist it in fulfilling its governance responsibilities.

**Outturn gross service expenditure 2016/17**

£827.7m

(2015/16: £794.8m)



**Materiality**

£16.5

Whole financial statements materiality

(2016/17: £15.9m)

■ Outturn gross service expenditure 2016/17

# Value for Money arrangements

### Background to our VFM approach

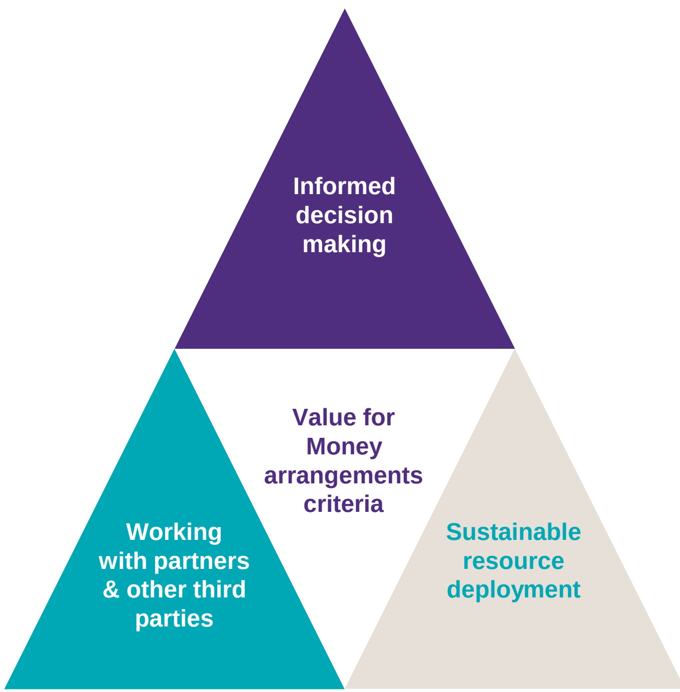
The NAO issued its guidance for auditors on Value for Money work for 2017/18 in November 2017. The guidance states that for local government bodies, auditors are required to give a conclusion on whether you have proper arrangements in place.

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 below:






### Significant VFM risks

Those risks requiring specific audit consideration and procedures to address the likelihood that you do not have proper arrangements in place to deliver value for money.

**Ofsted inspection of children's services**

Ofsted issued a report on your children's services in August 2014 which gave a rating of 'inadequate'. A follow-up review was completed by Ofsted in November 2017, for which you have received a further rating of 'inadequate'.

We will review progress made in implementing the changes to your arrangements requested by Ofsted. We will also consider your performance against your internal objectives and targets in delivering a safe and reliable children's service.

**Funding pressures**

In light of the continued 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 (MTFP).

We will review recent performance against the budget and consider the reasonableness of the assumptions upon which the MTFP is based.

**Transformation of adult social care services**

You are currently transforming the way that adult social care is delivered in Buckinghamshire, including resolving residual challenges from bringing the work of Buckinghamshire Care back in house and greater health and social care integration, with a movement toward the establishment of an Accountable Care System in Buckinghamshire.

We will review progress made in implementing the changes to your arrangements and hold discussions with relevant officers involved in the delivery of this transformation.

**Transfer of services from Buckinghamshire Learning Trust**

You have decided to terminate your contract with Buckinghamshire Learning Trust and bring the majority of their services back in-house from 1 April 2018.

We will review plans for the transfer of services back in-house and discuss with officers the plans in place for managing these services going forward.

# Audit logistics & audit fees


**Paul Grady, Engagement Lead**

Paul will be the main point of contact for the Chief Executive, CFO and Members. Paul will share his wealth of knowledge and experience across the sector providing challenge, sharing good practice, providing pragmatic solutions and acting as a sounding board with Senior Management and the Regulatory and Audit Committee. Paul will ensure our audit is tailored specifically to you and is delivered efficiently. Paul will review all reports and the team's work focussing his time on the key risk areas to your audit.

**Marcus Ward, Senior Audit Manager**

Marcus will work with the senior members of the finance and executive teams, working with Tom to ensure early delivery of testing and agreement of accounting issues on a timely basis.

**Tom Slaughter, Audit Manager**

Tom will lead the onsite team and will be the day to day management contact for the audit. Tom will attend Regulatory and Audit Committees, undertake reviews of the team's work and draft reports, ensuring they remain clear, concise and understandable to all. Tom will work with Internal Audit to secure efficiencies and avoid duplication, providing assurance for your Annual Governance Statement. Tom will monitor the deliverables, manage the query log with your finance team and highlight any significant issues and adjustments to senior management. Tom will coach the junior members of the team and review the teams work.

## Audit fees

The planned audit fees are no less than £88,088 (2016/17: £88,088) for the financial statements audit. In setting your fee, we have assumed that the scope of the audit, and the Council and its activities, do not significantly change.

## Our requirements

To ensure the audit is delivered on time and to avoid any additional fees, you must ensure that:

- all audit queries arising from our interim work are responded to satisfactorily during the interim audit and all testing samples provided to enable completion during the interim audit
- the draft accounts are provided to us by 31 May and are materially accurate;
- supporting schedules to all figures in the accounts and other working papers are provided to us by 31 May in accordance with the agreed upon information request list;
- all supporting schedules are clearly presented and agree to figures in the accounts;
- key management and accounting staff identified in our information request list are available throughout the duration of our audit visits to help us locate information and to provide explanations; and
- all audit queries are resolved promptly and within agreed timescales.

If any of the above requirements are not met, we reserve the right to postpone our audit visit and charge fees to reimburse us for any additional costs incurred.

# Independence & non-audit services

### Auditor independence

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant facts and matters that may bear upon the integrity, objectivity and independence of the firm or covered persons. relating to our independence. We encourage you to contact us to discuss these or any other independence issues with us. We will also discuss with you if we make additional significant judgements surrounding independence matters.

We would like to draw to your attention that this will be Paul Grady’s sixth year as your Engagement Lead. Where an Engagement Lead wishes to act for a period of more than five years, we are required to seek agreement from those charged with governance (the Regulatory and Audit Committee), that you are content with this arrangement. You have confirmed that you are content. Engagement Leads are able to act for a maximum of seven years at local authority audits.

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements. Further, we have complied with the requirements of the National Audit Office’s Auditor Guidance Note 01 issued in December 2016 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

We confirm that we have implemented policies and procedures to meet the requirements of the Ethical Standard. For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council.



### Non-audit services

The following non-audit services were identified:

| Service | Fees £ | Threats | Safeguards |
|---|---|---|---|
| **Audit related** | | | |
| Teachers Pensions certification (in respect of 2016/7) | £7,500 | Self-Interest (because this is a recurring fee) | The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work was £7,500 in comparison to the total fee for the audit of £88,088 and in particular relative to Grant Thornton UK LLP’s turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors mitigate the perceived self-interest threat to an acceptable level. |
| Skills Funding Agency certification (in respect of 2016/17) | £4,000 | Self-Interest (because this is a recurring fee) | The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £4,000 in comparison to the total fee for the audit of £88,088 and in particular relative to Grant Thornton UK LLP’s turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors mitigate the perceived self-interest threat to an acceptable level. |
| **Non-audit related** | | | |
| None | | | |

The amounts detailed are fees agreed to-date for audit related and non-audit services to be undertaken by Grant Thornton UK LLP in the current financial year. These services are consistent with the Council’s policy on the allotment of non-audit work to your auditors. Any changes and full details of all fees charged for audit related and non-audit related 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. None of the services provided are subject to contingent fees.

# Appendices

A. **Revised ISAs**

B. **Internal control findings**

# Appendix A: Revised ISAs

Detailed below is a summary of the key changes impacting the auditor's report for audits of financial statement for periods commencing on or after 17 June 2016.

| Section of the auditor's report | Description of the requirements |
|---|---|
| **Conclusions relating to going concern** | We will be required to conclude and report whether:<br>• The directors use of the going concern basis of accounting is appropriate<br>• The directors have disclosed identified material uncertainties that may cast significant doubt about the Council's ability to continue as a going concern. |
| **Material uncertainty related to going concern** | We will need to include a brief description of the events or conditions identified that may cast significant doubt on the Council's ability to continue as a going concern when a material uncertainty has been identified and adequately disclosed in the financial statements.<br>Going concern material uncertainties are no longer reported in an Emphasis of Matter section in our audit report. |
| **Other information** | We will be required to include a section on other information which includes:<br>• Responsibilities of management and auditors regarding other information<br>• A statement that the opinion on the financial statements does not cover the other information unless required by law or regulation<br>• Reporting inconsistencies or misstatements where identified |
| **Additional responsibilities for directors and the auditor** | We will be required to include the respective responsibilities for directors and us, as auditors, regarding going concern. |
| **Format of the report** | The opinion section appears first followed by the basis of opinion section. |

# Appendix B: Internal control findings

| | Assessment | Issue and risk | Recommendations |
|---|---|---|---|
| 1 | Deficiency | **Approval of journal entries**<br>• We identified that six journal accruals to a total of £1,622,448 were posted by an individual in the SAP team on behalf of the adult learning team into a prior closed period without the permission of the central finance team. This was to post a mid-year accrual to enable an academic return to be completed. However, this bypassed your established process for raising journal accruals; such entries are only permitted to be raised at year end and not mid-year.<br>• The SAP team were able to post these journals because a number of their team have "super-user" access rights that allow them access to all areas of the SAP system. We have flagged to you in previous audits that the number of employees with "super-user" access should be reduced.<br>• In response to this finding, the accrual entries posted have been reversed out by your finance team. | • Review "super user" access rights and take immediate action to that SAP users hold such access rights only where this is essential to their job role.<br>• Ensure that all staff with access to SAP are aware of and adhere to the Council's journal approval processes and specifically to your arrangements for posting and approval of journal accruals.<br><br>**Management response**<br>• We agree with your recommendation and have put new processes in place as to stop this from happening in the future.<br>**Rachael Martinig (Financial Accountant) – 18th May 2018** |

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

Our audit included consideration of internal control relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control.

The matters being reported are limited to those deficiencies that the auditor has identified during the audit and that the auditor has concluded are of sufficient importance to merit being reported to those charged with governance." (ISA UK 265)

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

Grant Thornton



**grantthornton.co.uk**

# External Audit Plan

*Year ending 31 March 2018*

Buckinghamshire Pension Fund

31 May 2018

# Contents

**Your key Grant Thornton team members are:**

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# Introduction & headlines

### Purpose

This document provides an overview of the planned scope and timing of the statutory audit of Buckinghamshire Pension Fund ('the Fund') for those charged with governance.

### Respective responsibilities

The National Audit Office ('the NAO') has issued a document entitled Code of Audit Practice ('the Code'). This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. Our respective responsibilities are also set in the Terms of Appointment and Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA), the body responsible for appointing us as auditor of Buckinghamshire Pension Fund. We draw your attention to both of these documents on the PSAA website.

### Scope of our audit

The scope of our audit is set in accordance with the Code and International Standards on Auditing (ISAs) (UK). We are responsible for forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance (the Regulatory & Audit Committee).

The audit of the financial statements does not relieve management or the Regulatory & Audit Committee of your responsibilities.

Our audit approach is based on a thorough understanding of the Fund's business and is risk based.



| | |
|---|---|
| **Significant risks** | Those risks requiring specific audit consideration and procedures to address the likelihood of a material financial statement error have been identified as:<br>• Management over-ride of controls<br>• The valuation of Level 3 investments is incorrect<br>• Change in custodian<br>We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings (ISA 260) Report. |
| **Materiality** | We have determined planning materiality to be £27.0 million (2016/17: £22.2 million), which equates to 1% of your net assets. We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. Clearly trivial has been set at £1.3 million (2016/17: £1.1 million). |
| **Audit logistics** | Our interim visit took place in January 2018 and our final visit will take place in June 2018. Our key deliverables are this Audit Plan and our Audit Findings Report.<br>Our fee for the audit will be no less than £25,033 (PY: £25,033) for the Fund. |
| **Independence** | We have complied with the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements |

# Deep business understanding

## Changes to service delivery

### Pooling

Arrangements for the pooling of investments continue to develop. The DCLG has reported on the progress of pools and noted the pace of development, including the launching of procurements for pool operators, appointing senior officers and preparing applications for Financial Conduct Authority authorisation. This remains a challenging agenda, with arrangements required to be in place from 1 April 2018. These arrangements will have a significant impact on how investments are managed and monitored, with much of the operational responsibility moving to the pool operator. It remains 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.

### Markets in Financial Instrument Directive (MiFID II)



January 2018 see the implementation of MiFID II. The impact for Fund is that to be able to continue to access the same investments as previously, they need to apply to 'opt up' and gain election to professional status. Without this change in status some financial institutions could terminate their relationship with the fund, which may have an adverse impact on the achievement of the investment strategy

### On-going Matters

- Indexation and equalisation of GMP in public service pensions schemes
- Reforms to public sector exit packages and the application, or not, of the 2013 Fair Deal changes to the LGPS
- SAB work on options for academies within the LGPS and review of Tier 3 employer risks

## Changes to financial reporting requirements

### Accounts and Audit Regulations 2015 (the Regulations)

The Department of Communities and Local Government (DCLG) is currently undertaking a review of the Regulations, which may be subject to change. The date for any proposed changes has yet to be confirmed, so it is not yet clear or whether they will apply to the 2017/18 financial statements.

Under the 2015 Regulations local authorities are required to publish their accounts along with the auditors opinion by 31 July 2018.

### Changes to the CIPFA 2017/18 Accounting Code

CIPFA have introduced minor changes to the 2017/18 Code, these include a new disclosure of investment manager transaction costs and clarification on the approach to investment concentration disclosure.

## Key challenges

### General Data Protection Regulations (GDPR)

GDPR comes into effect in May 2018 and replaces the Data Protection Act 1998. It introduces new obligations on data controllers. The Fund is both a data controller and a data processor and needs to ensure that it has appropriate processes in place to comply with the changes being introduced.

### tPR 2016 Governance and Administration Survey

Published in May 2017 whilst showing improvements in governance tPR noted that its focus for 2017-18 would be scheme governance, record keeping, internal controls and member communication and that tolerance for scheme shortcomings in these areas was reducing and that they were more likely to use their enforcement powers where scheme managers have not taken sufficient action to address issues or meet their duties.

## Our response

- We will consider whether your financial position leads to uncertainty about the going concern assumption and will review any related disclosures in the financial statements.
- We will keep you informed of changes to the Regulations and any associated changes to financial reporting or public inspection requirements for 2017/18 through on-going discussions and invitations to our technical update workshops.
- As part of our opinion on your financial statements, we will consider whether your financial statements reflect the financial reporting changes in the 2017/18 CIPFA Code.
- Where any actions have been agreed in respect of matters identified through previous audit work, on the financial statements the planning report should include reference to consideration of progress against previously agreed recommendations.

# Significant risks identified

Significant risks are defined by professional standards as risks that, in the judgement of the auditor, require special audit consideration because they have a higher risk of material misstatement. Such risks often relate to significant non-routine transactions and judgmental matters. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood.

| Risk | Reason for risk identification | Key aspects of our proposed response to the risk |
|---|---|---|
| **The revenue cycle includes fraudulent transactions** | Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue.<br>This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition. | Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Fund, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:<br>• there is little incentive to manipulate revenue recognition<br>• opportunities to manipulate revenue recognition are very limited<br>• the culture and ethical frameworks of local authorities, including Buckinghamshire County Council as the Administering Authority of Buckinghamshire Pension Fund, mean that all forms of fraud are seen as unacceptable<br>Therefore we do not consider this to be a significant risk for Buckinghamshire Pension Fund. |
| **Management over-ride of controls** | Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities.<br>Management over-ride of controls is a risk requiring special audit consideration. | We will:<br>• gain an understanding of the accounting estimates, judgements applied and decisions made by management and consider their reasonableness;<br>• obtain a full listing of journal entries, identify and test unusual journal entries for appropriateness; and<br>• evaluate the rationale for any changes in accounting policies or significant unusual transactions. |
| **Change in custodian** | During the year a number of funds have transferred custodian from BNY Mellon to State Street. | We will:<br>• document the controls in place to manage the transfer of data to the system of new custodian; and<br>• review and test management's reconciliation of the closing position from the old custodian system to the opening position of the new system. |

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# Significant risks identified

| Risk | Reason for risk identification | Key aspects of our proposed response to the risk |
|---|---|---|
| **The valuation of Level 3 investments 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. | We will:<br>• gain an understanding of the Fund's process for valuing level 3 investments and evaluate the design of the associated controls;<br>• 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; and<br>• for a sample of investments, test the valuation by obtaining and reviewing the audited accounts, (where available) at the latest date for individual investments and agreeing these to the fund manager reports at that date. We will then reconcile those values to the values at 31 March 2018 with reference to known movements in the intervening period. |

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# Reasonably possible 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 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.

| Risk | Reason for risk identification | Key aspects of our proposed response to the risk |
|---|---|---|
| **Contributions** | Contributions from employers and employees' represents a significant percentage of the Fund's revenue. | We will:<br>• evaluate the Fund's accounting policy for recognition of contributions for appropriateness;<br>• gain an understanding of the Fund's system for accounting for contribution income and evaluate the design of the associated controls;<br>• test a sample of contributions to source data to gain assurance over their accuracy and occurrence; and<br>• rationalise contributions received with reference to changes in member body payrolls and the number of contributing pensioners to ensure that any unusual trends are satisfactorily explained. |
| **Pension Benefits Payable** | Pension benefits payable represents a significant percentage of the Fund's expenditure. | We will:<br>• evaluate the Fund's accounting policy for recognition of pension benefits expenditure for appropriateness;<br>• gain an understanding of the Fund's system for accounting for pension benefits expenditure and evaluate the design of the associated controls;<br>• test a sample of individual pensions in payment by reference to member files; and<br>• rationalise pensions paid with reference to changes in pensioner numbers and increases applied in year to ensure that any unusual trends are satisfactorily explained. |

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# Reasonably possible risks identified

| Risk | Reason for risk identification | Key aspects of our proposed response to the risk |
|---|---|---|
| **The valuation of Level 2 investments is incorrect** | While level 2 investments do not carry the same level of inherent risks associated with level 3 investments, there is still an element of judgement involved in their valuation as their very nature is such that they cannot be valued directly. | We will:<br>• gain an understanding of the Fund's process for valuing Level 2 investments and evaluate the design of the associated controls;<br>• 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; and<br>• for a sample of investments, test the valuation by obtaining independent information from custodian/manager on units and unit prices. |

# Other matters

### Other work

The Fund is administered by Buckinghamshire County Council (the 'Council'), and the Fund's accounts form part of the Council's financial statements. Therefore as well as our general responsibilities under the Code of Practice a number of other audit responsibilities also follow in respect of the Fund, such as:

- We consider our other duties under the Act and the Code, as and when required, including:
    - giving electors the opportunity to raise questions about your 2017/18 financial statements, consider and decide upon any objections received in relation to the 2017/18 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 carry out work to satisfy ourselves on the consistency of the pension fund financial statements included in the pension fund annual report with the audited Fund accounts.

### 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 this report.

### 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) 570). We will review management's assessment of the going concern assumption and evaluate the disclosures in the financial statements.

# Materiality

### The concept of materiality

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. 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.

### Materiality for planning purposes

We propose to calculate financial statement materiality based on a proportion of the net assets of the Fund for the financial year. In the prior year we used the same benchmark. We have determined planning materiality (the financial statements materiality determined at the planning stage of the audit) to be £27.0m (2016/17: £22.2m), which equates to 1% of your net assets for the prior year. We design our procedures to detect errors in specific accounts at a lower level of precision.

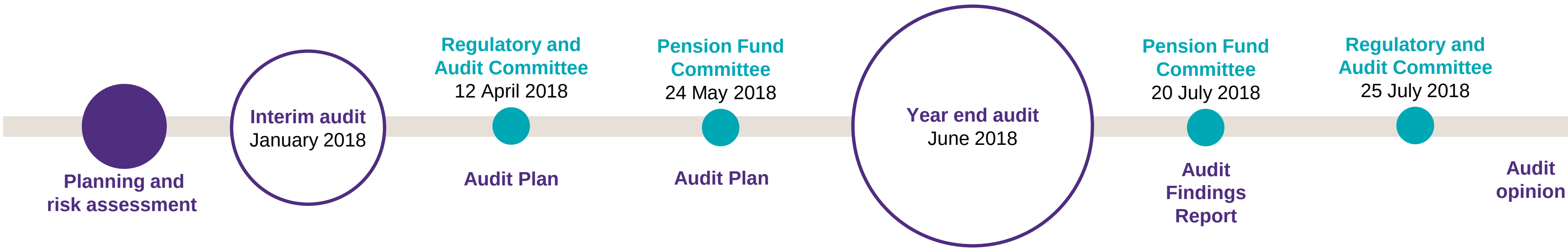
We reconsider planning materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality.

### Matters we will report to the Regulatory & Audit Committee

Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the General Purposes & Audit Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. Under ISA 260 (UK) ‘Communication with those charged with governance’, we are obliged to report uncorrected omissions or misstatements other than those which are ‘clearly trivial’ to those charged with governance. ISA 260 (UK) defines ‘clearly trivial’ as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.  In the context of the Fund, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £1.3m (2016/17: £1.1m).

If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the General Purposes & Audit Committee to assist it in fulfilling its governance responsibilities.

# Audit logistics & audit fees




**Audit fees**

The planned audit fees for Buckinghamshire Pension Fund are no less than £25,033 (2016/17: £25,033) for the financial statements audit.

In setting your fee, we have assumed that the scope of the audit, and the Fund and its activities, do not significantly change.

**Our requirements**

To ensure the audit is delivered on time and to avoid any additional fees, we have detailed our expectations and requirements in the following section ‘Early Close’. If the requirements detailed overleaf are not met, we reserve the right to postpone our audit visit and charge fees to reimburse us for any additional costs incurred.

# Early close

### Meeting the early close timeframe

Bringing forward the statutory date for publication of audited local government accounts to 31 July this year, across the whole sector, is a significant challenge for local authorities and auditors alike. For authorities, the time available to prepare the accounts is curtailed.

Successful delivery  of early close depends on:

- bringing forward as much work as possible to interim audits;
- starting work on final accounts audits as early as possible; and
- working with you to agree detailed plans, including early agreement of audit dates, working paper ad data requirements and early discussion on potentially contentions items.



You have for the last two years achieved an early signoff of your accounts audit by 31 July and this therefore places you in a strong position compared to many other local authorities in achieving that deadline in 2017/18.

We believe, however, that there is further scope to build upon your progress made in previous audits. For 2017/18 we plan to work with you to ensure completion of the bulk of our fieldwork for the Fund's audit by the end of June, so that we can issue assurance letters to the auditors of other local authorities admitted into the Fund by 30 June.

### Client responsibilities

Where individual clients do not deliver to the timetable agreed, we need to ensure that this does not impact on audit quality or absorb a disproportionate amount of time, thereby disadvantaging other clients. We will therefore conduct the audit in line with the timetable set out in our audit plan (as detailed on page 11). Where the elapsed time to complete an audit exceeds that agreed due to a client not meetings its obligations we will not be able to maintain a team on site. Similarly, where additional resources are needed to complete the audit due to a client not meeting their obligations we are not able to guarantee the delivery of the audit by the statutory deadline. Such audits are unlikely to be re-started until very close to, or after the statutory deadline. In addition, it is highly likely that these audits will incur additional audit fees.

### Our requirements

To minimise the risk of a delayed audit or additional audit fees being incurred, you need to ensure that you:

- produce draft financial statements of good quality by the deadline you have agreed with us, including all notes, the narrative report and the Annual Governance Statement
- ensure that good quality working papers are available at the start of the audit, in accordance with the working paper requirements schedule that we have shared with you
- ensure that the agreed data reports are available to us at the start of the audit and are reconciled to the values in the accounts, in order to facilitate our selection of samples
- ensure that all appropriate staff are available on site throughout (or as otherwise agreed) the planned period of the audit
- respond promptly and adequately to audit queries.

In return, we will ensure that:

- the audit runs smoothly with the minimum disruption to your staff
- you are kept informed of progress through the use of an issues tracker and weekly meetings during the audit
- we are available to discuss issues with you prior to and during your preparation of the financial statements.

# Independence & non-audit services

**Auditor independence**

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant facts and matters that may bear upon the integrity, objectivity and independence of the firm or covered persons. relating to our independence. We encourage you to contact us to discuss these or any other independence issues with us. We will also discuss with you if we make additional significant judgements surrounding independence matters.

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements. Further, we have complied with the requirements of the National Audit Office’s Auditor Guidance Note 01 issued in December 2016 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

We confirm that we have implemented policies and procedures to meet the requirements of the Ethical Standard. For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Fund.

**Non-audit services**

No non-audit services were identified.

# Appendices

A. Revised ISAs

# Appendix A: Revised ISAs

Detailed below is a summary of the key changes impacting the auditor's report for audits of financial statement for periods commencing on or after 17 June 2016.

| Section of the auditor's report | Description of the requirements |
|---|---|
| **Conclusions relating to going concern** | We will be required to conclude and report whether:<br>• The directors use of the going concern basis of accounting is appropriate<br>• The directors have disclosed identified material uncertainties that may cast significant doubt about the Fund's ability to continue as a going concern. |
| **Material uncertainty related to going concern** | We will need to include a brief description of the events or conditions identified that may cast significant doubt on the Fund's ability to continue as a going concern when a material uncertainty has been identified and adequately disclosed in the financial statements.<br>Going concern material uncertainties are no longer reported in an Emphasis of Matter section in our audit report. |
| **Other information** | We will be required to include a section on other information which includes:<br>• Responsibilities of management and auditors regarding other information<br>• A statement that the opinion on the financial statements does not cover the other information unless required by law or regulation<br>• Reporting inconsistencies or misstatements where identified |
| **Additional responsibilities for directors and the auditor** | We will be required to include the respective responsibilities for directors and us, as auditors, regarding going concern. |
| **Format of the report** | The opinion section appears first followed by the basis of opinion section. |

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## Regulatory & Audit Committee Forward Plan – Forward Plan

| Date of meeting | Items<br><br>^ = to OCB | Report Writer |
|---|---|---|
| **31 May 18** | 1. Draft Statement of Accounts and Draft Pension Accounts<br>2. Treasury Management<br>3. Grant Thornton Audit Plan<br>4. Grant Thornton Pension Fund Audit Plan<br>5. Forward Plan | 1. Richard Ambrose/ Julie Edwards<br>2. Julie Edwards<br>3. Grant Thornton<br>4. Grant Thornton<br>5. Maggie Gibb |
| **25 July 18** | 1. Statement of Accounts<br>2. Pension Accounts<br>3. Value For Money Statement<br>4. Annual Governance Statement<br>5. Head of Audit Annual Opinion<br>6. Review of Constitution<br>7. Petitions Review<br>8. Risk Management Group update<br>9. 2018/19 Draft Business Assurance Strategy<br>10. Forward Plan<br>11. Fraud Update (via Statutory Officers Group<br>12. Private Session with External Auditors<br>13. Private Session with internal Auditor | 1. Richard Ambrose<br>2. Richard Ambrose/Julie Edwards<br>3. Grant Thornton<br>4. Maggie Gibb<br>5. Maggie Gibb<br>6. Sara Turnbull<br>7. Sara Turnbull<br>8. Maggie Gibb<br>9. Maggie Gibb<br>10. Maggie Gibb<br>11. Maggie Gibb |
| **12 Sept 18** | 1. Business Continuity Management Update<br>2. Annual Report – Compliments and Complaints<br>3. Mandatory Training Compliance Update<br>4. Standing Orders Exemptions and Breaches<br>5. Risk Management Group update<br>6. Forward Plan<br>7. Whistleblowing Policy<br>8. Anti-Fraud and Corruption Policy<br>9. Anti-Money Laundering Policy<br>10. 18/19 Business Assurance Update | 1. Andy Fyfe<br>2. Kate Mitchelmore<br>3. Caroline High<br>4. Richard Ambrose (Mark Preston)<br>5. Maggie Gibb<br>6. Maggie Gibb<br>7. Linda Forsythe<br>8. Maggie Gibb<br>9. Maggie Gibb<br>10. Maggie Gibb |
| **21 Nov 18** | 1. Treasury Management Update<br>2. Annual Governance Statement Action Plan<br>3. Risk Management Group update<br>4. Forward Plan | 1. Julie Edwards<br>2. Richard Ambrose<br>3. Maggie Gibb<br>4. Maggie Gibb |

**Regulatory & Audit Committee Forward Plan – Forward Plan**

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

Document is Restricted