

Buckinghamshire County Council



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: 25 July 2018

Director of Finance & Procurement

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Buckinghamshire County Council (the 'Authority') for the year ended 31 March 2018 which comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, and all notes to the accounts, including the significant accounting policies contained therein. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2017/18.

In our opinion the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2018 and of its expenditure and income for the year then ended;
- have been prepared properly in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2017/18; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Who we are reporting to

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Director of Finance & Procurement's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Director of Finance & Procurement has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The Director of Finance & Procurement is responsible for the other information. The other information comprises the information included in the Statement of Accounts set out on pages 4 to 85 and the Annual Governance Statement, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge of the Authority obtained in the course of our work including that gained through work in relation to the Authority's arrangements for securing value for money through economy, efficiency and effectiveness in the use of its resources or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other information we are required to report on by exception under the Code of Audit Practice

Under the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with the 'Delivering Good Governance in Local Government: Framework (2016)' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

Opinion on other matter required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority gained through our work in relation to the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources, the other information published together with the financial statements in the Statement of Accounts and the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

Under the Code of Audit Practice we are required to report to you if:

- we have reported a matter in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we have made a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we have exercised any other special powers of the auditor under the Local Audit and Accountability Act 2014.

We have nothing to report in respect of the above matters.

Responsibilities of the Authority, the Director of Finance & Procurement and Those Charged with Governance for the financial statements

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on page 4, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Director of Finance & Procurement. The Director of Finance & Procurement is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2017/18, which give a true and fair view, and for such internal control as the Director of Finance & Procurement determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Independent Auditor's Report to Members of Buckinghamshire County Council

In preparing the financial statements, the Director of Finance & Procurement is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Authority lacks funding for its continued existence or when policy decisions have been made that affect the services provided by the Authority.

The Regulatory & Audit Committee is Those Charged with Governance.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on other legal and regulatory requirements - Conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Qualified conclusion

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, except for the effects of the matter described in the basis for qualified conclusion section of our report, we are satisfied that, in all significant respects, the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

Basis for qualified conclusion

In considering the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources we identified the following matter:

In January 2018, Ofsted issued its report on the inspection of the Authority's services for children in need of help and protection, children looked after and care leavers. The overall judgement was that children's services were rated as inadequate.

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

Responsibilities of the Authority

The Authority is responsible for putting in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

Auditor's responsibilities for the review of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, as to whether in all significant respects the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to be satisfied that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Report on other legal and regulatory requirements - *Delay in certification of completion of the audit*

We cannot formally conclude the audit and issue an audit certificate in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have completed the work necessary to issue our Whole of Government Accounts (WGA) Component Assurance statement for the Authority for the year ended 31 March 2018. We are satisfied that this work does not have a material effect on the financial statements or on our conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

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

30 Finsbury Square

London

EC2A 1AG

25th July 2018

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 of 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



More than

7,500

vulnerable/older people supported to stay in their own homes with assistive technology



29 local projects supporting vulnerable older people



94

care homes rated good or outstanding by Care Quality Commission

300+ new Dementia Friends



100+ people given dementia training



Buckinghamshire's Youth Offending Service (YOS) was awarded prestigious **'Quality Lead'** status for its success in helping those with special educational needs and disabilities, who end up in the youth justice system, to turn their lives around.



2017 Alzheimer's Society Dementia Friendly Awards Dementia Partnership of the Year with Buckinghamshire CCG



Awarded **fostering friendly employer** status



8,125

Adult Social Care clients



10,102

referrals to Children's Social Care

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



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 £3.597m and over achievement of External Financing income of £0.110m. 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%
External Financing	(337,444)	(337,334)	(110)	0.0%
Corporate Costs	30,819	34,416	(3,597)	(10.5%)
Overall BCC	(2,888)	-	(2,888)	

Operating deficit

The Comprehensive Income and Expenditure Statement (CIES) p29 shows the net surplus or deficit in the provision of services on an accounting basis. An operating deficit of £45.633m (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) p27 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 and Funding Analysis statement on p32 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.

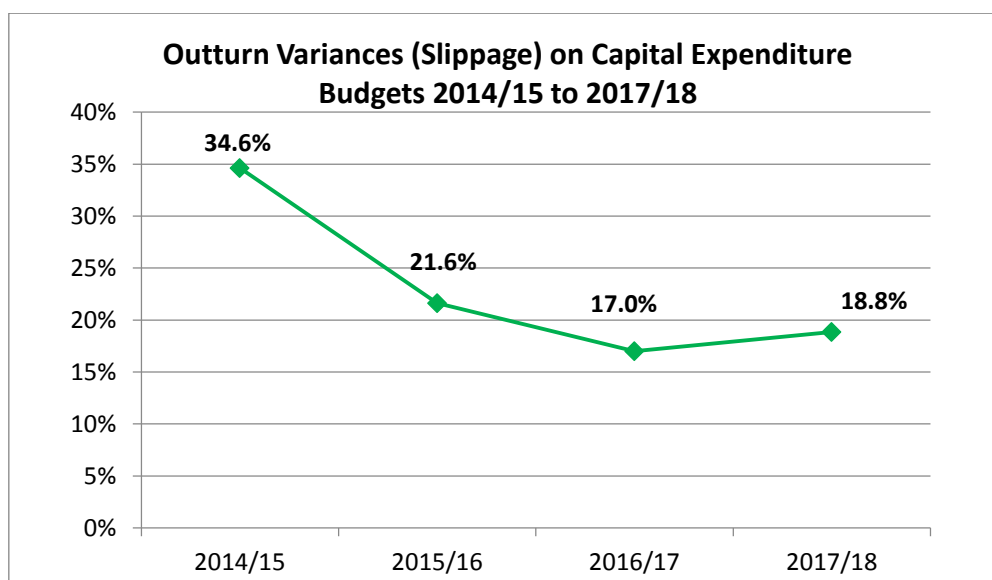
Capital budget

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.

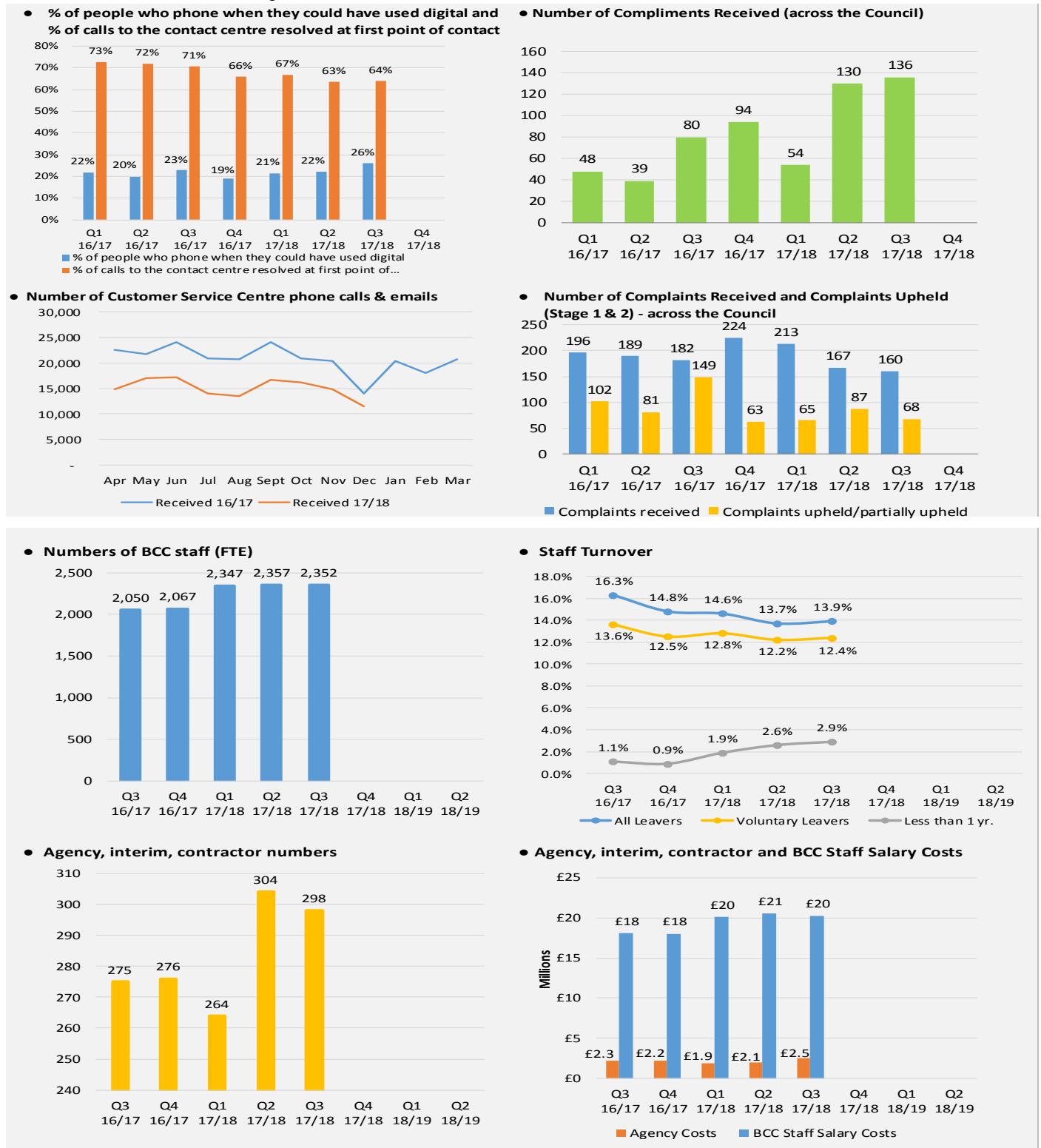
This details slippage, including underspends brought forward from previous years. Expenditure schedule for 2017/18 slipped by 13.2%. Expenditure scheduled for 2017/18 including underspent expenditure from previous years, brought forward to spend in 2017/18 slipped by 18.8% as detailed below.



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.

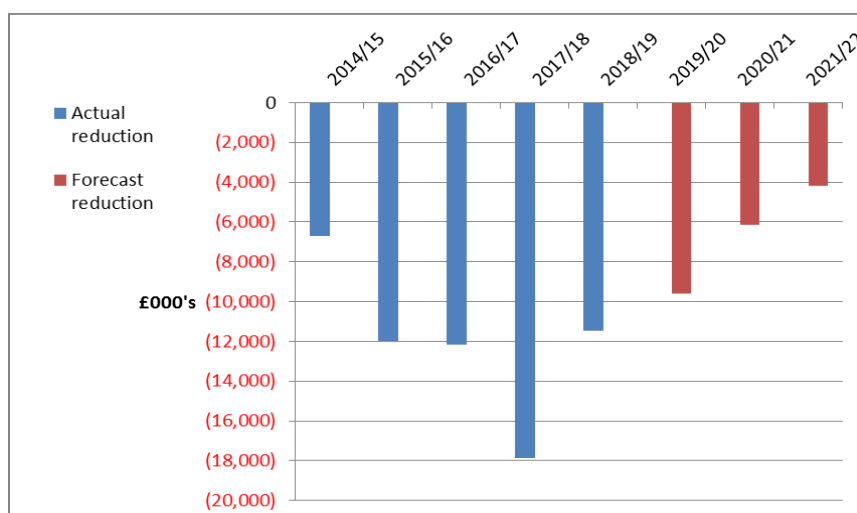


Medium Term Financial Plan (MTFP)

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 £5.8bn 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 market 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 £457.218m (2016/17 £385.432m) backed by usable reserves of £152.005m (2016/17 £125.865m) and unusable reserves of £305.213m (2016/17 £259.566m). This is shown in the Balance Sheet p30 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 £32m. 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 p28 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 & Environment 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:

- **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 23.

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. 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 its adult social care re-provisioning. The significant unobservable inputs used in the fair value measurement include assumptions regarding rent growth and discount rates. Significant changes in any of the unobservable inputs would result in a significantly lower or higher fair value measurement for the investment properties and financial assets.

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.

On the advice of the Council’s financial advisors, ArlingClose, the Director of Finance and Procurement agreed to the early termination of the £48m of LOBO loans held with Commerzbank, on 12th April 2018. The total repaid was £77m, being £48m loan principal, £28.75m early redemption premium and £250k accrued interest. In their place, the council borrowed £30m from PWLB on a 50 year maturity basis, and a further £18m on a 20 year on an Equal Instalments of Principal basis.

Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure (revenue or capital), or reduce local taxation) and unusable reserves. The Surplus or Deficit on the Provision of Services line shows the true economic cost of providing the Council's services, more details of which are shown in the 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 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	45,633	-	-	45,633	-	45,633	-	45,633
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	(117,420)	(117,420)
Total Comprehensive Income and Expenditure	45,633	-	-	45,633	-	45,633	(117,420)	(71,787)
Adjustments between accounting basis & funding basis under regulations (Note 3)	(60,777)	-	-	(60,777)	(10,997)	(71,774)	71,774	-
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)	(71,787)
Balance at 31 March 2018	(27,393)	(12,627)	(99,235)	(139,256)	(12,749)	(152,005)	(305,212)	(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)

Comprehensive Income and Expenditure Statement

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

2016/17				2017/18		
Gross Expenditure £000	Gross Income £000	Net Expenditure £000		Gross Expenditure £000	Gross Income £000	Net Expenditure £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)	29,933	(17,346)	12,587
-	(392,971)	(392,971)	Taxation and Non-Specific Grant Income (Note 7)	67,792	(467,360)	(399,568)
854,946	(827,652)	27,295	(Surplus) or Deficit on Provision of Services	978,526	(932,893)	45,633
			Items that will not be reclassified to the (Surplus) or Deficit on the Provision of Services			
		(176,826)	(Surplus) or Deficit on Revaluation of Non-Current Assets (Note 26)			(63,820)
		195,373	Remeasurement of the net defined benefit liability / (asset) (Note 14)			(53,322)
			Items that may be reclassified to the (Surplus) or Deficit on the Provision of Services			
		391	Surplus or deficit on revaluation of available-for-sale financial assets* (Note 26)			(278)
		18,938	Other Comprehensive Income and Expenditure			(117,420)
		45,841	Total Comprehensive Income and Expenditure			(71,787)

Comprehensive Income and Expenditure Statement

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	1,303,009
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		1,457,824
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	41,099
17,678	Available for Sale Financial Assets	21	23,448
3,843	Cash and Cash Equivalents	23	1,927
78,387	Current Assets		69,854
(85,342)	Short Term Borrowing	21	(45,333)
(97,289)	Short Term Trade and Other Payables	24	(106,802)
(182,631)	Current Liabilities		(152,135)
(6,941)	Provisions and Long Term Liabilities	25	(7,011)
(139,000)	Long Term Borrowing	21	(167,951)
(753,943)	Pension Liability	14	(743,363)
(899,884)	Long Term Liabilities		(918,325)
385,431	Net Assets		457,218
(125,865)	Usable Reserves	MiRS*	(152,005)
(259,566)	Unusable Reserves	26	(305,213)
(385,431)	Total Reserves		(457,218)

*MiRS - Movement in Reserves Statement (see Page 27)

Cash Flow Statement

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

2016/17		2017/18
£000		£000
27,295	Net (surplus) or deficit on the provision of services	45,633
(92,163)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	(146,326)
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)	(25,939)
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	1,914
(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	1,928

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)	(41,901)	(365,178)
(Surplus) or Deficit on Provision of Services	(13,675)	(4,615)	(18,291)	63,924	45,633
Adjustments under Regs	10,787	(7,641)	3,146	(63,924)	(60,777)
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)				

	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	(16,702)	(41,901)
15,278	20,122	3,216	38,616	(Surplus) or Deficit on Provision of Services	35,861	42,742	(14,679)	63,924

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	(115,376)
(1,470)	Interest and investment income	(17,292)
(265,131)	Income from Council Tax, NDR	(279,367)
(454,117)	Government Grants and contributions	(450,740)
(823,866)	Total Income	(862,775)
314,808	Employee benefit expenses	350,543
446,514	Other Service Expenses	444,882
-	Support Service recharges	(2,352)
8,381	Interest expenses	10,156
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	908,408
27,293	Surplus or Deficit on Provision of Services	45,633

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.

Notes to the Accounts

2017/18

	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied Reserve £000	Movement in Unusable Reserves £000
Usable Reserves				
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	9,110	-	-	(9,110)
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 written 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 towards the costs of non-current asset disposals	(59)	59	-	-
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	-	(1,501)	-	1,501
Write Down 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 which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with 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 which Council Tax and NNDR income credited to the CIES is different from Council Tax and NNDR income calculated for the year in accordance with statutory requirements	(906)	-	-	906
Adjustments primarily involving the Accumulated Absences Account:				
Amount by which officer remuneration charged to the CIES on an accrual basis is different from remuneration chargeable in the year in accordance with statutory requirements	154	-	-	(154)
Total Adjustments	(60,777)	(10,997)	(10,997)	71,774

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
Capital grants and contributions applied	59,633	-	-	(59,633)
Writedown of final deferred charges	(1,358)	-	-	1,358
Revenue Expenditure Funded from Capital Under Statute	(20,138)	-	-	20,138
Amounts of non-current assets written off on disposal as part of the (gain)/loss on disposal to the CIES	(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 towards the costs of non-current asset disposals	(198)	198	-	-
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	-	(1,527)	-	1,527
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	128	-	-	(128)
Adjustments primarily involving the Financial Instruments Adjustment Account:				
Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	160	-	-	(160)
Adjustments primarily involving the Pension Reserve:				
Reversal of items relating to retirement benefits debited or credited to the CIES	(50,070)	-	-	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 which Council Tax and NNDR income credited to the Comprehensive Income and Expenditure Statement is different from Council Tax income calculated for the year in accordance with statutory requirements	2,306	-	-	(2,306)
Adjustments primarily involving the Accumulated Absences Account:				
Amount by which officer remuneration charged to the CIES on an accrual basis is different from remuneration chargeable in the year in accordance with statutory requirements	(2,269)	-	-	2,269
Total Adjustments	(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 £000	Transfers Out 2016/17 £000	Transfers In 2016/17 £000	Balance at 31 March 2017 £000	Transfers Out 2017/18 £000	Transfers In 2017/18 £000	Balance at 31 March 2018 £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 third 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	21,804

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	(14,741)
25,677	Total	12,587

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		2017/18
£000	Grants Held Centrally	£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		2017/18
£000	Non-ringfenced Government Grants	£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	
(1,038)	Small Business Rates Relief	(1,238)
-	Adult Social Care Grant	(1,679)
	Improved Better Care Fund	(3,488)
(1,512)	Total of other grants below £1m each	(1,893)
(17,752)	Total	(18,578)

2016/17		2017/18
£000	Grants Credited to Services	£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 £1.45m) 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 Pension		2017/18 Total	2016/17 Total
		Allowances	Contrib'ns		
		£	£	£	£
Chief Executive	Rachael 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)	Sheila 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 £000	2017/18 £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 £14.782m (2016/17 £15.054m) 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	Movement in Reserves Statement	2017/18
£000		£000
	Reversal of net charges made to the Surplus/Deficit for the	
(50,070)	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 a decrease in the discount rate from 2.7% to 2.55%

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 Merrill Lynch AA rated corporate bond curve. This is consistent with the approach used at the last accounting date.

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

- Current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the CIES to the services for which the employees worked;
- Past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to Corporate Costs in the CIES;
- Net interest on the net defined benefit liability – the net interest expense that arises from the passage of time charged to the Financing and Investment Income and Expenditure line in the CIES. This is calculated by applying the discount rate used to measure the defined benefit obligation to the net defined benefit liability at the beginning of the period, adjusted for any changes in the net defined benefit liability during the period resulting from contribution and benefit payments;
- Contributions paid to the Pension Fund – cash paid as employer's contributions to the Pension Fund in settlement of liabilities, not accounted for as an expense;
- Re-measurements - the return on plan assets (excluding amounts included in net interest on the net defined benefit liability) charged to the Pensions Reserve as Other Comprehensive Income and Expenditure;
- Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.

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)

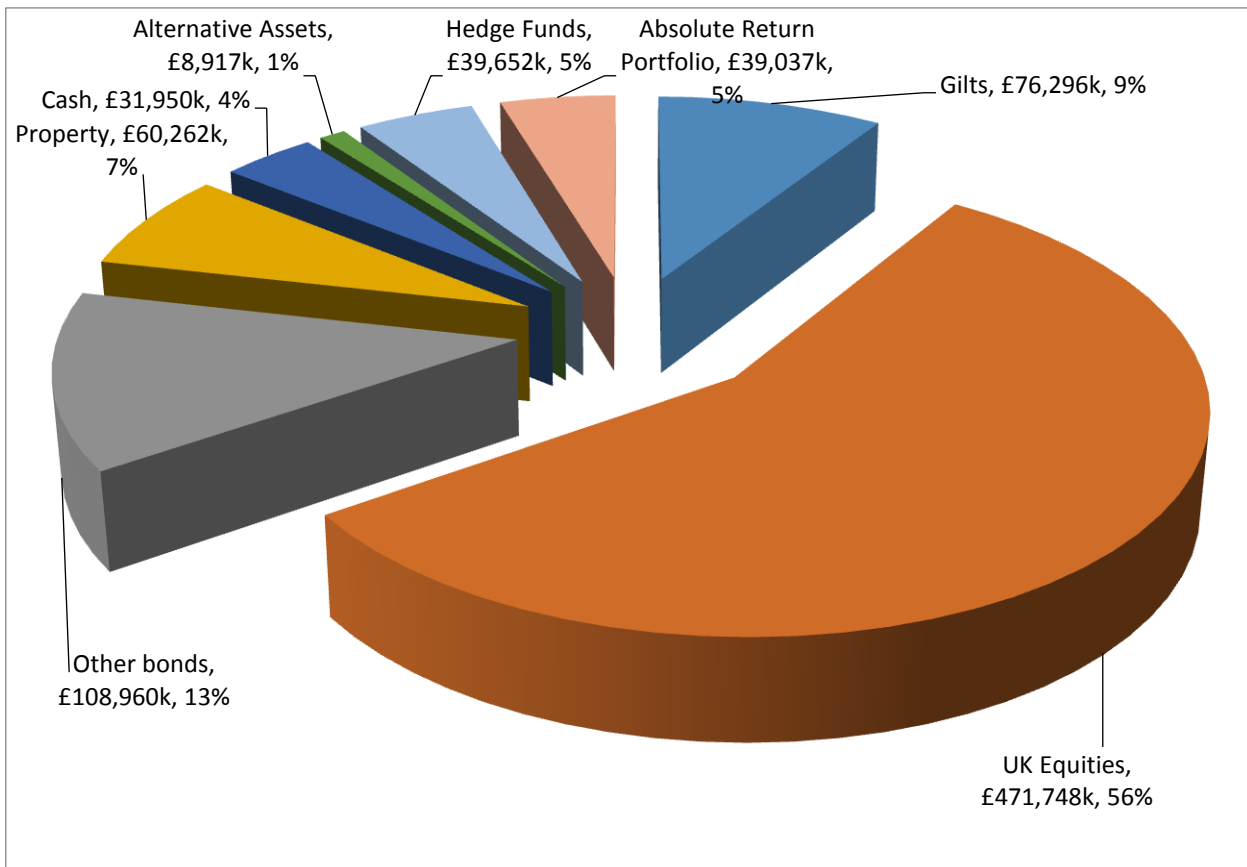
Reconciliation of the movement in the fair value of the scheme (plan) assets

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

- quoted securities – current bid price
- unlisted 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 £36.131m 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	200	-	-	-	-	200
Assets reclassified	166	-	-	(108)	-	58
At 31 March 2018	(43,565)	(9,047)	(98,371)	(1,485)	-	(152,468)
Net Book Value						
as at 31 March 2018	805,406	110,588	380,655	3,953	2,407	1,303,009
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 Outstanding at 31st March 2018
			£000	£000
Green Ridge Primary Academy, Berryfields	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		2017/18
£000		£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	Kedermminster 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

Kedermminster Library and Pew

Kedermminster 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 Kedermminster 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		2017/18
£000		£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	(4,566)
632	Direct operating expenses arising from Investment Property	144
3,155	Revaluation gains and losses	(9,122)
(87)	Profit or loss on disposal of Investment Property	(1,197)
1,304	Balance outstanding at year end	(14,741)

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 Fair Value as Observable Inputs (Level 2) at 31 March 2017	Other Significant Fair Value as Observable Inputs (Level 2) at 31 March 2018
41,469	42,575
42,350	88,236
83,819	130,811
41,469 Residential Property (market rental)	42,575
42,350 Commercial Units	88,236
83,819 Total	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	1,071
Balance outstanding at start of the year:	
Assets newly classified as held for sale:	
371	55
40	940
(12)	(12)
Assets declassified as held for sale:	
-	(776)
1,071	1,278
Balance outstanding at year end	

21 - Financial Instruments

Financial Assets

Financial assets are classified into two types:

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

Loans and Receivables

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

Available for Sale Assets

Available for sale assets are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions and are initially measured and carried at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

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

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

Where the asset has fixed or determinable payments, annual credits to the Financing and Investment Income and Expenditure line in the CIES for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (eg dividends) is credited to the CIES when it becomes receivable by the Council.

Assets are maintained in the Balance Sheet at fair value. Values are based on the following principles:

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

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the CIES for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised. For most of the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest) and interest charged to the CIES is the amount payable for the year according to the loan agreement.

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

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

	Long-term		Current	
	31 March 2017 £000	31 March 2018 £000	31 March 2017 £000	31 March 2018 £000
Investments				
Loans and Receivables:				
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	41,100
Total Trade and Other Receivables	15,169	13,454	50,434	41,100
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	52,219
Borrowings				
Financial Liabilities at Amortised Cost	(139,000)	(167,951)	(85,342)	(45,333)
Total Borrowings	(139,000)	(167,951)	(85,342)	(45,333)
Trade and Other Payables				
Financial Liabilities at Amortised Cost	-	-	(97,289)	(106,802)
Total Trade and Other Payables	-	-	(97,289)	(106,802)
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)	(167,951)	(157,163)	(126,825)

Income, Expenditure, Gains and Losses

	2016/17				2017/18			
	measured at amortised cost £000	Financial Assets: Loans and receivables £000	Financial Assets: Available for sale £000	Total £000	Financial Liabilities measured at amortised cost £000	Financial Assets: Loans and receivables £000	Financial Assets: Available for sale £000	Total £000
Interest Expense	8,381	-	-	8,381	10,074	-	-	10,074
Total expense in Surplus or Deficit on the Provision of Services	8,381	-	-	8,381	10,074	-	-	10,074
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	-	-	-	-	-	-	(278)	(278)
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	-	-	(278)	(278)
Net loss/(gain) for the year	8,381	(2,069)	(314)	5,997	10,074	(2,293)	(627)	7,154

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 used	2016/17				2017/18			
	Quoted prices in active markets for identical assets (Level 1) £000	Other significant observable inputs (Level 2) £000	Significant unobservable inputs (Level 3) £000	Fair value as at 31 March 2017 £000	Quoted prices in active markets for identical assets (Level 1) £000	Other significant observable inputs (Level 2) £000	Significant unobservable inputs (Level 3) £000	Fair value as at 31 March 2018 £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)	(306,708)

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 (restated)		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 £000	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 £000	Estimated maximum exposure at 31 March 2017 £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	45,343
10,000	Between one and two years	9,173
7,000	Between two and five years	16,672
122,000	More than five years	142,106
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 £0.296m 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 significant 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	7,705
27,790	Sundry Trade and Other Receivables	23,768
4,214	Payments in advance	3,752
51,814	Total	42,893
(1,380)	Provision for doubtful debts	(1,793)
50,434	Total Short Term Trade and Other Receivables	41,100

Long Term Trade and Other Receivables

31 March 2017		31 March 2018
£000		£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		31 March 2018
£000		£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	(3,618)
(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	(106,802)

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 £000	National Non-Domestic Rates £000	Other £000	Total £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 £000		2017/18 £000
(361,443)	Revaluation Reserve	(418,543)
(640,572)	Capital Adjustment Account	(622,713)
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 revaluation of assets	(67,110)
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	(63,820)
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	(418,543)

Notes to the Accounts

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		2017/18
£000		£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	(9,110)
431	- Amortisation of intangible assets	992
20,138	- Revenue Expenditure Funded from Capital Under Statute	19,563
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		102,307
	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	(622,714)

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 Comprehensive 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

Notes to the Accounts

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 Absences Account

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

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		2017/18
£000		£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		2017/18
£000		£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		2017/18
£000		£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		2017/18
£000		£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		2017/18
£000		£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 Clinical 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		2017/18
£000		£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 Clinical Commissioning Group	(2,423)
(2,710)	Contribution from Chiltern Clinical Commissioning Group	(2,932)
(7,006)	Total Income	(7,821)
-	Balance	-

Section 117 Aftercare

Notes to the Accounts

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		31 March 2018
£000		£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	Minimum Lease Payments		Gross Investment in the Lease	Minimum Lease Payments
31 March 2017	31 March 2017		31 March 2018	31 March 2018
£000	£000		£000	£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