Agenda

REGULATORY AND AUDIT COMMITTEE

Date: Wednesday 25 July 2018

Time: 9.00 am (closed pre-meeting at 08:30)

Venue: Mezzanine Room 1, County Hall, Aylesbury

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	Agenda Item	Time	Page No
1	**CLOSED SESSION WITH EXTERNAL AUDITORS**	**08.30**	
2	**CLOSED SESSION WITH INTERNAL AUDITOR**	**08.45**	
3	**APOLOGIES FOR ABSENCE / CHANGES IN MEMBERSHIP**	**9.00**	
4	**DECLARATIONS OF INTEREST** To disclose any Personal or Disclosable Pecuniary Interests		
5	**MINUTES** Minutes of the meeting held on 31 May 2018 to be confirmed as an accurate record and signed by the Chairman.		**5 - 12**

6	**STATEMENT OF ACCOUNTS** To be presented by Mr R Ambrose, Director of Finance & Procurement.	**09.10**	**13 - 108**
7	**PENSION ACCOUNTS** To be presented by Mr R Ambrose, Director of Finance & Procurement, and Ms J Edwards, Pensions & Investments Manager.	**09.25**	**To Follow**
8	**VALUE FOR MONEY STATEMENT** To be presented by Grant Thornton, the Council's external auditors.	**09.40**	**109 - 162**
9	**ANNUAL GOVERNANCE STATEMENT** To be presented by Ms M Gibb, Head Business Assurance and Chief Internal Auditor	**09.55**	**To Follow**
10	**HEAD OF AUDIT ANNUAL OPINION** To be presented by Ms M Gibb, Head Business Assurance and Chief Internal Auditor	**10:10**	**To Follow**
11	**2018/19 DRAFT BUSINESS ASSURANCE STRATEGY** To be presented by Ms M Gibb, Head Business Assurance and Chief Internal Auditor	**10.25**	**To Follow**
12	**FORWARD PLAN**		**163 - 164**
13	**DATE AND TIME OF NEXT MEETING** 12 September 2018, 09.00am, Mezzanine Room 1, County Hall, Aylesbury		

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

Members

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

Buckinghamshire County Council

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Minutes

REGULATORY AND AUDIT COMMITTEE

MINUTES OF THE MEETING OF THE REGULATORY AND AUDIT COMMITTEE HELD ON THURSDAY 31 MAY 2018 IN MEZZANINE ROOM 1, COUNTY HALL, AYLESBURY, COMMENCING AT 9.00 AM AND CONCLUDING AT TIME NOT SPECIFIED.

MEMBERS PRESENT

Mr M Farrow
Mr D Martin (Chairman)
Mr P Martin
Mr D Watson

OTHERS IN ATTENDANCE

Mr R Ambrose, Director of Finance & Procurement, Service Director, Finance and Commercial Services
Miss L Dale, Committee Assistant, Buckinghamshire County Council
Ms J Edwards, Pensions and Investments Manager
Ms L Forsythe, Deputy Monitoring Officer and Corporate Governance Lawyer
Mr P Grady, Engagement Lead, Grant Thornton Auditors
Ms S Harlock, Audit Manager
Ms R Martinig, Financial Accountant
Mr P McGovern, Senior Finance Officer
Mr T Slaughter, Executive, Grant Thornton Auditors
Mr M Ward, Manager, Grant Thornton Auditors
Mr L Whitehead, Finance Accountancy Lead, Buckighamshire County Council

1 ELECTION OF CHAIRMAN

Mr D Watson welcomed the attendees to the meeting and introduced the first item of the agenda; Election of Chairman. Mr Watson proposed Mr D Martin as Chairman. Mr P Martin seconded this proposal. There were no other candidates.

It was resolved that Mr D Martin would be Chairman for the ensuing year.

Mr D Martin took the Chair and thanked the Committee Members.

2 APPOINTMENT OF VICE CHAIRMAN

The Chairman appointed Mr T Butcher to continue in his role as Vice-Chairman for the ensuing year

3 APOLOGIES FOR ABSENCE / CHANGES IN MEMBERSHIP

The Chairman welcomed new Member Ms P Birchley.

Members noted that Ms N Glover had stepped down from the Committee.

4 DECLARATIONS OF INTEREST

There were none.

5 MINUTES

The minutes of the meeting held on 31 January 2018 were agreed as an accurate record and signed by the Chairman.

6 DRAFT STATEMENT OF ACCOUNTS

The Chairman welcomed Mr R Ambrose, Director of Finance and Procurement.

Mr Ambrose introduced the Draft Statement of accounts during which the following key points were highlighted:

- The Council was ahead of the deadline for providing the Draft Statement of Accounts.
- Once the accounts had been audited, the Statement of Accounts would be provided to the Committee on 25 July 2018 alongside the Annual Governance Statement.
- 2017-2018 was the final year that the Council would be in receipt of the Revenue Support Grant. Going forward the Council would receive negative funding, commencing at £10.5m 2018-2019, reducing thereafter.
- There was a £2.9M underspend against budget forecast, last year despite pressures, in particular from Adults and Children's Social Care. This underspend aided the increase of general fund reserves which currently stood at £27.4M.
- The slippage in the capital fund would be reviewed with the aim of reducing this in the future.
- Mr Ambrose thanked Ms R Martinig, Mr L Whitehead, Ms Julie Edwards, Mr P McGovern and all the finance team/ budget managers for their hard work.

The Chairman thanked Mr Ambrose for his presentation.

Mr L Whitehead presented the main accounts and highlighted the following points:

- There would be two major changes to accounting standards for 2018-2019 but neither would have an impact on the statement of accounts.
- The accounts for 2017-2018 were prepared in accordance with the statutory framework.

- Investments in property were diversified with £34.75M invested in commercial properties including Clarion House in Maidenhead and the retail park in High Wycombe.
- The fair value of the investment portfolio had increased by £9M.
- Pension liability had seen a slight decrease from £753.9M to £743.4M.
- The pension fund had an increased net growth of in excess of £24.1M
- A review of the employer contributions took place in 2016-2017 and the employer contribution increased to 26.4% from 22.8%. This would be part of a plan to reduce the underlying deficit over a 15 year period; hence the reduction in liability in the current year
- The Revenue Support Grant (RSG) was at £8M and this year there would be no RSG.

The Chairman thanked Mr Whitehead for his presentation and invited questions from Members.

The Committee raised and discussed the following points:
- A Member asked how the Council would calculate the income that would be set aside for when properties were vacant. Members were advised that 5% of income was set aside and earmarked for such costs including landlord's fees.
- A Member highlighted that the Capital Budget had missed every target and raised concerns relating to the commercial property investments given current market conditions. Members were informed that due diligence would be carried out on all potential investments including the financial standing of tenants, diversifying investments along with involvement from Carter Jonas and the Cabinet Member. The properties had provided a yield of roughly 6.5% which had exceed the anticipated yield of 6%. Further discussion took place relating to Members concerns about the investment in commercial property. **Mr Ambrose agreed to provide Members with statistics and analysis on this matter in order to provide reassurance.**

ACTION: Mr Ambrose

The Chairman agreed that an update on commercial properties would be a useful item for a future agenda as Members were keen to know what provisions were in place to effectively manage the risk of borrowing.

ACTION: Ms L Dale

- A Member made the following observations:
    - Page 35: It was unclear what measure was being used: millions or billions.
    - Page 49: it was suggested that the wording for unitary reserve should be changed in light of the Council's current position.
    - Page 51: there was an increase in smaller grants and the Member was keen to know more about this.
    - Page 65-69: the information relating to the Energy from Waste plant should be clearer to inform readers as it made up a third of the Councils assets.

The Chairman noted the points raised by the Member and asked the further detail and fuller notes be provided for the meeting to be held on 25 July 2018.

ACTION: Mr Whitehead

- A Member raised concerns about the grouping of the Council's assets and the valuation against the asset types.
- Level 1 assets were quoted prices, level 2 were observable assets and Level 3 were significant unobservable assets. The Council had available assets at levels 1 and 2 and did not currently hold any assets at level 3. A further discussion took place regarding the classification and valuation of assets and it was agreed that a piece of work would be done to provide Members with further reassurance on this matter.

ACTION: Mr Ambrose

- A Member asked to know more about the movement in the reserve statement and why there had been substantial adjustments. It was clarified that the statement included increases and decreases in valuation as part of a summary of movements but that the net movement had not changed significantly.

The Chairman thanked officers and said that he looked forward to seeing the final accounts. The Chairman requested oversight of any significant changes to the draft accounts prior to the meeting on 25 July.

ACTION: Mr Ambrose

The Chairman welcomed Ms J Edwards, Pensions and Investments Manager. Ms Edwards presented the Pensions Statement of accounts during which the following points were highlighted:

- There had been a change in custodians
- The fund had increase by £127M partly as a result of income £151m. Benefits paid included £85M of pensions, £22M lump sums.
- Net returns on investments totalled £118m.
- Expenses of £19M were incurred.

The Chairman thanked Ms Edwards for her summary and invited questions from Members:

- Members asked for further commentary on the change in figures between 2017 and 2018. A discussion took place regarding the lack of buoyancy in the market which had resulted in a reduction on returns.
- A Member asked about the substantial increase in the recharge from the Council. An increase in staffing levels would account for some of this increase. **It was agreed that further information on the increased operational costs to the fund would be circulated to Members.**

ACTION: Ms J Edwards

- In answer to a Member’s query about the potential risks in relation to final salary pensions, Members were informed that only benefits accrued before March 2014 would be final salary pensions; and those accrued after that date would be career average pensions.
- Those who chose to retire early would receive an actuarially reduced amount.
- It was clarified that the Council was the administering authority and that scheduled bodies were other employers enrolled in the scheme, for example Milton Keynes Council, Parish Councils and non-teaching staff in schools and academies.
- A number of the bodies had chosen to make lump sum contributions towards their deficits and while the Council could not encourage lump sum payments the scheduled and admitted bodies have the option to do this.

The Chairman thanked Ms Edwards and the finance officers on behalf of the Committee for the hard work that had gone into the accounts.

7 TREASURY MANAGEMENT ANNUAL REPORT 2017/18

The Chairman thanked Mr G Williams for his past work and welcomed Mr A Hussain as Deputy Cabinet Member for Resources.

Mr Hussain presented the Treasury Management Annual Report during which the following points were noted:

- Following the payment for the Energy from Waste plan the Council changed from a net positive cash position to a net borrower.
- The net borrowing position was £213M at year’s end.
- Projected net savings over 25 years of around £10M will be achieved through the prepayment of £48M Lenders Option Borrowers Option (LOBO) loans and replacing the borrowing with Public Works Loan Board (PWLB) loans.

The Chairman thanked Mr Hussein for his summary and invited questions from Members.

The Committee raised and discussed the following points:

- Members were keen to know more about the Council’s borrowing for the Energy from Waste Plant. The asset was deemed to have a life of 35 years.
- An in depth discussion took place regarding the structuring and repayment of the loans taken out for the Energy from Waste Plant.
- Members were keen to know more about the strategy between the Public Works Loan Board (PWLB) and lender's option borrower's option (LOBO). The Council would be replacing LOBOs with PWLB loans where savings could be achieved.
- The Chairman highlighted the difference in Capital Expenditure on page 107. £82.68M had been approved at Full Council in February 2017 and the increase was due to commercial acquisitions and carry-forwards from 2016-17. It was noted that there had been an under-spend overall.

The Chairman thanked the officers and Mr Hussain for their report.

RESOLVED
The Committee RECOMMENDED the Treasury Management Annual Report and the Annual Prudential Indicators for 2017-18 to Council.

8 GRANT THORNTON AUDIT PLAN

The Chairman welcomed representatives from Grant Thornton.

Mr Paul Grady explained the Audit Plan which set out the general value for money work, key areas of risk and the work proposed in response to risk.

Page 118 - 112 summarised key challenges for the Council which included Adult Social Care Transformation Plans and the response to the Ofsted rating of Children's Social Care.

Mr Grady reported that page 123 contained a typographical error: the chart should read £16.5M as opposed to £16.5.

Page 124 was an examination of the Council's value for money arrangements, ensuring that these would be fit for purpose. This included a review of the Council's medium to long term ambitions and the assumptions in place to satisfy financial viability, including those built on strategic work.

The Chairman thanked Mr Grady for this overview and invited questions from Members.

- A Member raised a query regarding audit quality and asked whether there would be any changes in the approach to accounting practices in relation to the move to a more commercialised style environment. It was confirmed that this change would be taken into account but that the audit would be in line with international financial reporting standards which would be the same as any large commercial entity.
- In relation to the accruals provisions that the Council had been making regarding Bucks Care, Members asked whether there would be any residual challenges in 2018-19. Members were told that, while there would still be some considerations in this respect from the auditors perspective and there were still balances on the Council's books, there would be no further transactions and as such there should be no residual challenges in 2018-19.
- An in depth discussion took place in relation to the risks associated with possible conflicts of interest for Members on external bodies. While this had not been flagged up as one of the four main risks, this was taken into account as part of the governance issues that the Council would need to monitor. The audit would look at the provisions the Council had in place to mitigate this risk.

- Ms Forsyth highlighted that any conflict should be reported to the Monitoring Officer and in turn this would be reported to internal audit. Ms Harlock went into further detail to explain this process to Members.
- Members were concerned about IT security and whether extra scrutiny would be in place to mitigate any risks. Ms Harlock explained that the Council had software access rights in place. However, there would still be some residual risks around poor use. Mr Grady added that there would be other controls in place to minimise the impact should an incident arise.
- A Member raised a quality issue in relation to the aforementioned typographical error on page 123. Mr Grady explained that any errors would be recorded and monitored to see if there was a cumulative impact and subsequently would look at whether any errors were intentional or accidental.

The Chairman thanked the representatives from Grant Thornton for their report.

9 GRANT THORNTON PENSION FUND AUDIT PLAN

The Chairman welcomed Thomas Slaughter, Grant Thornton who presented the Pension Fund Audit Plan.

The following points were highlighted:

- The audit plan for the Pension Fund would be similar to that for the Council's Statement of Accounts and would show the key headlines and focus on the risk areas for audit.
- There would be a risk in the Council's valuation of Level 3 investments which would be a standard for all pension funds.
- There would also be a risk in the change of custodian and work would be completed on the transfer of data.
- Planning materiality had been calculated at £27M which equated to 1% of the net asset of the fund.
- Grant Thornton would report back to the Committee in July.
- An in depth discussion took place regarding the autonomy of fund managers to terminate their relationship with the fund. This would be for the Pension Fund Committee to monitor.
- The Chairman raised a query asking if there had been a change in the audit approach to the Level 3 investments. Mr Slaughter confirmed that there would be no significant change in their approach to audit but would review any changes compared to previous years.
- The pooling arrangement would not make a huge difference to underlying work but would lead to changes in how the investments would be managed.

The Chairman sought feedback from Mr Grady on how the Committee could continue to work effectively and collaboratively with Grant Thornton and encourage the active promotion of the values of the audit process. Mr Grady reported that the Committee does achieve this. The Committee had demonstrated a high level of interest in comparison with other Local Authorities and commended Members for their perseverance. Mr Grady believed that the questions asked were relevant and that Members treated the matters raised with the appropriate seriousness.

- In response to a question from the chairman, despite the reduction in fees, the level of service provided will continue. That being said, authorities that performed well would incur lower fees than those who required more concentrated auditing.

The Chairman thanked Grant Thornton on behalf of the Committee and on behalf of the County Council.

10 FORWARD PLAN

There was nothing to add.

11 EXCLUSION OF THE PRESS AND PUBLIC

RESOLVED

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

12 CONFIDENTIAL MINUTES

The minutes of the meeting held on 31 January 2018 were agreed as an accurate record and signed by the Chairman.

13 DATE AND TIME OF NEXT MEETING

25 July 2018, 09:00, Mezzanine Room 1, County Hall, Aylesbury

CHAIRMAN

Buckinghamshire County Council

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Regulatory and Audit Committee

Title:	**Statement of Accounts for the year ended 31 March 2018**
Date:	25 July 2018
Author:	Richard Ambrose –Director of Assurance
Contact officer:	Rachael Martinig – Accountant Telephone (01296) 387883
Electoral divisions affected:	All

Summary

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

On 31 May 2018 this Committee received the Unaudited Statement of Accounts for the Council and Pension Fund. At that stage the audit of the accounts had not commenced. Grant Thornton has now completed this work. Representatives from Grant Thornton will provide an update on their findings at the meeting as detailed in their Audit Findings Report for 2017-18.

Subject to the satisfactory resolution of the normal audit processes, we anticipate that Grant Thornton will provide **an unqualified opinion** on the financial statements for the Council and Pension Fund.

Value for money conclusion

The Council is responsible for putting in place proper arrangements to:

• secure economy, efficiency and effectiveness in the use of resources;

• ensure proper stewardship and governance; and

• review regularly the adequacy and effectiveness of these arrangements.

Grant Thornton provide a VFM conclusion based on whether the Council has proper arrangements in place for securing financial resilience and whether the Council has proper arrangements for challenging how it secures economy, efficiency and effectiveness in the prioritisation of resources.

INVESTOR IN PEOPLE

Due to the outcome of the recent Ofsted inspection of Children's Services Grant Thornton have concluded that 'except for the matter we identified in respect of children's services, the Council has proper arrangements in all significant respects'. Therefore Grant Thornton propose to give the Council a qualified 'except for' conclusion on the arrangements for securing economy, efficient and effectiveness in its use of resources.

Recommendation

That the Committee considers its response to the matters raised by Grant Thornton in their Audit Findings Report 2017-18 and agrees that the Statement of Accounts for Buckinghamshire County Council and Pension Fund for the financial year ended 31 March 2018 can be signed by the Chairman of this Committee.

That the Committee approves the Letters of Representation on behalf of the Council and Pension Fund and agrees that they can be signed by the Chairman of this Committee.

That the Committee agrees the response to the proposed action plan within the Audit Findings Reports for the Council and Pension Fund.

Statement of Accounts – Buckinghamshire County Council
Three adjustments have been made to the Accounts as a consequence of the audit and been agreed with Grant Thornton:

- Investment Assets – corrected posting with regard to the revaluation gain arising on the revaluation of investment properties (no impact on general fund).

- Debtors & Creditors - additional journal entry processed to correct the presentation of NNDR / Council Tax (net nil impact on the collection fund).

- Grants - within Note 7 the 'total of other grants below £1m each' has now been itemised. Additionally some grants were moved out of 'total of other grants below £1m each' line and itemised in the main table.

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

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

Resource implications

The overall position on the General Fund reserve is an increase of £2.888m to £27.393m. Earmarked reserves have reduced by £14.595m to £99.235m. The overall outturn and level of General Fund reserves has not changed following the audit.

Legal implications

None

Other implications/issues

None

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

None

Background Papers

Statement of Accounts for the year ended 31 March 2018 – BCC
Letter of Representation – BCC
Draft Audit Findings Report 2017-18 - BCC (provided by Grant Thornton)

Buckinghamshire County Council

Statement of Accounts

For the year ended 31st March 2018

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.

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 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

3,300km
of public rights of way maintained

35,823
gullies cleared

2m
visits to our tips
99% customer satisfaction

72
convictions for fly-tipping

1m+
country parks visitors
95% customer satisfaction

30,000+
potholes and other highway defects repaired

20,761,160
sq metres of urban grass cut

Approximately
148,470km
of road gritted

287
homes and business properties protected from flooding

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.

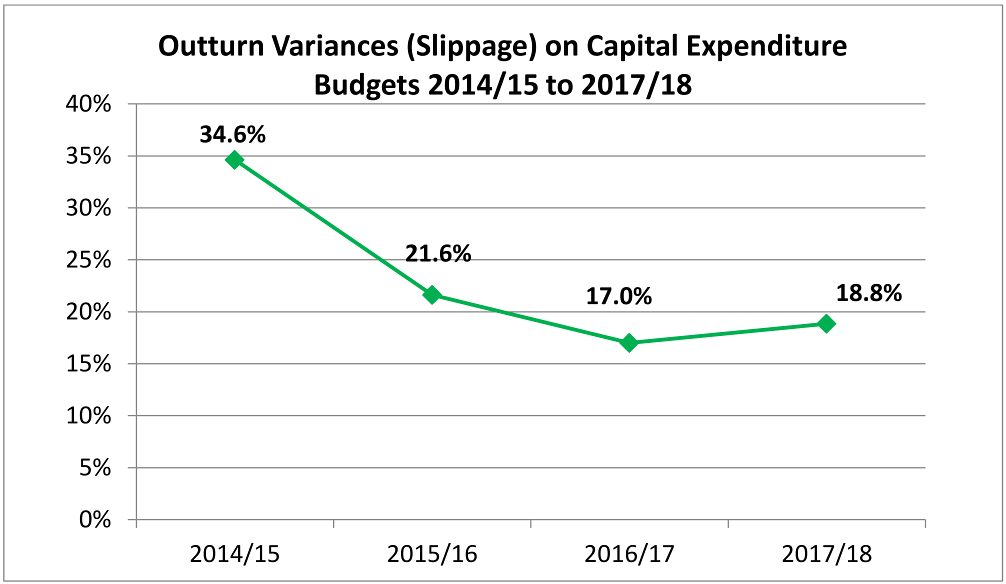
The Expenditure and Funding Analysis statement on p32 provides a direct reconciliation between the operating deficit and the overall surplus reported in outturn; the main differences being the inclusion of depreciation, revaluation gains and losses and other capital adjustments required under the accounting 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%)**

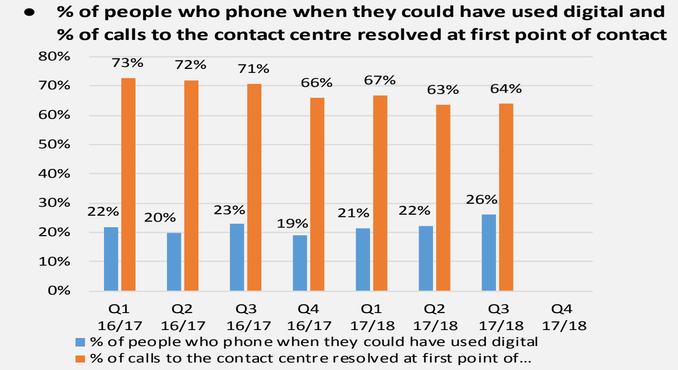
A comparison of slippage over the last 4 years is shown below.
This details slippage, including underspends brought forward from previous years. Expenditure schedule for 2017/18 slipped by 13.2%. Expenditure scheduled for 2017/18 including underspent expenditure from previous years, brought forward to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

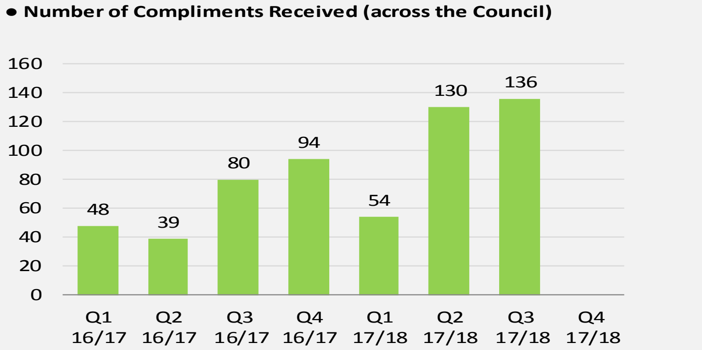


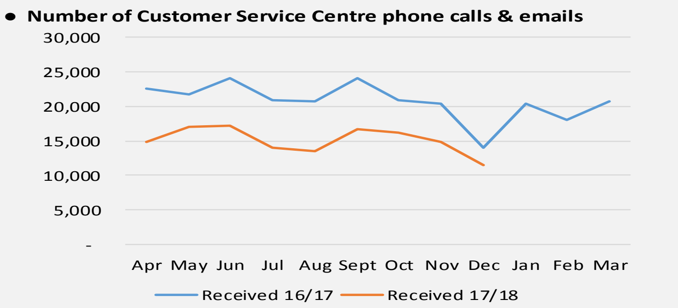
Operational performance

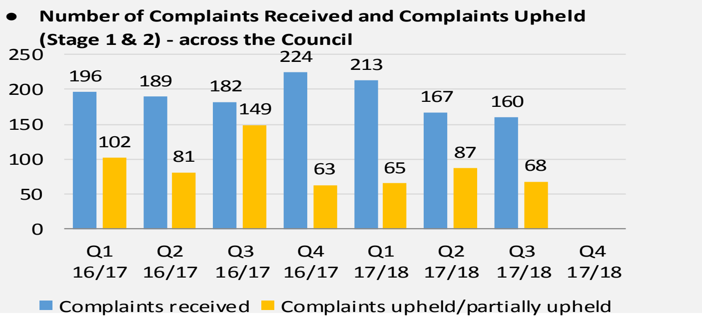
The Council's performance management framework focuses on four key elements of performance: Finance, Business Improvement, Service to Customers and Human Resources. The Business Improvement Performance Indicators provides information on the progress in achieving the Council's priorities as detailed in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

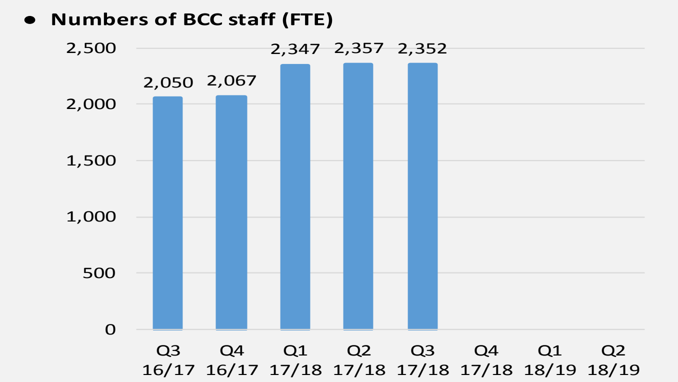
Performance as at Quarter 3 against Service to Customers and HR is shown below.

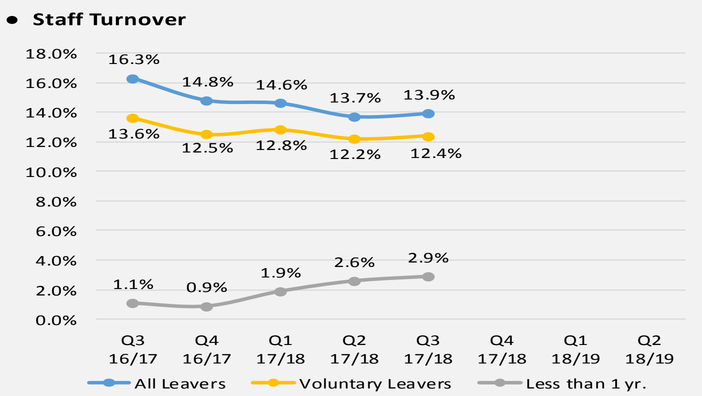


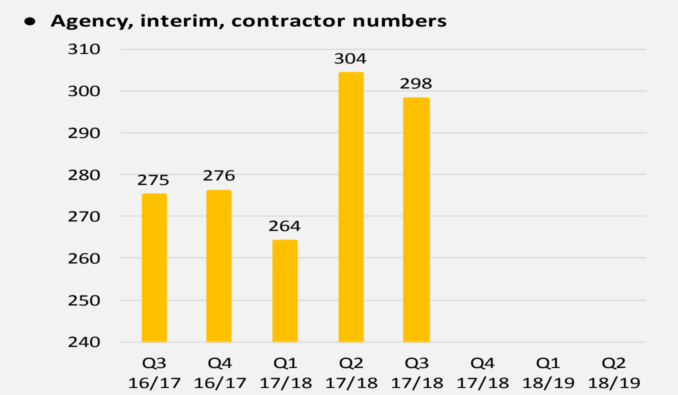


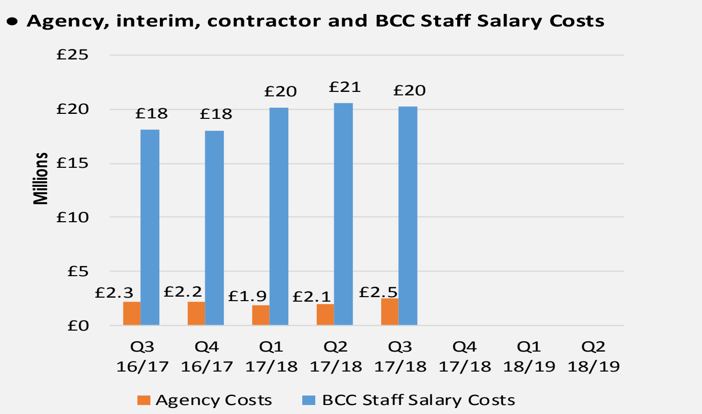










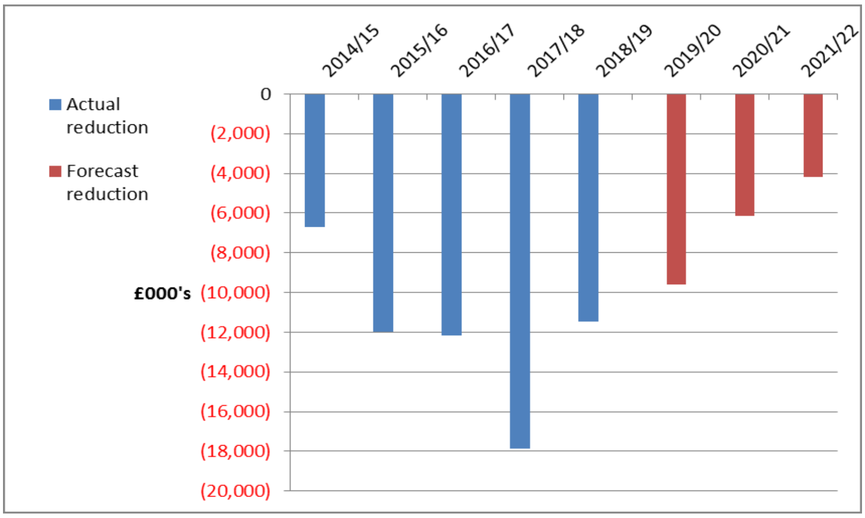


Medium Term Financial Plan (MTFP)

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 marker for care services, including the National Living Wage implications and has made some provision in recognition that there is a risk that the costs falling on the Council will be larger than allowed for;
- ***Managing Public Expectations*** – The additional flexibilities that the Government has provided in terms of increasing the Council Tax referendum limit and being able to change the profiling of the Social Care Precept has meant that local tax increases are much larger than recently experienced at the same time as cuts to services are more severe. This could stimulate some public resistance to the change programme that the Council needs to implement in order to live within it means;
- ***Investment Property Income*** – Over recent years the council has invested in a portfolio of property assets in order to generate an income stream to help offset the loss of Government Funding and protect services from additional reductions. There is risk inherent in this strategy which is mitigated through the use of professional advisers, to support the identification and evaluation of potential purchase opportunities, and through our decision to set aside a proportion of the income received to address any periods where properties are vacant and rental income is not being received.
- ***Capital*** – During 2017/18 the Asset Strategy Board has continued to use the gateway process to ensure strong governance in this area. As a result slippage has been reduced and the risks of escalations in costs have been mitigated to an extent. Nonetheless, in the current climate construction costs are starting to rise which could drive costs up if projects do slip. There are also risks in respect of the delivery of school places (including early years), which is going to require us to actively seek the best solutions to the growing demand for places.

Future Developments in Service Delivery

Unitary Authority

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

Financial Position

Net Asset Position

The Council has net assets of £457.218m (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 reprovisioning. 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.

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	**Gross Income**	**Net Expenditure**		**Gross Expenditure**	**Gross Income**	**Net Expenditure**
£000	**£000**	**£000**		**£000**	**£000**	**£000**
196,857	(65,016)	131,842	Health & Wellbeing	187,609	(51,409)	136,199
64,480	(5,734)	58,746	Children's Services	77,918	(7,239)	70,679
395,508	(326,654)	68,854	Education & Skills	424,716	(335,016)	89,700
13,846	(2,763)	11,083	Community Engagement	37,330	(24,318)	13,013
14,602	(1,775)	12,826	Leader	9,608	(1,976)	7,632
24,458	(11,004)	13,454	Planning & Environment	21,832	(8,153)	13,679
36,677	(7,303)	29,375	Resources	51,134	(6,591)	44,542
47,233	(7,957)	39,277	Transportation	47,301	(7,916)	39,385
3,794	(1,047)	2,748	Corporate Costs	1,550	(5,569)	(4,019)
797,455	**(429,252)**	**368,203**	**Cost of Services**	**858,998**	**(448,188)**	**410,811**
26,385		26,385	Other Operating Expenditure (Note 5)	21,803	-	21,803
31,106	(5,429)	25,677	Financing and Investment Income and Expenditure (Note 6)	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)**

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)**				

Comparative Figures 2016/17

	Net expenditure per outturn	Transfers (to) / from earmarked reserves (Note 4)	Net expenditure chargeable to the General Fund	Adjustments between Funding and Accounting Basis (Note 3)	Net Expenditure in the CIES
	£000	**£000**	**£000**	**£000**	**£000**
Health & Wellbeing	129,130	(902)	128,229	3,613	131,842
Children's Services	58,012	425	58,437	309	58,746
Education & Skills	32,809	2,208	35,018	33,835	68,853
Community Engagement	10,083	162	10,246	837	11,083
Leader	6,262	2,606	8,868	3,958	12,826
Planning & Environment	11,113	1,966	13,078	376	13,454
Resources	23,743	2,910	26,653	2,722	29,375
Transportation	27,322	(275)	27,047	12,230	39,277
Corporate costs	2,078	98	2,177	571	2,748
Net Cost of Services	**300,553**	**9,199**	**309,752**	**58,450**	**368,202**
Other Income and Expenditure in CIES	(323,588)	(363)	(323,952)	(16,957)	(340,908)
(Surplus) or Deficit on Provision of Services	**(23,035)**	**8,835**	**(14,200)**	**41,493**	**27,294**
Adjustments under Regs	15,911	8,212	24,123	(41,493)	(17,370)
Net (Increase) / Decrease before Transfers to Earmarked Reserves	**(7,124)**	**17,048**	**9,924**	**-**	**9,924**
Transfers to / (from) earmarked reserves	-	(17,048)	(17,048)	-	(17,048)
(Increase) / Decrease in 2016/17	**(7,124)**	**-**	**(7,124)**	**-**	**(7,124)**
General Fund Balance as at 31 March 2016					(17,383)
General Fund Balance as at 31 March 2017					**(24,507)**
Planned Use of General Fund	(1,105)				
Net Budget (surplus) / deficit	**(6,020)**				

Note to the Expenditure and Funding Analysis

Adjustments from General Fund to arrive at the CIES amounts

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

2016/17 Capital Adjustments	2016/17 Pensions Adjustments	2016/17 Other Differences	2016/17 Total Adjustments		2017/18 Capital Adjustments	2017/18 Pensions Adjustments	2017/18 Other Differences	2017/18 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.

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

The General Fund Reserve for Schools contains the balances held by schools under delegated schemes that are ring-fenced. Further details of the balances earmarked for schools are shown in the table below:

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

*Excluding Academy Schools

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

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

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

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

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

Resources including the Insurance Reserve (£6.1m) which relates to the estimated liabilities in respect of insurance claims not yet notified. Also included is the Energy Efficiency & Salix Reserve (£1.2m) which is called on to finance initial expenditure on projects that will lead to longer-term savings; the repayment of Salix loans is recycled to fund further projects. The Strategic Asset Development Reserve (£1.3m) and the Revenue Invest to Save Reserve (£0.9m) enables the Council to invest in existing or new asset in order to generate an income stream or future savings. The Renewals Reserve (£0.9m) is used for the financing of capital expenditure and the balance represents amounts set aside to fund future purchases, particularly vehicles and computers. The Support Services Options Appraisal Reserve (£0.5m) is used to fund upfront work required to achieve future savings resulting from the Council's service transformation activities. There is a new reserve, the Unitary Reserve, set up this year to meet future costs of embedding any new local government structure (£5.5m)

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

Corporate Costs including the Revenue Contribution to Capital Reserve (£30.4m) which is used for the financing of capital expenditure and receives appropriations from the revenue account; the balance largely represents slippage from prior year capital schemes.

5 - Other Operating Expenditure

2016/17		2017/18
£000		£000
1,012	(Gain)/losses on the disposal of non-current assets	3,632
24,906	Loss on de-recognition of Academies non-current assets	17,698
467	Levies - Environment Agency	474
26,385	**Total**	**21,804**

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 Allowances	Pension Contrib'ns	2017/18 Total	2016/17 Total
		£	£	£	£
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	2017/18
							£000	£000
£0 - £19,999	11	5	38	49	49	54	322	303
£20,000 - £39,999	3	1	2	10	5	12	151	363
£40,000 - £59,999	2	1	1	1	3	1	135	94
£150,000-£199,999	-		1		1		193	
	16	**7**	**42**	**60**	**58**	**67**	**801**	**760**

13 - Pension Schemes Accounted for as Defined Contributions Schemes

The Teachers' Pension Scheme is an unfunded multi-employer defined benefit scheme administered by Capita Teachers' Pensions on behalf of the Department for Education (DfE). The DfE uses a notional fund as the basis for calculating the employers' contribution rate paid by local authorities. In 2017/18, the Council paid an estimated £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 £000		2017/18 £000
	Cost of Services	
30,790	Service Cost (comprising)	54,403
30,758	- current service cost	58,483
880	- past service costs	286
(848)	- settlements and curtailments	(4,366)
514	Administration expenses	759
	Financing and Investment Income and Expenditure	
18,766	Net interest on the defined liability	19,896
50,070	**Total Post Employment Benefit Charged to the Surplus/Deficit on the Provision of Services**	**75,058**

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

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

The change in financial assumptions has resulted in a gain of £29.216m in respect of pensions liabilities (as shown above). This is due to 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 £000		2017/18 £000
(1,192,541)	**Opening balance at 1 April**	(1,537,808)
(30,758)	Current service cost	(58,483)
(880)	Past service costs, including curtailments	(286)
(42,179)	Interest cost	(41,182)
(7,734)	Contributions by scheme participants	(7,627)
	Remeasurement gains and losses:	
(278,847)	- change in financial assumptions	29,216
19,445	- change in demographic assumptions	
(41,624)	- experience loss/(gain) on defined benefit obligation	
(1,819)	Liabilities extinguished on settlements	5,448
37,260	Estimated benefits paid net of transfers in	28,820
1,869	Unfunded pension payments	1,717
(1,537,808)	**Closing balance at 31 March**	**(1,580,185)**

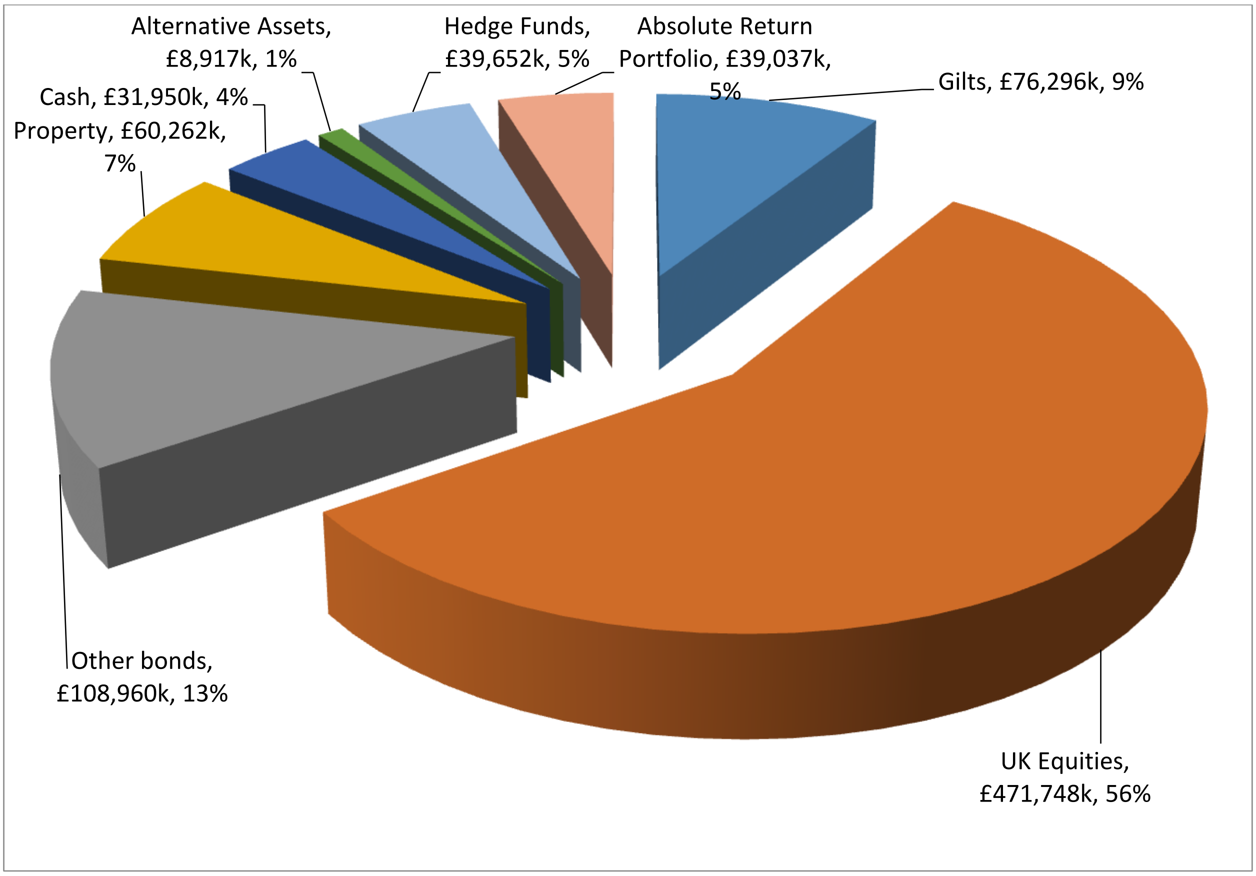
Reconciliation of the movement in the fair value of the scheme (plan) assets

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

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

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

17 - Heritage Assets

Heritage Assets are those assets (either tangible or intangible) with historical, artistic, scientific, technological, geophysical or environmental qualities that are held and maintained principally for their contribution to knowledge and culture.
Where information is held on the cost or value of a Heritage Asset, the asset is recognised and measured (including the treatment of revaluation gains and losses and impairments) in accordance with the policy for Property, Plant and Equipment in respect of tangible heritage assets or in accordance with the policy in respect of intangible heritage assets. Where this information is not available, and cannot be obtained at a cost which is commensurate with the benefits to users of the financial statements, the assets are not recognised in the Balance Sheet. No depreciation or amortisation is charged on heritage assets which have indefinite lives.

Reconciliation of the Carrying Value of Heritage Assets Held by the Council

	Historic Sites and Monuments	Kederminster Library and Pew	Museum Collections and Paintings	Total
	£000	£000	£000	£000
Valuation				
1 April 2017	787	1,056	5,681	7,524
31 March 2018	787	1,056	5,681	7,524

All heritage assets recognised in the Balance Sheet are tangible assets.

Historic Sites and Monuments

The Council has identified five Heritage Assets sited within Country Parks and Green Spaces, managed and maintained by Countryside Services;

- Cholesbury Camp
- Whiteleaf Cross and Woods
- Coombe Hill Monument
- The John Hampden Memorial
- Gott's Monument

Kederminster Library and Pew

Kederminster Library and the adjoining aisle and family vault were acquired by the Council in 1945 as part of the Langley Park estate. The Library contains a collection of 300 theological works and is housed in a highly-ornate room provided by Sir John Kederminster in 1623.

County Museum Collections and Paintings

Buckinghamshire County Museum cares for more than 130,000 items, which represent the heritage of the county in collections built up over the last 150 years. The museum is accredited through the National Museum Accreditation programme.The Council also holds a series of paintings and portraits within the Judges Lodgings. These are reported at insurance value and are not normally open to the public.

Centre for Buckingham Studies

The Centre for Buckinghamshire Studies is located in the County Offices, Aylesbury, and provides the archive service covering the historical county of Buckinghamshire.

18 - Intangible Assets

Expenditure on non-monetary assets that do not have physical substance (e.g. software licences) is capitalised as Intangible Assets when it is expected that future economic benefits or service potential will flow to the Council, and to the extent that the asset is not an integral part of Property, Plant and Equipment.

Intangible assets are measured initially at cost. Amounts are not revalued as their fair value cannot be determined by reference to an active market. All software is given a finite useful life, which has been assessed as between 1 and 6 years, based on the period that it is expected to be used. The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £0.992m charged to revenue in 2017/18 is absorbed as an overhead across all the service headings in the CIES. It is not possible to quantify exactly how much of the amortisation is attributable to each service heading.

The movement of Intangible Asset balances during the year is as follows:

2016/17		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 Observable Inputs (Level 2)	Fair Value as at 31 March 2017		Other Significant Observable Inputs (Level 2)	Fair Value as at 31 March 2018
41,469	41,469	Residential Property (market rental)	42,575	42,575
42,350	42,350	Commercial Units	88,236	88,236
83,819	**83,819**	**Total**	**130,811**	**130,811**

20 - Assets Held for Sale

When it becomes probable that the carrying amount of a non-current asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the CIES. Gains in fair value are recognised only up to the amount of any previous losses recognised in the Surplus or Deficit on Provision of Services. Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as Held for Sale, adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.

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

21 - Financial Instruments

Financial Assets

Financial assets are classified into two types:

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

Loans and Receivables

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

Available for Sale Assets

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

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

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

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

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

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

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the CIES for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised. For most of the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest) and interest charged to the CIES is the amount payable for the year according to the loan agreement.
Premiums and discounts on the early redemption of loans are charged to the CIES when incurred, however Regulations allow the impact on the General Fund to be spread over future years. The Council has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the CIES to the net charge required against the General Fund is managed by a transfer to or from the Financial Instruments Adjustment Account in the MiRS.

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

	Long-term		Current	
Investments	**31 March 2017**	**31 March 2018**	**31 March 2017**	**31 March 2018**
Loans and Receivables:	**£000**	**£000**	**£000**	**£000**
Cash and Cash Equivalents	-	-	3,843	1,927
Temporary Loans	-	-	26	1,927
Loans to Local Authority companies and other entities	185	185	-	-
Investments	321	576	5,108	89
Available for sale Financial Assets	-	-	17,678	23,448
Total Investments	**506**	**761**	**26,655**	**27,391**
Trade and Other Receivables				
Loans and Receivables	15,169	13,454	50,434	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	Financial Assets: Loans and receivables	Financial Assets: Available for sale	Total	Financial Liabilities measured at amortised cost	Financial Assets: Loans and receivables	Financial Assets: Available for sale	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Interest Expense	8,381	-	-	**8,381**	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 usi	2016/17				2017/18			
	Quoted prices in active markets for identical assets (Level 1)	Other significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Fair value as at 31 March 2017	Quoted prices in active markets for identical assets (Level 1)	Other significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Fair value as at 31 March 2018
	£000	£000	£000	£000	£000	£000	£000	£000
Available for Sale Financial Assets	5,911	11,767	-	17,678	6,122	18,239		24,361
Total	**5,911**	**11,767**	**-**	**17,678**	**6,122**	**18,239**	**-**	**24,361**

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

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

Except for Available for Sale financial assets carried at fair value (described in the table above), all other financial liabilities and financial assets, loans and receivables and long-term trade receivables are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

- The fair value of PWLB loans as at 31 March 2018 is the repayment cost calculated using the repayment interest rates at 31 March 2018. The relevant interest rates are published on the Debt Management Office website
- The fair value of the Lender Option, Borrower Option loans (LOBOs) are based on calculations using the market interest rates available for similar loans from similar lenders at 31 March 2018
- The fair values for the LOBO and PWLB loans are calculated by Arlingclose, in their role as an external valuation specialist
- No early repayment or impairment is recognised
- Where an instrument will mature in the next 12 months, carrying amount is assumed to approximate to fair value
- Other long-term debtors are valued by calculating the present value of the cash flows that will take place over the remaining life of the contracts.
- No fair value disclosures are provided for trade receivables and payables as the carrying amount is a reasonable approximation of fair value.

The fair values calculated are as follows:

	31 March 2017		31 March 2018	
	Carrying amount	Fair value	Carrying amount	Fair value
	£000	£000	£000	£000
Financial liabilities	(224,342)	(332,102)	(213,284)	(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	Historical experience of default	Historical experience adjusted for market conditions at 31 March 2018	Estimated maximum exposure to default and uncollectability at 31 March 2018	Estimated maximum exposure at 31 March 2017
	£000	%	%	£000	£000
	A	B	C	(A x C)	
Deposits with banks and financial institutions	18,238	0.006%	0.009%	1.64	14.00
Customers	17,656	0.005%	10.155%	1,793.00	1,380.00
				1,794.64	**1,394.00**

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

Of the £17.565m (2016/17 £15.954m) balance £11.977m (2016/17 £13.803m) of trade receivables were individually assessed for impairments. A risk evaluation based on the value and types of debt was carried out to determine which debts to individually assess. This review resulted in a required provision of £1.793m (2016/17 £1.380m) to be made in respect of these trade receivables.

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

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

Liquidity Risk

As the Council has ready access to borrowings from the PWLB, there is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead, the risk is that the Council will be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates. The profile of debt falling due is shown below.

31 March 2017		31 March 2018
£000		£000
85,324	Less than one year	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 £000		31 March 2018 £000
12,766	Reprovisioning of Adult Social Care	12,012
1,428	Finance lease	483
975	Other Long Term Trade and Other Receivables	959
15,169	**Total Long Term Trade and Other Receivables**	**13,454**

Short Term Trade and Other Payables

31 March 2017 £000		31 March 2018 £000
(4,365)	HM Revenue and Customs	(4,631)
(511)	Central Government bodies	(1,070)
(3,114)	Other local authorities and NHS	(4,269)
(5,022)	Collection Fund adjustment	(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	National Non-Domestic Rates	Other	Total
	£000	£000	£000	£000
1 April 2017	**(5,420)**	**(1,520)**	**-**	**(6,940)**
Additional provisions made	(256)	(1,162)	(205)	(1,623)
Amounts used	32			32
Unused amounts reversed		1,520		1,520
Balance at 31 March 2018	**(5,644)**	**(1,162)**	**(205)**	**(7,011)**

Long Term Provisions

- Insurance - these exist for meeting claims under a self-insurance scheme. There are cumulative limits to these, above which claims will be met by the Council's insurers. These cover areas of insurance such as motor, fire, maternity cover and employees. In addition a provision is maintained for probable liabilities following the Municipal Mutual Insurance ceasing to undertake new business.
- The Local Government Finance Act 2012 introduced a business rates retention scheme which came into effect in 2013/14. District Councils are responsible for collecting business rates and are required to make provision for amounts that are likely to be repaid to ratepayers following successful appeals. The Council is required to separately disclose its share of these provisions.

26 - Unusable Reserves

Unusable reserves are kept to manage the accounting processes for non-current assets, financial instruments, and retirement and employee benefits and do not represent usable resources for the Council.

2016/17		2017/18
£000		£000
(361,443)	Revaluation Reserve	(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 revalution 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)**

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Capital Adjustment Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the CIES (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Capital Adjustment Account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement.

The Capital Adjustment Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

2016/17 restated £000		2017/18 £000
(621,562)	**Balance as restated as at 1 April**	**(638,116)**
	Reversal of items relating to capital expenditure debited or credited to the CIES:	
29,873	- Charges for depreciation and impairment of non-current assets	37,820
4,712	- Revaluation losses on Property, Plant and Equipment	24,954
3,072	- Movements in the market value of Investment Properties	(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 Comprehenisve Income and Expenditure Statement	234
1,527	Transfer to the Capital Receipts Reserve upon receipt of cash	1,501
(15,800)	**Balance at 31 March**	**(14,058)**

Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The debit balance on the Pensions Reserve indicates a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them.

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

Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of Council Tax and National Non Domestic Rates income in the CIES as it falls due from Council Tax payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

2016/17 £000		2017/18 £000
(1,525)	**Balance at 1 April**	**(3,831)**
(860)	Amount by which Council Tax income credited to the CIES is different from Council Tax income calculated for the year in accordance with statutory requirements	399
(1,446)	Amount by which National Non-Domestic Rates income credited to the CIES is different from NNDR income calculated for the year in accordance with statutory requirements	507
(3,831)	**Balance at 31 March**	**(2,925)**

Accumulated Absenses Account

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

2016/17 £000		2017/18 £000
4,788	**Balance at 1 April**	**7,058**
(4,788)	Settlement or cancellation of accrual made at the end of the preceding year	(7,058)
7,058	Amounts accrued at the end of the current year	6,904
2,270	Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	**(154)**
7,058	**Balance at 31 March**	**6,904**

Available for Sale Financial Instruments Reserve

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

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

27 - External Audit Costs

The Council has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspections and to non-audit services provided by the Council's external auditors (Grant Thornton) appointed by the Audit Commission:

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

Integrated Mental Health Provision for Adults of Working Age Agreement

This is a partnership with Oxfordshire and Buckinghamshire Mental Health Partnership NHS Trust (OBMH). OBMH acted as host for the pooled budget.

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

Children and Adolescence Mental Health Services (CAMHS)

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

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

Community Equipment Loan Service

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

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

Section 117 Aftercare

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

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

Integrated Therapies Contract (SALT, OT and Physiotherapy)

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

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

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

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

30 - Leases

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

The Council as Lessee

Finance Leases

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

The Council has ten properties (libraries and offices) included in its asset register that are finance leases with a net book value of £6.397m (2016/17 £9.591m). All properties have rentals payable of less than £1k per annum, with the exception of Chiltern Area Office for which the rental is £12k per annum. As a result no corresponding liability has been recognised in relation to these assets.

31 March 2017		31 March 2018
£000		£000
9,591	Other Land and Buildings	6,397
9,591	**Finance Lease Net Book Value**	**6,397**

Operating Leases

Rentals paid under operating leases are charged to the CIES as an expense of the services benefitting from use of the asset. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. if there is a rent-free period at the commencement of the lease). The future minimum lease payments due under operating leases are:

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

The amounts paid in year comprise the following elements:

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

The Council as Lessor

Finance Leases

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

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

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

The gross investment is made up of the following amounts:

31 March 2017		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**

Resources
Finance

Director of Finance & Procurement:
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25th July 2018

Dear Sirs

Buckinghamshire County Council
Financial Statements for the year ended 31 March 2018

This representation letter is provided in connection with the audit of the financial statements of Buckinghamshire County Council for the year ended 31 March 2018 for the purpose of expressing an opinion as to whether the Council financial statements are presented fairly, in all material respects in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 and applicable law.

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

Financial Statements

i We have fulfilled our responsibilities for the preparation of the Council's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.

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

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

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

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

vi Except as disclosed in the financial statements:

a there are no unrecorded liabilities, actual or contingent b none of the assets of the Council has been assigned, pledged or mortgaged

c there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.

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

viii Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.

ix All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.

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

xi Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.

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

xiii We believe that the Council's financial statements should be prepared on a going concern basis on the grounds that current and future sources of funding or support will be more than adequate for the Council's needs. We believe that no further disclosures relating to the Council's ability to continue as a going concern need to be made in the financial statements.

Information Provided

xiv We have provided you with:

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

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

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

xvii We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

xviii We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the Council and involves:

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

xix We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.

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

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

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

Annual Governance Statement

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

Narrative Report

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

Approval

The approval of this letter of representation was minuted by the Council's Regulatory and Audit Committee on 25th July 2018.

Yours faithfully

Name……………………………

Position………………………….

Date…………………………….

Name……………………………

Position………………………….

Date…………………………….

Signed on behalf of Buckinghamshire County Council

Grant Thornton

Audit Findings

Year ending 31 March 2018

Buckinghamshire County Council

July 2018

Agenda Item 8

Contents

Your key Grant Thornton team members are:

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The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

Headlines

Introduction

This table summarises the key issues arising from the statutory audit of Buckinghamshire County Council ('the Council') and the preparation of your financial statements for the year ended 31 March 2018 for those charged with governance.

Financial Statements	Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion: • your financial statements give a true and fair view of the financial position of the Council and its income and expenditure for the year, and have been properly prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting; • other information published together with the audited financial statements (including the Annual Governance Statement (AGS) and Narrative Report), are consistent with the financial statements	Our audit work was undertaken on site during June and July 2018 and is nearing completion. Our findings are summarised on pages 3 to 11. As at the date of writing this report, we have identified two adjustments to the financial statements in respect of a £6.4m adjustment to correct the classification in the financial statements of net gains on revaluation of investment properties and a £1.1m classification adjustment between long term and short term borrowings. Neither of these adjustments have any impact on the General Fund surplus for the year. Audit adjustments are detailed in Appendix C. We have also raised recommendations for management as a result of our audit work in Appendix A. Our follow up of recommendations from the prior year's audit are detailed in Appendix B. Subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion following the Regulatory and Audit Committee meeting and the completion of our closedown procedures, as detailed in Appendix E . These outstanding items are listed on page 4. We have concluded that the other information published with the financial statements, which includes the Annual Governance Statement and Narrative Report, are consistent our knowledge of your organisation and with the financial statements we have audited.
Value for Money arrangements	Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion: • the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources ('the value for money (VFM) conclusion')	We have completed our risk based review of your value for money arrangements. We have concluded that Buckinghamshire County Council has proper arrangements to secure economy, efficiency and effectiveness in its use of resources, except for in relation to arrangements in respect of children's services. In January 2018, Ofsted issued a report on the re-inspection of your services for children in need of help and protection. This reported rated you as "inadequate", and followed a previous rating of "inadequate" you received for your inspection in 2014. Though some areas of improvement were noted, Ofsted found that "overall progress in improving services for children in Buckinghamshire since the last inspection in 2014 has been inconsistent and too slow". We therefore anticipate issuing a qualified 'except for' value for money conclusion, as detailed in Appendix E. Our findings are summarised on pages 12 to 19.
Statutory duties	The Local Audit and Accountability Act 2014 ('the Act') also requires us to: • report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and • certify the closure of the audit.	We have not exercised any of our additional statutory powers or duties. We have completed the majority of work under the Code and expect to be able to certify the completion of the audit when we give our audit opinion.

Acknowledgements

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

Summary

Overview of the scope of our audit

This Audit Findings report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ('the Code'). Its contents have been discussed with the Director of Finance and Procurement.

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

Audit approach

Our audit approach was based on a thorough understanding of your business and is risk based, and in particular included:

- an evaluation of your internal controls environment including its IT systems and controls; and
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks.

Conclusion

We have substantially completed our audit of your financial statements and, subject to outstanding queries being resolved, anticipate issuing an unqualified audit opinion following the Regulatory and Audit Committee meeting on 26 July 2018, as detailed in Appendix E. These outstanding items include:

- receipt of evidence for our creditors sample;
- completion of testing of property, plant and equipment disposals;
- completion of testing of property, plant and equipment revaluations;
- completion of testing of capital grant and business rates revenues;
- completion of review of the cash flow statement;
- receipt of management representation letter;
- receipt and review of the final set of financial statements;
- final senior management and quality reviews; and
- review of your Whole of Government Accounts consolidation pack.

Please note, additional queries may arise from the completion of the above matters.

Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Materiality calculations remain the same as reported in our audit plan. We detail in the table opposite our assessment of materiality for Buckinghamshire County Council.

	Council Amount (£)
Materiality for the financial statements	£16,553,000
Performance materiality	£12,415,000
Trivial matters	£828,000

Significant audit risks

	Risks identified in our Audit Plan	Commentary
1	**Improper revenue recognition** Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.	**Auditor commentary** Having considered the risk factors set out in ISA240 and the nature of your revenue streams, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because: • there is little incentive to manipulate revenue recognition; • opportunities to manipulate revenue recognition are very limited; and • the culture and ethical frameworks of local authorities, including Buckinghamshire County Council, mean that all forms of fraud are seen as unacceptable. Therefore we do not consider this to be a significant risk for your audit.
2	**Management override of controls** Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. You face external scrutiny of your spending, and this could potentially place management under undue pressure in terms of how they report performance. Management over-ride of controls is a risk requiring special audit consideration.	**Auditor commentary** • We undertook the following procedures in relation to this risk: – gained an understanding of the significant accounting estimates, judgements applied and decisions made by management and consider their reasonableness; – obtained a full listing of journal entries, identified and then tested unusual journal entries for appropriateness; and – evaluated the rationale for any changes in accounting policies or significant unusual transactions that came to out attention during the course of the audit. • From our testing of unusual journal entries for months 1 – 9, it was identified that six journal accruals to a total of £1,622,448 were posted by an individual in the SAP team on behalf of the adult learning team into a prior closed period without the permission of the central finance team. This was to post a mid-year accrual to enable an academic return to be completed. However, this bypassed your established process for raising journal accruals; such entries are only permitted to be raised at year end and not mid-year. We reported a control recommendation in respect of this issue to you in our Audit Plan dated 31 May 2018. • Subject to the satisfactory completion of outstanding matters set out on page 4, our audit work has not identified any other material issues in respect of this risk.

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Significant audit risks

	Risks identified in our Audit Plan	Commentary
3	**Valuation of property, plant and equipment** You revalue your land and buildings on an quinquennial basis to ensure that carrying value is not materially different from fair value. This represents a significant estimate by management in the financial statements. We identified the valuation of land and buildings revaluations and impairments as a risk requiring special audit consideration and a key audit matter for the audit. .	**Auditor commentary** • We undertook the following procedures in relation to this risk: – reviewed management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work; – considered the competence, expertise and objectivity of valuation experts used by management; – discussed with the valuer the basis on which the valuation is carried out and challenged the key assumptions; – reviewed and challenged the information used by the valuer to ensure it is robust and consistent with our understanding; – tested revaluations made during the year to ensure they have been input correctly into your asset register; and – evaluated the assumptions made by management for those assets not revalued during the year to verify how management have satisfied themselves that these are not materially different to their current value. • Subject to the satisfactory completion of outstanding matters set out on page 4, our audit work has not identified any material issues in respect of this risk.
4	**Valuation of pension fund net liability** Your pension fund asset and liability as reflected in its balance sheet represent a significant estimate in the financial statements. We identified the valuation of the pension fund net liability as a risk requiring special audit consideration and a key audit matter for the audit.	**Auditor commentary** • We undertook the following procedures in relation to this risk: – identified the controls put in place by management to ensure that the pension fund liability is not materially misstated and assessed whether these controls were implemented as expected and whether they are sufficient to mitigate the risk of material misstatement; – evaluated the competence, expertise and objectivity of the actuary who carried out your pension fund valuation; – gained an understanding of the basis on which the valuation was carried out; – undertook procedures to confirm the reasonableness of the actuarial assumptions made; and – checked the consistency of the pension fund asset and liability and disclosures in notes to the financial statements with the actuarial report from your actuary, Barnett Waddingham. • Subject to the satisfactory completion of outstanding matters set out on page 4, our audit work has not identified any material issues in respect of this risk.

Reasonably possible audit risks

Risks identified in our Audit Plan	Commentary
5 **Employee remuneration** Payroll expenditure represents a significant percentage (37%) of your operating expenses. As the payroll expenditure comes from a number of individual transactions and an interface with a number of different sub-systems there is a risk that payroll expenditure in the accounts could be understated. We therefore identified completeness of payroll expenses as a risk requiring particular audit attention.	**Auditor commentary** • We undertook the following procedures in relation to this risk: – evaluated your accounting policy for recognition of payroll expenditure for appropriateness; – gained an understanding of your system for accounting for payroll expenditure and evaluate the design of the associated controls; and – gained substantive assurance over payroll expenditure for the year. • Subject to the satisfactory completion of outstanding matters set out on page 4, our audit work has not identified any material issues in respect of this risk.
6 **Operating expenses** Non-pay expenses on other goods and services also represents a significant percentage (50%) of your operating expenses. Management uses judgement to estimate accruals of un-invoiced costs. We identified completeness of creditors as a risk requiring particular audit attention.	• We undertook the following procedures in relation to this risk: – evaluated your accounting policy for recognition of non-pay expenditure for appropriateness; – gained an understanding of your system for accounting for non-pay expenditure and evaluate the design of the associated controls; and – tested a sample of post-year end payments to test completeness of expenditure recorded in the financial statements. • Subject to the satisfactory completion of outstanding matters set out on page 4, our audit work has not identified any material issues in respect of this risk.

Going concern

Our responsibility

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

Going concern commentary

Management's assessment process	Auditor commentary
Your management have assessed that you remain a going concern on the basis that you have prepared a balanced Medium Term Financial Plan (MTFP) for the next four years (2018-19 to 2021-22). The MTFP has been prepared on the basis that Buckinghamshire County Council will continue to exist over the medium term.	• We have reviewed the significant assumptions upon which your Medium Term Financial Plan is based and have satisfied ourselves that those assumptions are reasonable. • We note that you continue to face sustained pressure on your financial position as a result of reductions in funding from central government and rising demand in some of your core services. It is therefore important that you continue to maintain appropriate budgetary control and that you continue to identify and deliver recurrent and sustainable savings so that you remain a going concern over the longer tem. • You have submitted a bid for a single unitary authority to be established in Buckinghamshire to take over the responsibilities of the county council and four district councils. In March 2018, the Communities Secretary announced that the government provisionally give their backing to this proposal. A decision to abolish the county council would mean that you are no longer a going concern, though under the CIPFA Code of Practice the financial statements would still be prepared on a going concern basis. Your management have assessed that as no final decision on the creation of a unitary authority has yet been made, no material uncertainty exists around your status as a going concern.
Conclusion	**Auditor commentary**
	• We have concluded that management’s judgement that you remain a going concern is reasonable and that there is no material uncertainty around going concern that we would be required to report.

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Accounting policies

Accounting area	Summary of policy	Comments	Assessment
Revenue recognition	• You have three principal revenue streams: – taxation revenues in respect of council tax and business rates are recognised in the year that the tax was levied; – grant income is recognised in accordance with the terms of the grant, whether specific or non-specific; and – income from fees and charges in the provision of services is recognised when the service has been provided or when the title to goods has passed.	We have no material concerns with your revenue recognition policies or with the application of those policies. The revenue recognition policies adopted are in line with the CIPFA Code of Practice.	● Green
Judgements and estimates	• Key estimates and judgements include: – Useful life of Property, Plant and Equipment – Revaluations – Impairments – Valuation of the net pension fund liability – Expenditure accruals – Financial instrument fair value disclosures – Judgements around recognition of schools land and buildings on the Balance Sheet	• We have reviewed and tested all of the material areas of estimation and judgement that are reflected within your financial statements. We have noted no material issues or concerns to report to you.	● Green
Other critical policies	• You have adopted accounting policies that you consider to be consistent with the CIPFA Code of Practice.	We have reviewed your policies against the requirements of the CIPFA Code of Practice. Your accounting policies are appropriate and consistent with previous years.	● Green

Assessment
- ● Marginal accounting policy which could potentially be open to challenge by regulators
- ● Accounting policy appropriate but scope for improved disclosure
- ● Accounting policy appropriate and disclosures sufficient

Other communication requirements

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.

	Issue	Commentary
1	**Matters in relation to fraud**	• We have previously discussed the risk of fraud with the Regulatory and Audit Committee in our Audit Plan dated 31 May 2018 and been made aware of frauds identified from the work of internal audit, none of which are significant to the financial statements. We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit procedures.
2	**Matters in relation to related parties**	• We are not aware of any related parties or related party transactions which have not been disclosed.
3	**Matters in relation to laws and regulations**	• You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations. • Though you prepared and approved your draft financial statements in advance of the national deadline of 31 May, you did not publish your accounts on your website alongside notice of the particulars of the period for public inspection of the accounts until 8 June. This is a breach of section 15 of the Accounts and Audit Regulations 2015, which requires that the period for public inspection of the accounts should cover the first 10 working days of June and that your draft financial statements should be published on your website before 31 May. • We have not identified any other incidences of non-compliance with laws and regulations from our audit work performed.
4	**Written representations**	• A standard letter of representation has been requested from you, which is included in the Regulatory and Audit Committee papers alongside this report
5	**Confirmation requests from third parties**	• We requested from management permission to send confirmation requests in respect of your bank balances, investments and loans as at 31 March 2018. This permission was granted and the requests were sent. All of these requests were returned with positive confirmation, with the exception of confirmations requested in respect of the Money Market Fund investment held with Federated and the Euro account held with Lloyds Bank. We are continuing to chase these confirmations requests with assistance from your officers and will require them to be returned to us before we can conclude the audit.
6	**Disclosures**	• Our review found no material omissions in the financial statements. We identified a number of immaterial disclosure adjustments, which are set out later in this report.
7	**Matters on which we report by exception**	• We have not identified any issues we would be required to report by exception in relation to the following: – if the Annual Governance Statement does not meet the disclosure requirements set out in the CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit; and – the information in the Narrative Report is materially inconsistent with the information in the audited financial statements or our knowledge of your financial position and performance acquired in the course of performing our audit, or otherwise misleading.

Other communication requirements (continued)

	Issue	Commentary
8	**Specified procedures for Whole of Government Accounts**	We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions. As your financial statements exceed the specified group reporting threshold of £500m we are required to examine and report on the consistency of the WGA consolidation pack with the Council's audited financial statements. This work is not yet completed and we plan to undertake this work in August in accordance with the deadline set by the National Audit Office.

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Value for Money

Background to our VFM approach

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

The guidance identifies one single criterion for auditors to evaluate:

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

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

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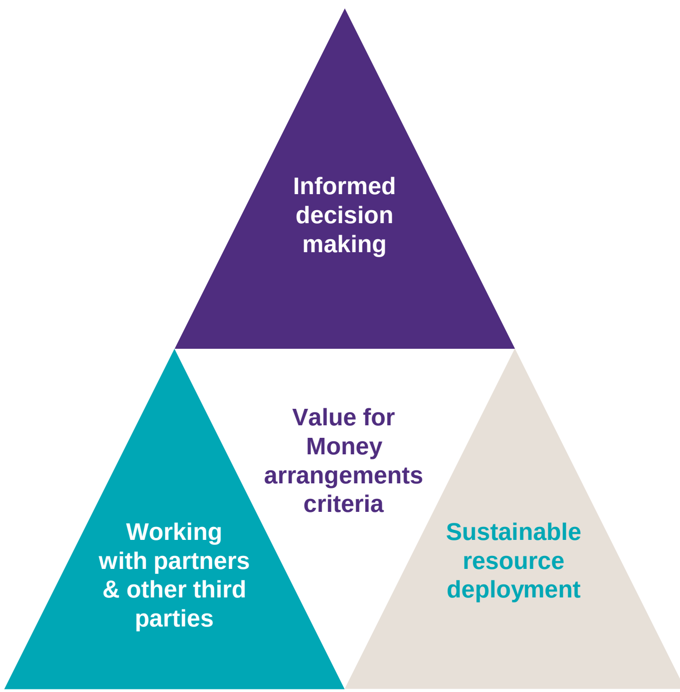

Risk assessment

We carried out an initial risk assessment in March 2018 and identified a number of significant risks in respect of specific areas of proper arrangements using the guidance contained in AGN03. We communicated these risks to you in our Audit Plan dated 31 May 2018. The risks that we identified were as follows:

- Ofsted inspection of children's services;
- funding pressures;
- transformation of adult social care services; and
- transfer of services from Buckinghamshire Learning Trust.

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

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

Value for Money

Our work

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

We have focused our work on the significant risks that we identified in your arrangements. In arriving at our conclusion, one of our key areas of focus has been on your arrangements for ensuring economy, efficiency and effectiveness in respect of children's services.

In January 2018, Ofsted issued a report on the re-inspection of your services for children in need of help and protection that you as "inadequate". This followed a previous rating of "inadequate" received for your inspection in 2014. Though some areas of improvement were noted, Ofsted found that "overall progress in improving services for children in Buckinghamshire since the last inspection in 2014 has been inconsistent and too slow".

Though you have found the outcome of the Ofsted re-inspection to be disappointing, it is clear that addressing the concerns of Ofsted continues to be a key priority for your members and senior officers.

We consider that the outcome of the Ofsted re-inspection of your children's services 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.

In all respects other than the issues noted by Ofsted in relation to your children's services, we have concluded from our work completed we have no matters to report around your arrangements for securing economy, efficiency and effectiveness in your use of resources

We have set out more detail on the risks we identified, the results of the work we performed and the conclusions we drew from this work on pages 14 to 24.

Overall conclusion

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

- except for the matter we identified in respect of children's services, the Council has proper arrangements in all significant respects.

We therefore propose to give a qualified 'except for' conclusion on your arrangements for securing economy, efficiency and effectiveness in your use of resources.

The text of our proposed report can be found at Appendix E.

Significant difficulties in undertaking our work

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

Significant matters discussed with management

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

Key findings

We set out below our key findings against the significant risks we identified through our initial risk assessment:

	Significant risk	Findings
1	**Ofsted inspection of children's services** Ofsted issued a report on your children's services in August 2014 which gave a rating of 'inadequate'. A follow-up review was completed by Ofsted in November 2017, for which you have received a further rating of 'inadequate'. We have reviewed progress made in implementing the changes to your arrangements requested by Ofsted. We have also considered your performance against your internal objectives and targets in delivering a safe and reliable children's service.	**Outcome of Ofsted re-inspection of children's services** In 2014, Ofsted undertook an inspection of your children's services which rated Buckinghamshire County Council as "inadequate". During 2016 and 2017, you underwent four monitoring visits from Ofsted to follow up on your progress. Ofsted consistently reported that progress had been made with improving children's services, but noted that there remained areas where the pace in achieving the change required was too slow and that greater progress was needed in relation to embedding consistency in good practice. In November 2017, Ofsted undertook a re-inspection of your services for children in need of help and protection. Their report, published in January 2018, maintained your rating as "inadequate". Some areas of improvement were noted since the previous inspection, with adoption performance receiving a rating of "good", while Ofsted also commented that children are now a top priority for the Council and significant financial investment has been made in services for children and their families. Despite these improvements, Ofsted found that the strategic response to delivering the required change has been piecemeal and that "overall progress in improving services for children in Buckinghamshire since the last inspection in 2014 has been inconsistent and too slow". Specific areas for improvement that were identified by Ofsted are as follows: - some children are still not having the right help and support that they need at the time when they need it most; - most social workers work hard to support children, but some social workers have many children to support and do not always have enough time to do all that they need to do; - not all managers check to make sure that social workers do the work that they need to do quickly enough to help children; and - sometimes the help that social workers provide to children and their families ends too soon. As a result of the outcome of the re-inspection, In March 2018 the Department for Education issued a statutory direction under section 497A(4B) of the Education Act 1996 to appoint a commissioner to undertake a review of your capacity to make the required changes to how you deliver children's services. John Coughlan, the Chief Executive of Hampshire County Council, was appointed as the commissioner to undertaken this review. On 12 July 2018, it was announced that the Department for Education had considered and accept the Commissioner's conclusion that you should retain responsibility for provision of children's services in Buckinghamshire. The Department also appointed Hampshire County Council as the improvement advisors to support your children's improvement programme. You are now set to receive four quarterly monitoring visits from Ofsted to allow them to review your progress made in implementing their recommendations. The first post-inspection monitoring visit took place on 3 and 4 July 2018 and focussed on Children in Need. The feedback that you will receive from this Ofsted visit will provide you with a useful opportunity to assess your progress made since November in improving your services and whether your revised arrangements for supporting changes to how you deliver your children's services are working.

Significant risk	Findings
Ofsted inspection of children's services Continuation of risk noted on page 14.	**Response to the findings of Ofsted** Your members and senior officers have accepted all of the shortfalls found by Ofsted and following the re-inspection you have developed an immediate action plan in response to their findings. A new director of children's services and cabinet member were appointed in November 2017 prior to the inspection, and Ofsted commented in their report that these appointments, alongside the continued support of the leader and chief executive, provide you with a strong senior leadership team that is committed to accelerating the pace of improvements for children. You believe that your children's services team now has appropriate funding and resources following your significant financial investment in supporting their improvement in recent years, and changes required relate to the need to use those resources in a different way to make your team more effective. Since the Ofsted inspection, your officers have reported to your Cabinet that a large proportion of the immediate actions set out within the action plan have been progressed, with many requiring ongoing scrutiny as part of the continuous journey of improvement. You have brought in a new senior management team for children's services to assist you with delivery of the required changes and you have also restructured and revised your Improvement Board arrangements for providing oversight and challenge around implementation of the improvement plan. The new reconstituted Improvement Board first met in April 2018, chaired by the Commissioner appointed by the Department for Education, and it now meets on a regular basis to consider progress against the improvement action plan and provide challenge and support to drive forward improvements across Children's Services. Alongside your response to the findings of Ofsted, you continue to implement your "Change for Children" transformation programme. This aims to support the implementation of your Buckinghamshire Children's Strategy, which seeks to improve outcomes for children and young people, whilst at the same time ensuring that services are financially stable and affordable in longer term. This represents a separate but intertwined stream of work to your response to the findings from Ofsted and is overseen by a separate Programme Board. **Conclusion** While there has been movement in your children's services since the issue of the initial "inadequate" Ofsted rating in 2014, you have not achieved your objective of restoring the quality of your children's services to an appropriate level in all areas of their performance. You have taken significant action since the receipt of the outcome of the Ofsted re-inspection and it is important that you learn from the feedback received from Ofsted to ensure that all of their recommendations are implemented and embedded. **Due to the rating of "inadequate" that you received for the Ofsted re-inspection, we have concluded that you do not have adequate arrangements for achieving economy, efficiency and effectiveness in relation to your children's services functions**

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Significant risk	Findings

2 Funding pressures

In light of the continued funding pressures that you face, there is a risk that you will not be able to generate new revenue streams or deliver saving cuts of sufficient scale to maintain a balanced budget over the period covered by the Medium Term Financial Plan (MTFP).

We have reviewed recent performance against the budget and considered the reasonableness of the assumptions upon which the MTFP is based.

Outturn for 2017/18

Despite the challenging funding settlement for local authorities nationally, you have continued your good track record of delivery of services within budget and attainment of planned savings and income generation targets, delivering an outturn position for 2017/18 of a surplus of £2.9m. As was summarised within the outturn report presented to your Cabinet in May, your outturn performance by Portfolio Area was as follows:

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

Your outturn surplus of £2.9m reflects an overall overspend at portfolio level of £0.8m, offset by savings of £3.7m at a corporate level. This compares to portfolio overspend of £3.5m for 2016/17, with the reduction in the portfolio overspend due to your success in resolving areas of overspend in the Health and Wellbeing and Education and Skills portfolios. The largest area of overspend in 2017/18 was a £1.7m net overspend for the Children's Services portfolio, reflecting pressures due to the increase in the number of looked after children in year as well as increased unit costs. This has been an area of continued overspends in recent years, with an overspend of £1.5m reported for Children's Services for 2016/17. This highlights a need for your officers to continue to work to mitigate overspends for Children's Services. However, you have recognised that reducing overspends in this area will be challenging given recent increases in demand and the need to respond to findings noted by the recent Ofsted inspection.

During the year, you generated an additional £6.1m of income against a budget increase of £5.7m, which represented over-achievement of 7% relative to your budget. This is positive result, as you have been pushing to develop additional income streams to support your budget position and to safeguard the services that you provide.

In 2017/18, you delivered an outturn underspend on your capital budget of £16.4m for 2017/18, compared to an underspend of £12.9m for 2016/17, owing to slippage on delivery of projects. This slippage represents 18.8% of the overall budget. Although this is a slight deterioration on the prior year when slippage on the capital budget was 17.0%, we note that this is below the level of slippage experienced in 2015/16 and 2014/15 of 21.6% and 34.6% respectively.

Significant risk	Findings

2

Funding pressures

Continuation of risk noted on page 16.

Adequacy of reserves

While your reserves remain below their historic levels, as a result of the outturn position the General Fund balance increased to £27.4m as at 31 March 2018, which represents 8.3% of your budget requirement for 2018/19. Your non-schools earmarked reserves also increased during the year by £14.6m to £99.2m. In April 2018, the County Council agreed to release £1.2m from the General Fund to finance plane and patch repairs to roads, giving a General Fund balance at the end of April 2018 of £26.2m.

Your reserves position benchmarked against other County Councils in England as at 31 March 2018 is as follows:

Buckinghamshire County Council - benchmarking of reserves relative to other County Councils

Measure *	Buckinghamshire County Council	Average for County Councils in England	Ranking relative to other County Councils in England
Unrestricted general fund reserves as at 31 March 2018 (£m)	27,393	24,456	8 / 27
General fund and non-schools earmarked general fund reserves as at 31 March 2018 (£m)	126,628	143,561	15 / 27
General fund and earmarked general fund reserves as at 31 March 2018 (£m)	139,255	167,747	17 / 27
Total usable revenue and capital reserves as at 31 March 2018 (£m)	152,004	226,679	18 / 27
General fund and earmarked general fund reserves as a percentage of gross service revenue expenditure	16.2%	13.7%	10 / 27
Useable capital and revenue reserves as a percentage of gross service revenue expenditure	17.7%	18.3%	14 / 27

* Based upon unaudited financial statements as at 31 March 2018

This analysis indicates that overall you hold a relatively average level of reserves for an authority of your size, though your unrestricted general fund reserves place you n the top third of comparative authorities.

We consider that you are in a healthy position for an authority of your size and scale and that you have sufficient reserves to enable you to weather the financial pressures that you will face over the period covered by your Medium Term Financial Plan. Nevertheless, your reserves will not be sufficient to sustain you over the longer term in the current funding environment of reduced government funding for the delivery of services in Buckinghamshire. It is important that you continue to develop wider transformation savings to support the resilience of your core services in the long term.

Significant risk	Findings
2 **Funding pressures** Continuation of risk noted on page 16.	**<u>2018/19 budget and medium term financial sustainability</u>** The MTFP approved by the Council in February 2018 covers the four year period to 2021/22. The MTFP reflects the anticipated annual loss of government funding and business rates income available to you, before the setting of your Council Tax requirement, of £36.1m by 2021/22 compared to 2017/18 levels, on top of significant funding reductions that you have already faced in recent years. You have also forecast that you will make net contributions into reserves of £2.1m in 2018/19, £0.04m in 2019/20, £0.3m in 2020/20 and £0.7m in 2021/22. This will provide you with some additional flexibility within your medium term financial planning as you could opt not to make these contributions were you to face additional budgetary pressures. While attaining savings on the scale forecast within your MTFP would be challenging for any local authority, we note that the MTFP is based upon reasonable assumptions and that overall you have appropriate arrangements in place for identifying and implementing appropriate savings to allow this plan to be achieved. The saving plans that you have set have been developed as part of an incremental process throughout the year and have been subject to detailed member scrutiny and challenge. You have spent considerable effort seeking to mitigate the risks to the delivery your medium term financial plans and, whilst the challenge increases year on year, you have demonstrated a strong history of being able to meet these challenges and in delivering planned financial targets. Following the publication of a recent National Audit Office (NAO) report on the Best Value Review of services provided by Northamptonshire County Council, you undertook a review of whether the issues identified by the NAO as contributing to the financial decline at Northamptonshire are applicable to Buckinghamshire County Council. This paper was reported to your Cabinet in May 2018 and concluded that though you are in a significantly stronger position than Northamptonshire, with a good record of managing spend within the overall budget and high member involvement in the budget process, there is no room for complacency. We agree with the findings of this report. The national pressures faced by local authorities in relation to demand for children’s and adults services are pertinent in Buckinghamshire and it is important that you continue to strengthen your financial management arrangements in these areas. You have undertaken your medium term financial planning on the assumption that the County Council will continue to exist in its current form. In March 2018, the Communities Secretary announced that the government are minded give their backing to the creation of a single unitary authority in Buckinghamshire, to replace the County Council and four district councils. You continue to await the government’s final decision on whether the transition to a new unitary structure will take place. If the proposal is approved, you have forecast that the new operating structure will enable the attainment of additional revenue savings of £18.2m annually across the County. This would mitigate some of the medium term financial challenges that you and the district councils face and would help to safeguard services in Buckinghamshire over the longer term.

Significant risk | **Findings**

2

Funding pressures

Continuation of risk noted on page 16.

Investment strategy

Over the last three years, you have invested in acquiring a portfolio of property assets to generate an income stream to help offset some of impact of the loss of government funding, to protect services from additional reductions. There are risks inherent in this strategy, for example the risk of properties remaining vacant, and you have mitigated these through your use of professional advisers to support the identification and evaluation of potential purchase opportunities, and through your decision to set aside a proportion of the income received from these properties to address any periods where properties are vacant and rental income is not being received.

During 2017/18, you invested £37.7m in the acquisition of new properties, which included the purchase of commercial properties at Knaves Beech Retail Park and Clarion House. Your investment property portfolio was valued at £130.8m as at 31 March 2018, compared to £83.8m as at 31 March 2017, and the portfolio generated for you £4.3m of rental income during the year. This has made a sizeable contribution to supporting your revenue outturn position and supporting the services that you provide.

Overall, we have noted no concerns in relation to the arrangements supporting your property investment strategy. It is clear that you have undertake you property investments in a reasonable and measured way, with an appropriate due process supporting the acquisition including a clear consider of the risks and appropriate signoff by the Cabinet on all key investment decisions.

LOBO settlement

On 12 April 2018, you paid £77.0m you entered into an agreement to redeem £48.0m of Lender Option Borrower Option (LOBO) loans and to replace these with a new Public Works Loans Board (PWLB) loan with a lower interest rate. These loans were originally entered into in 2008 and were due to mature in 2078. Your treasury management advisors have estimated that this early redemption will save you £10.4m in borrowing costs compared to holding these LOBO loans until maturity.

We have reviewed the settlement of these loans. We are satisfied with regard to the regularity of this transaction and have noted not concerns to report to you.

Conclusion

You have delivered a balanced budget in 2017/18 and you have set a Medium Term Financial Plan that indicates that you will continue to deliver a balanced budget through to the end of 2021/22. However, you continue to face significant financial risk over the medium term due to increases in demand for your core services, particularly in respect of social care and children's services. It is therefore important that you continue to implement long-term strategies to mitigate these pressures that you face.

On the basis of the work completed we have concluded that the risk that we identified in respect of your funding pressures has been sufficiently mitigated and that you have proper arrangements.

Significant risk	Findings
3 **Transformation of adult social care services** You are currently transforming the way that adult social care is delivered in Buckinghamshire, including resolving residual challenges from bringing the work of Buckinghamshire Care back in house and greater health and social care integration, with a movement toward the establishment of an Accountable Care System in Buckinghamshire. We have reviewed progress made in implementing the changes to your arrangements and have held discussions with relevant officers involved in the delivery of this transformation.	**Adults transformation – "Better Lives Strategy"** During the year, you developed a programme of work to transform how you deliver adult social care services. This has been undertaken with a view to modernising social care, driving improvements around prevention to support people to remain healthy, safe and independent for longer, and also reducing and delaying demand for services. You have reformed your previous adults transformation approach and you published your new "Better Lives Strategy" in April 2018, setting our your core principles and objectives for improving adult social care services and creating services which are sustainable for the future residents of Buckinghamshire. The three key parts to the strategy are living independently, regaining independence and living with support, and you have developed a comprehensive set of objectives and metrics that covers each these three main streams of work. It is clear that you have undertaken detailed planning and developed a clear and deliverable framework to support the programme's implementation. You have developed a Project Management Office (PMO) function to provide you with the operational capacity to deliver the desired benefits. A Programme Plan has been prepared, which sets out actions for each of the areas of the programme, along with a clear timeline for their implementation, covering up to March 2020. This sets out a clear mapping to support the implementation of the programme and to provide clarity on responsibilities and deadlines for each element of programme. As the programme develops, we would recommend that you extend your project planning to map the interdependences arising from the different streams of the transformation. This would allow you to be clear what are the critical elements of the programme that may prevent benefits being realised in other areas of transformation in the event of their slippage or delay. To provide oversight over the implementation of the transformation programme, you have formed an Adult Social Care Programme Board to meet on a monthly basis to provide the overarching governance and decision making framework for the programme. This is chaired by the executive director for Communities, Health & Adult Social Care and includes representation from all key stakeholder groups, including members, programme leads and HR. The Programme Board has a clearly defined remit, which includes providing challenge and scrutiny over all elements of the programme, resolving conflicts between the programme and business as usual, and ensuring co-ordination with the deliver of the Medium Term Financial Plan and agreed savings targets. The Programme Board provides regular updates on progress to the Corporate Management Team and is also subject to oversight by your Health and Adult Social Care Select Committee. The integration and longer term provision of services previously provided by Buckinghamshire Care forms a part of your overall transformation. You have reached pragmatic decisions on how to re-form and integrate these services into your wider strategy for social care, which has included closing down a small number of services that do not align with your wider objectives. From our review, we have noted no significant concerns in relation to the arrangements for your transformation of adults. It is clear that appropriate high-level governance frameworks have been put in place and that there has been appropriate involvement from members in their design. However, your transformation remains in is early stages and the application of these arrangements will be the critical success factor in determining the success of the transformation programme and realisation of intended benefits. In short – the quality of the arrangements is only as good as the calibre of skills and experience implementing them. It is important that you continue to strive to support the effective governance of your programme arrangements, delivering honest messages where appropriate to ensure the realisation of the planned benefits.

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Significant risk | **Findings**

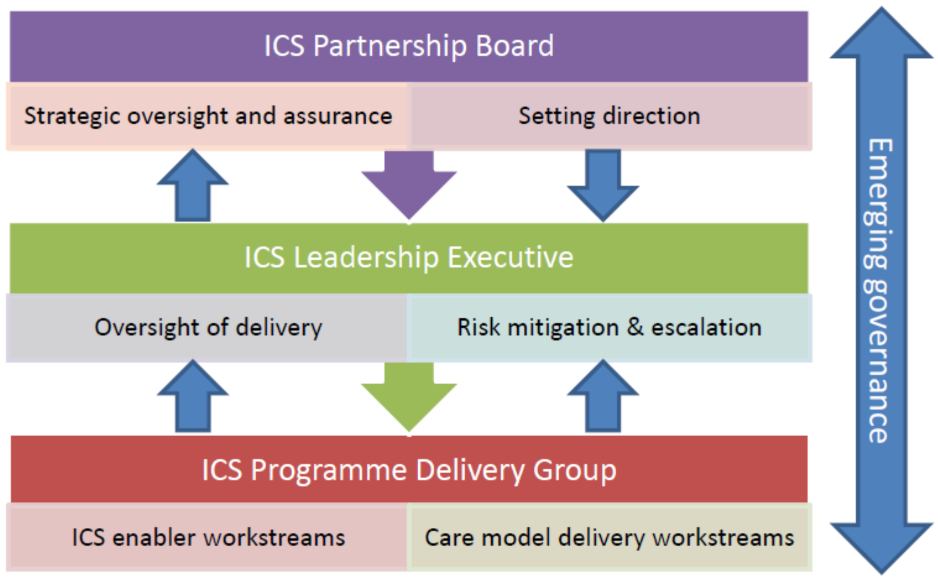
3 **Transformation of adult social care services**

Continuation of risk noted on page 20.

Integrated care system

In June 2017, Buckinghamshire was announced as one of eight national Accountable Care Systems (ACS) pilots to transform health and social care. This has subsequently developed into an "Integrated Care System" (ICS) model, to better facilitate integration of services and collective responsibility for financial and operational performance and health outcomes.

The ICS is not a separate entity, but a partnership between care commissioners and providers in Buckinghamshire as a forum for making single and consistent decisions about how to deploy resources and to allow the implementation of place-based, multi-year plans to deliver improvements for the local health economy. The ICS structure is that of an overall ICS Partnership Board and Executive Group on which are represented members of each of the main providers and commissioners in Buckinghamshire, which then report up to your Health and Wellbeing Board. Beneath the ICS Partnership Board, the ICS Leadership hold responsibility for oversight and delivery of the programme as well as risk mitigation, while the ICS Programme Delivery Group is responsible for its implementation. These responsibilities as summarised as follows:



Governance arrangements to support the new operating framework are continuing to develop. The ICS plans have been appropriately approved by your Cabinet and relevant committees, and are in line with your overall integration aims.

While still in its early stages, there are positive signs of progress and greater integration so far. For example, you and your NHS partners have recently appointed a joint head of IT between the Council, Buckinghamshire Healthcare NHS Trust and NHS Buckinghamshire CCG. You expect this shared appointment to facilitate greater integration and allow more joined up working in respect of IT.

Significant risk	Findings
3 **Transformation of adult social care services** Continuation of risk noted on page 20.	**<u>Sustainability and Transformation Plan (STP)</u>** You are part of the Buckinghamshire, Oxfordshire and Berkshire West (BOB) Sustainability and Transformation Plan. This aims to bring together the various organisations that provide healthcare services across the STP footprint to ensure the delivery of quality services, address future health challenges and deliver within the limited resources available. The STP plan was submitted in October 2016 and proposed a number of solutions to deal with these at both the wider BOB level and the Buckinghamshire level. Failures within one part of the system can easily have a knock on implication for another part, so it is critical that all work together effectively to deliver for the areas. The STP plans entered the implementation stage during 2017/18. Key programmes led through the STP include upgrading diagnostic capacity and preventative intervention around cancer, closer working between the NHS and public health care provided through the STP-wide “Making Every Contact Count” programme, and also the adoption of a single systematic approach to population health management and capacity management. It is not clear at this stage how effective the STP plans will be at delivering genuine joined up care. The STP requires much closer working between the NHS and local authorities. The continued provision of effective social care is critical to preventing people from needing hospital stays and reducing delayed transfers of care. It will be critical to ensure funds are appropriately targeted, and that both you and your NHS partners consider the holistic picture when making financial and non-financial decisions over service provision. **Conclusion** Sufficient Adequate programme arrangements are in place to support the attainment of your adults transformation programmes. While your adults transformation has progressed well so far, it remains early days. It is important that you continue to retain appropriate focus on supporting your new adults strategy throughout its implementation. **On the basis of the work completed we have concluded that the risk was sufficiently mitigated and that you have proper arrangements.**

Significant risk	Findings
4 **Transfer of services from Buckinghamshire Learning Trust** You terminated the main elements of your contract with Buckinghamshire Learning Trust and brought the majority of their services back in-house from 1 April 2018. We have reviewed arrangements for the transfer of services back in-house and discussed with officers the plans in place for managing these services going forward.	**Transfer of functions from Buckinghamshire Learning Trust** The Buckinghamshire Learning Trust (BLT) is an independent charity that was set-up in 2013 as an "Alternative Delivery Vehicle" of the Council to provide a range of services to support schools, including the Specialist Teaching Learning and Cognition Service, Early Years Service and Early Years Workforce Development, Schools Financial Management Advisory Service, School Improvement Service and Governor Services. You previously provided these services directly in-house. The activities of BLT were funded by a grant from the Council. The Funding Agreement between the Council and the BLT was due to expire on the 31st July 2018, unless an option to extend for up to 2 years is triggered. Given the option for a break in the contract, you reviewed the services provided through the BLT to consider whether the existing model of delivery of these services through an outsourced body remained the most efficient and effective means of provision of the services over the longer term. The loss of the Education Support Grant as a source of funding alongside significant policy changes with regard to education has contributed to concern around the suitability and sustainability of the provision of these services through the BLT. In parallel, the launch of your Education and Skills Strategy during the year to articulate your ambition for children and young people in Buckinghamshire prompted consideration around different potential models for service delivery. In January 2018, your Cabinet reached a decision that the contract with the BLT would not be renewed. It was agreed that the majority of the services provided by the BLT would transfer back to the Council from 1 April 2018, with School Improvement Services and Governor Services to transfer from 1 August 2018. Following this transition, the BLT will continue to exist in a much smaller form with about 30 to 40 staff, to provide some of the services that it had established outside of its main contract with the County. You are continuing to provide non-financial support to the post-transition BLT and have also for a small fee provided a guarantee in respect of the BLT's Local Government Pension Scheme commitments to cover off any liabilities that may arise should they become insolvent in the future. In preparing for the transition, your officers and the BLT have worked closely together to arrive at a solution that suits both organisations to support the smooth transition of functions without incurring unsustainable cost to County or undermining the ongoing viability of the BLT. This included the setup of an Exit Governance Board formed jointly from officers of the County and of the BLT to oversee the transfer of services and the establishment of separate Exit Working Groups for each of the core areas transferring back in-house to ensure a smooth transition. It is clear that the transition to date has been planned and supported by suitable governance arrangements supported by senior officer and member input.

	Significant risk	Findings
4	**Transfer of services from Buckinghamshire Learning Trust** Continuation of risk noted on page 23.	**Conclusion** No significant issues have arisen to date from the transition, and your senior officers consider that the transfer of services from the BLT back to the County has progressed according to plan and has not impacted current service delivery to schools, settings, children and young people. You are considering options for effectiveness in the long-term provision of the services formally provided by the BLT and while no significant transformation of their delivery is planned, you are committed to ensuring the efficiency and effectiveness of these services going forward. **On the basis of the work completed we have concluded that the risk that we identified in respect of the transfer of services from Buckinghamshire Learning Trust has been sufficiently mitigated and that you have proper arrangements.**

Independence and ethics

Independence and ethics

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

As we highlighted to you in our Audit Plan dated 31 May 2018, the 2017/18 audit is Paul Grady's sixth year as your Engagement Lead. Where an Engagement Lead wishes to act for a period of more than five years, we are required to seek agreement from those charged with governance (the Regulatory and Audit Committee), that you are content with this arrangement. You have confirmed that you are content. Engagement Leads are able to act for a maximum of seven years at local authority audits.

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in December 2017 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed in Appendix D

Audit and Non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council. The following non-audit services were identified:

Service	£	Threats	Safeguards
Audit related			
Teachers Pensions certification (in respect of 2016/7)	£7,500	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work was £7,500 in comparison to the total fee for the audit of £88,088 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors mitigate the perceived self-interest threat to an acceptable level.
Skills Funding Agency certification (in respect of 2016/17)	£4,000	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £4,000 in comparison to the total fee for the audit of £88,088 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors mitigate the perceived self-interest threat to an acceptable level.

The amounts detailed are fees agreed to-date for audit related and non-audit services to be undertaken by Grant Thornton UK LLP in the current financial year. Any changes and full details of all fees charged for audit related and non-audit related services by Grant Thornton UK LLP and by Grant Thornton International Limited network member Firms will be included in our Audit Findings report at the conclusion of the audit.
None of the services provided are subject to contingent fees.

Action plan

We have identified 3 of recommendations for you as a result of issues identified during the course of our audit. We have agreed our recommendations with management and we will report on progress on these recommendations during the course of the 2018/19 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

	Assessment	Issue and risk	Recommendations
1	● Medium	• Though you prepared and approved your draft financial statements in advance of the national deadline of 31 May, you did not publish your accounts on your website alongside notice of the particulars of the period for public inspection of the accounts until 8 June. • This is a breach of section 15 of the Accounts and Audit Regulations 2015, which requires that the period for public inspection of the accounts should cover the first 10 working days of June and that your draft financial statements should be published on your website before 31 May.	• You should ensure in future periods that the draft financial statements are published on your website prior to 31 May, alongside notice of the particulars of the period for public inspection of the accounts. **Management response** • We have amended our timetable to ensure this is clearly documented with enough lead time to make sure all statutory deadlines are met. • It should be noted that the draft accounts were published on the website within the Regulatory & Audit Committee meeting papers on 24 May 2018.
2	● Medium	• A number of users in your SAP team have access to the "SAP_ALL" authorisation profile, which contains virtually full system rights. • The profile provides access to all IT functions as well as business transactions which with misuse can cause operational stability and financial misstatements. • In our Audit Plan dated 31 May 2018, we reported to that an individual in the SAP team had used their access rights to post six journal entries in a closed period without permission from your finance team and in breach of your journals policy.	• The SAP_ALL profile should be reserved for use within an emergency or firefighter type ID that can be locked when not in use, since most day to day administrative activities do not require such wide ranging access as provided by SAP_ALL. **Management response** • The SAP_ALL profile is used for upgrades so requires full access to the system; this ensures that when upgrades are happening there is no stopping and starting due to authorisations. This profile is currently locked and password deactivated.
3	● Medium	• Your SAP generic accounts, such as the "DDIC" user account, are set to run with the highest system privileges and are a target for unauthorised access. • The standard accounts do not need to be active in the system and increase the risk of unauthorised access if not locked down.	• Management should consider removing processes that run on the DDIC account and ensure that it is locked. We also recommend that it be changed to a System account, in order to align with best practice. • **Management response** • The user type to be changed to system user and then changed only to dialog when required for the upgrade. Please note that this user has already been changed to System and the password has been deactivated. Our Security Strategy has been updated to reflect this.

Controls
- ● High – Significant effect on control system
- ● Medium – Effect on control system
- ● Low – Best practice

Follow up of prior year recommendations

We identified the following issue in the audit of the Buckinghamshire County Council's 2016/17 financial statements, which resulted in one recommendations being reported in our 2016/17 Audit Findings report. We are pleased to report that management have implemented our recommendation.

	Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
1	✓	• We identified that £25,983k of reconciling items on the bank reconciliation relating to un-cleared miscellaneous receipts and payments had not been cleared during the year end bank reconciliation process as at 31 March 2017, despite relating to payments made in December 2016 and January 2017. These reconciling items net off and there is no impact on the accounts, however we consider this a housekeeping issue that management should address. • We recommended that you ensure that all significant reconciling differences identified on the bank reconciliation are cleared on a monthly basis.	• We noted no such issues from review of your year end bank reconciliations as at 31 March 2018. As such we are satisfied that this matter has been resolved.

Assessment
✓ Action completed
X Not yet addressed

Audit Adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Impact of adjusted misstatements

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

	Detail	Comprehensive Income and Expenditure Statement £'m	Balance Sheet £'m	Impact on the General Fund £m
1	Correction of posting of revaluation gains arising on revaluation of investment properties: - DR financing and investment income and expenditure - £6.4m - CR surplus on revaluation of non-current assets - £6.4m - DR revaluation reserve - £6.4m - CR capital adjustment account - £6.4m	£6.4 £(6.4)	£6.4 £(6.4)	£6.4 £(6.4)
2	Correction of error in classification of Public Works Loans Board (PWLB) borrowings: - DR long term borrowing - £1.1m - CR short term borrowing - £1.1m		£1.1 £(1.1)	
	Overall impact	£-	£-	£-

Audit Adjustments (continued)

Misclassification and disclosure changes

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

Disclosure omission	Detail	Adjusted?
Narrative report	• In the Narrative Report, it was stated that total temporary borrowings as at 31 March 2018 were £44.2m. However, total temporary borrowings as at the year end were actually £32.0m.	✓
Critical Judgements in Applying Accounting Policies	• You disclosed as at critical judgement the fact that the Teachers' Pension Scheme is accounted for as a Defined Contribution Scheme as the liabilities attributable to the Council cannot be specifically identified. We do not consider this a this is not a critical judgement, as it is a requirement of the CIPFA Code that the TPS be accounted for as a Defined Contribution scheme so no critical judgement has been made.	✓
Events after the Balance Sheet Date	• No disclosure was provided of the fact that you paid £77m in April 2018 to exit your LOBO loans held with Commerzbank. We consider that this this constitutes a relevant event after the reporting period that requires disclosure.	✓
Expenditure and Income analysed by Nature	• Total gross income and gross expenditure for 2017/18 disclosed in Note 2 "Expenditure and Income analysed by Nature" were both understated by £1.5m.	✓
Taxation and Grant Income	• Within the "Non-ringfenced Government Grants" table in Note 7 'Taxation and Grant Income', the Adult Social Care Grant for £1.7m and Improved Better Care Fund grant for £3.5k were included within the "Total of other grants below £1m each" line and not separately analysed.	✓
Defined Benefit Pension Schemes	• Note 14 'Defined Benefit Pension Schemes', it is disclosed that there was a 0.15% increase in the discount rate used by the actuary compared to the previous year. However, the disclosure rate actually decreased by 0.15%.	✓
Defined Benefit Pension Schemes	• Expected contributions for the Local Government Pension Scheme for 2018/19 were disclosed as £31.5m in Note 14 'Defined Benefit Pension Schemes', but per the report of your actuary are £36.1m.	✓
Financial Instruments	• The disclosure in Note 21 'Financial Instruments' of the interest expense for the year for financial liabilities measured at amortised cost" was understated by £1.0m.	✓
Financial Instruments	• The disclosure in Note 21 'Financial Instruments' of the fair value of financial liabilities was understated by £32.0m due to temporary borrowings having been incorrectly excluded from the calculation of the fair value estimate.	✓
Financial Instruments	• The disclosure in Note 21 'Financial Instruments' of the fair value of loans and receivables at 31 March 2017 was restated from £5.5m as reported in the 2016/17 signed accounts to £57.2m to rectify a prior year error. However, no disclosure of the basis of this restatement was provided.	✓

Audit Adjustments (continued)

Disclosure omission	Detail	Adjusted?
Financial Instruments	• "Collection Fund Adjustment" receivables and payables disclosed in Note 21 'Financial Instruments' were understated by £6.6m and £3.6m respectively.	✓
Financial Instruments	• The disclosure in Note 22 'Nature and Extent of Risks Arising from Financial Instruments' within the maturity analysis of your borrowings disclosed, borrowings payable "less than one year, "between one and two years" and "between two to five year" were understated by £1.1m, £2.2m and £6.7m respectively and borrowings payable in "more than five years was overstated by £10.0m.	✓

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Fees

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

Audit Fees

	Proposed fee	Final fee
Council Audit	£88,088	£88,088
Total audit fees (excluding VAT)	**£88,088**	**£88,088**

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

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Non Audit Fees

Fees for other services	Fees £'000
Audit related services:	
• Teachers Pensions certification (in respect of 2016/17)	£7,500
• Skills Funding Agency certification (in respect of 2016/17)	£4,000
	£11,500

Audit opinion

We anticipate we will provide you with an unmodified audit report on the financial statements and a modified 'except for' value for money conclusion.

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

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 notes to the financial statements, including a summary of significant accounting policies. 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 and 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 and 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 and 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 18, the Narrative Report, 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.

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 criteria 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 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 and review of the effectiveness of the Local Safeguarding Children Board. The overall judgement was that children's services were rated as inadequate.

Following consideration of Ofsted's report, the Secretary of State for Education concluded that the Authority was failing to deliver children's services to an adequate standard and appointed a commissioner to review whether the most effective way of securing and sustaining improvement in Buckinghamshire is to remove the control of children's social care from the Authority for a period of time.

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.

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 and 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 and Procurement. The Director of Finance and 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 and Procurement determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Director of Finance and 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

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, we are satisfied that *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.

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

Date

grantthornton.co.uk

Grant Thornton

Audit Findings

Year ending 31 March 2018

Buckinghamshire Pension Fund

25 July 2018

Contents

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Headlines

Introduction

This table summarises the key issues arising from the statutory audit of Buckinghamshire Pension Fund ('the Pension Fund') and the preparation of the Pension Fund's financial statements for the year ended 31 March 2018 for those charged with governance.

Financial Statements	Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion: • the Pension Fund's financial statements give a true and fair view of the financial position of the Pension Fund and its income and expenditure for the year, and have been properly prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting;	Our audit work was completed on site during June and July. Our findings are summarised on pages 3 to 10. We have not identified any adjustments to the Fund's reported financial performance and position detailed within the Pension Fund Account and the Net Assets Statement. We have identified a number of amendments to the disclosures set out in the notes to the accounts, which are detailed in Appendix B. Our follow up of a recommendation from the prior year's audit is detailed in Appendix A. Subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion following the Regulatory and Audit Committee meeting on 25 July 2018, as detailed in Appendix D. These outstanding items include: - receipt of management's response to our findings from review of the draft accounts; - finalisation of testing of contributions from scheduled and admitted bodies; - finalisation of testing of data submitted to the actuary; - receipt and review of the Pension Fund Annual Report - receipt of the management representation letter; and - review of the final set of financial statements.

Acknowledgements

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

Summary

Overview of the scope of our audit

This Audit Findings presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ('the Code'). Its contents have been discussed with management.

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

Audit approach

Our audit approach was based on a thorough understanding of the Pension Fund's business and is risk based, and in particular included:

- an evaluation of the Pension Fund's internal controls environment, including its IT systems and controls;
- controls testing of benefit payments to new pensions and of starters, leavers and changes of circumstance processed on the pension admin system; and
- substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks

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Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Conclusion

We have substantially completed our audit of your financial statements and subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion following the Regulatory and Audit Committee meeting on 25 July 2018, as detailed in Appendix D. These outstanding items include:

- receipt of management's response to our findings from review of the draft accounts;
- receipt and review of the Pension Fund Annual Report
- receipt of the management representation letter; and
- review of the final set of financial statements.

Materiality calculations remains the same as reported in our audit plan.

	Amount (£)	Qualitative factors considered
Materiality for the financial statements	£26,966,000	• In calculating materiality, we have considered the users the financial statements and the extent to which they place reliance on the financial statements.
Performance materiality	£18,876,000	• In calculating performance materiality, we have considered the Fund's control environment and the likelihood of material misstatements of the financial statements arising.
Trivial matters	£1,000,000	• We have considered the level at which audit misstatements would be of interest to management and to members of the Regulatory and Audit Committee in discharging their duties.

Going concern

Our responsibility

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

Going concern commentary

Management's assessment process	Auditor commentary
Management have assessed that the Fund has sufficient resources to meet its liabilities as they fall due for the foreseeable future.	• We are satisfied regarding the appropriateness of management's process for formulating their going concern assessment.
Work performed	**Auditor commentary**
Detail audit work performed on management's assessment	• We have considered the financial position of the Fund and undertaken a review to identify any possible indicators of any circumstances or events that could indicate that the Fund is no longer a going concern.
Concluding comments	**Auditor commentary**
	• We have identified no events or conditions in the course of the audit that we consider may cast significant doubt on your ability to continue as a going concern. • We are satisfied with the appropriateness of management's going concern assessment process. As such we plan to issue an unmodified audit report in respect of going concern.

Significant audit risks

	Risks identified in our Audit Plan	Commentary
1	**Improper revenue recognition** Under ISA 240 (UK) there is a presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.	**Auditor commentary** Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Fund, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because: • there is little incentive to manipulate revenue recognition • opportunities to manipulate revenue recognition are very limited • the culture and ethical frameworks of local authorities, including Buckinghamshire County Council as the Administering Authority of Buckinghamshire Pension Fund, mean that all forms of fraud are seen as unacceptable Therefore we do not consider this to be a significant risk for Buckinghamshire Pension Fund. Though we have rebutted this risk, we have still tested all revenue streams to a material extent. Our audit work has not identified any issues in respect of revenue recognition.
2	**Management override of controls** Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. We identified management override of controls as a risk requiring special audit consideration.	**Auditor commentary** • We undertook the following procedures in relation to this risk: – gained an understanding of the significant accounting estimates, judgements applied and decisions made by management and consider their reasonableness; – obtained a full listing of journal entries, identified and then tested unusual journal entries for appropriateness; and – evaluated the rationale for any changes in accounting policies or significant unusual transactions that came to out attention during the course of the audit. • Our work has not identified any issues in respect of this risk.

Significant audit risks (continued)

	Risks identified in our Audit Plan	Commentary
3	**The valuation of Level 3 investments is incorrect** Under ISA 315 significant risks often relate to significant non-routine transactions and judgemental matters. Level 3 investments by their very nature require a significant degree of judgement to reach an appropriate valuation at year end. We identified the valuation of level 3 investments as a risk requiring special audit consideration.	**Auditor commentary** • We undertook the following procedures in relation to this risk: – gained an understanding of the Fund's process for valuing Level 3 investments and evaluating the design of the associated controls; – reviewed the nature and basis of estimated Level 3 valuations and considered what assurance management has over the year end valuations provided for these investments; and – for a sample of investments, tested the valuation by obtaining and reviewing the audited accounts as at 31 December 2017 for individual investments, agreeing these to fund manager reports at that date and reconciling those values to the valuations reported at 31 March 2018 with reference to known movements in the intervening period. • Our work has not identified any issues in respect of this risk.
4	**Change in custodian** During the year a number of funds have transferred custodian from BNY Mellon to State Street.	**Auditor commentary** • We undertook the following procedures in relation to this risk: – documented the controls in place to manage the transfer of data to the system of new custodian; and – reviewed and tested management's reconciliation of the closing position from the old custodian system to the opening position of the new system. • Our work has not identified any issues in respect of this risk.

Reasonably possible audit risks

	Risks identified in our Audit Plan	Commentary
5	**Contributions** Contributions from employers and employees' represents a significant percentage (68%) of the Fund's revenue. We therefore identified occurrence of contributions as a risk requiring particular audit attention.	**Auditor commentary** • We undertook the following procedures in relation to this risk: – evaluated the Fund's accounting policy for recognition of contributions for appropriateness; – gained an understanding of the Fund's system for accounting for contributions income and evaluate the design of the associated controls; – tested a sample of contributions to source data to gain assurance over their accuracy and occurrence; and – rationalised contributions received with reference to changes in member body payrolls and the number of contributing pensioners and noted no unusual trends. • Our work has not identified any issues in respect of this risk.
6	**Pension Benefits Payable** Pension benefits payable represents a significant percentage (76%) of the Fund's expenditure. We identified completeness of pension benefits payable as a risk requiring particular audit attention:	**Auditor commentary** • We undertook the following procedures in relation to this risk: – evaluated the Fund's accounting policy for recognition of pension benefits expenditure for appropriateness; – gained an understanding of the Fund's system for accounting for pension benefits expenditure and evaluate the design of the associated controls; – untaken controls testing in respect of a sample of benefit payments to new pensioners who commenced receipt of pension payments during 2017/18; and – rationalised pensions paid with reference to changes in pensioner numbers and increases applied in year to ensure that any unusual trends are satisfactorily explained. • Our work has not identified any issues in respect of this risk.
7	**The valuation of Level 2 investments is incorrect** While level 2 investments do not carry the same level of inherent risks associated with level 3 investments, there is still an element of judgement involved in their valuation as their very nature is such that they cannot be valued directly. We identified valuation of level 2 investments as a risk requiring particular audit attention.	**Auditor commentary** • We undertook the following procedures in relation to this risk: – gained an understanding of the Fund's process for valuing Level 2 investments and evaluate the design of the associated controls; – reviewed the nature and basis of estimated values and considered what assurance management has over the year end valuations provided for these types of investments; and – for a sample of investments, tested the valuation by obtaining independent information from custodian/manager on units and unit prices. • Our work has not identified any issues in respect of this risk.

Accounting policies

Accounting area	Summary of policy	Comments	Assessment
Revenue recognition	• Contributions and investment income are included on an accruals basis. All settlements for buying and selling investments are accrued on the day of trading. Interest on deposits is accrued if not received by the end of the financial year.	The revenue recognition policies are appropriate and in accordance with the CIPFA Code of Practice and International Financial Reporting Standards (IFRS).	Green
Judgements and estimates	• Key estimates and judgements include: – the assumptions within the IAS26 calculation of the present value of future retirement benefits; – the assumptions within the triennial valuation; and – valuation of Level 3 investments.	We are satisfied that in all significant respects, judgements and estimates have been disclosed appropriately and adequately in accordance with appropriate accounting policies.	Green
Other critical policies	• We have reviewed the Council's policies against the requirements of the CIPFA Code and accounting standards.	We have reviewed the Fund's policies against the requirements of the CIPFA Code of Practice. We consider the Fund's accounting policies are appropriate and consistent with previous years.	Green

Assessment
- Marginal accounting policy which could potentially be open to challenge by regulators
- Accounting policy appropriate but scope for improved disclosure
- Accounting policy appropriate and disclosures sufficient

Other communication requirements

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.

	Issue	Commentary
1	**Matters in relation to fraud**	• We have previously discussed the risk of fraud with the Regulatory and Audit Committee in our Audit Plan dated 31 May 2018. We have not been made aware of any frauds during the period in respect of the Fund and no issues have been identified during the course of our audit procedures.
2	**Matters in relation to related parties**	• We are not aware of any related parties or related party transactions which have not been disclosed.
3	**Matters in relation to laws and regulations**	• You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
4	**Written representations**	• A standard letter of representation has been requested from the Pension Fund.
5	**Confirmation requests from third parties**	• We requested from management permission to send confirmation requests to your fund managers, custodians and other institutions with which you held bank or investment balances as at the year end. This permission was granted and the requests were sent. All of these requests were returned with positive confirmation.
6	**Disclosures**	• Our review identified a number of disclosure omissions or required adjustments in respect of the financial statements. These are detailed in Appendix B.
7	**Significant difficulties**	• We have experienced no significant difficulties in performing our audit work.
8	**Matters on which we report by exception**	• We are required to give a separate opinion for the Pension Fund Annual Report on whether the financial statements included therein are consistent with the audited financial statements. • We propose to issue our 'consistency' opinion on the Pension Funds Annual Report on 26 July 2018 alongside our main opinion on the financial statements.

Independence and ethics

Independence and ethics

- We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard and confirm that we, as a firm, and each covered person, are independent and are able to express an objective opinion on the financial statements
- We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.
- Further, we have complied with the requirements of the National Audit Office’s Auditor Guidance Note 01 issued in December 2017 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed in Appendix C.

Audit and Non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Pension Fund. No non-audit services were identified.

Follow up of prior year recommendations

We identified the following issues in the audit of Buckinghamshire Pension Fund's 2016/17 financial statements, which resulted in one recommendations being reported in our 2017/18 Audit Findings report. We are pleased to report that management have implemented our recommendation.

	Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
1	✓/X	• The reconciliation of monthly returns for scheme contributions from scheduled and admitted bodies was not maintained on a regular basis during the year and a number of significant reconciling differences were not followed up and resolved. If this reconciliation is not kept up to date, then there is a risk that any misstatements of contributions recorded on the general ledger could go unidentified.	• The scheme contributions reconciliation has been maintained to a higher standard over 2017/18 and did not contain material reconciling differences as it did in the prior year. • However, we noted from our testing of scheme contributions number of minor reconciling differences on the contributions for many of the scheduled and admitted bodies. This indicates that there remains further scope for management to improve the accuracy of the contributions reconciliation.

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Assessment
✓ Action completed
X Not yet addressed

Audit Adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Misclassification and disclosure changes

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

Disclosure omission	Detail	Adjusted?
Description of the Fund	• The sections 'Description of the Fund' and 'Membership of the Fund' that precede the financial statements should be moved to a note to the accounts to make clear that these disclosures form part of the audited statement of accounts.	✓
Accounting Policies	• No accounting policy was disclosed within Note 2 'Accounting Policies and Critical Judgements in Applying Accounting Policies' in respect of distributions from pooled funds or contractual commitments.	✓
Accounting Policies	• Within Note 2 'Accounting Policies and Critical Judgements in Applying Accounting Policies' it was disclosed that loans and receivables financial instruments are carried at historic cost. The balances are actually carried at amortised cost.	✓
Contributions	• No analysis was provided within Note 3 'Contributions' of employers contributions by category, ie between the classifications employers' normal contributions, employers' deficit recovery contributions and employers' augmentation contributions.	✓
Benefits	• Within Note 5 'Benefits', no disclosure was provided of the benefits payable analysed between the administering authority, scheduled bodies and admitted bodies.	✓
Investment Income	• The analysis of income provided in Note 8' Investment Income' did not use the same classification of investments as used on the Pension Fund Account and contained no reference to income from pooled investments	✓
Investments	• Within Note 9 'Investments', no quantitative analysis of pooled investments was provided.	✓
Financial Instruments	• In Note 12 'Financial Instruments', investment cash balances were included within the fair value hierarchy disclosure table, however cash carried at amortised cost and not fair value and so therefore should not be disclosed within this table.	✓
Financial Instruments	• Within Note 12 'Financial Instruments', there has been a restatement of the fair value hierarchy disclosure table. However, no disclosure was provided of the comparative balances as at 1 April 2016 on the restated basis.	✓
Actuarial Present Value of Promised Retirement Benefits	• Within Note 17 'Actuarial Position of the Fund' and Note 18 'Actuarial Present Value of Promised Retirement Benefits, no disclosure was provided in respect of key demographic, salary and commutation assumptions made in calculating the actuarial estimates reporting in the accounts.	✓

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Fees

We confirm below our final fees charged for the audit and confirm there were no fees for the provision of non audit services.

Audit Fees

	Proposed fee	Final fee
Pension Fund Audit	£25,033	£25,033
Total audit fees (excluding VAT)	**£25,033**	**£25,033**

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

Non Audit Fees

No other services have been provided.

Audit opinion

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

Independent auditor's report to the members of Buckinghamshire County Council on the pension fund financial statements

Opinion

We have audited the pension fund financial statements of Buckinghamshire County Council (the 'Authority') for the year ended 31 March 2018 which comprise the Pension Fund Account, the Net Assets Statement and notes to the pension fund financial statements, including a summary of significant accounting policies. 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 pension fund financial statements:

- give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2018 and of the amount and disposition at that date of the fund's assets and liabilities,
- 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 pension fund of the Authority in accordance with the ethical requirements that are relevant to our audit of the pension fund 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 pension fund financial statements is not appropriate; or
- the Director of Finance & Procurement has not disclosed in the pension fund 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 pension fund 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 Pension Fund Accounts, the Narrative Report and the Annual Governance Statement, other than the pension fund financial statements, our auditor's report thereon and our auditor's report on the Authority's financial statements. Our opinion on the pension fund 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 pension fund financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the pension fund financial statements or our knowledge of the pension fund of the Authority obtained in the course of our work 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 pension fund 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.

Opinion on other matter required by the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice)

In our opinion, based on the work undertaken in the course of the audit of the pension fund financial statements the other information published together with the pension fund financial statements in the Pension Fund Accounts, the Narrative Report and the Annual Governance Statement for the financial year for which the pension fund financial statements are prepared is consistent with the pension fund 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 & Assets and Those Charged with Governance for the financial statements

As explained more fully in the Statement of Responsibilities for the Statement of Accounts, 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 pension fund financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 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 pension fund financial statements that are free from material misstatement, whether due to fraud or error.

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In preparing the pension fund financial statements, the Director of Finance & Procurement is responsible for assessing the pension fund'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 pension fund lacks funding for its continued existence or when policy decisions have been made that affect the services provided by the pension fund.

The Regulatory and 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 pension fund 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 pension fund financial statements.

A further description of our responsibilities for the audit of the pension fund 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.

[Signature]

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

30 Finsbury Square
London
EC2A 1AG

[Date]

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Regulatory & Audit Committee Forward Plan – Forward Plan

Date of meeting	Items ^ = to OCB	Report Writer
31 May 18	1. Draft Statement of Accounts and Draft Pension Accounts 2. Treasury Management Annual Report 3. Grant Thornton Audit Plan 4. Grant Thornton Pension Fund Audit Plan 5. Forward Plan	1. Richard Ambrose/ Julie Edwards 2. Julie Edwards 3. Grant Thornton 4. Grant Thornton 5. Maggie Gibb
25 July 18	1. Private Session with External Auditors 2. Private Session with internal Auditor 3. Statement of Accounts 4. Pension Accounts 5. Value For Money Statement 6. Annual Governance Statement 7. Head of Audit Annual Opinion 8. 2018/19 Draft Business Assurance Strategy 9. Forward Plan	 3. Richard Ambrose 4. Richard Ambrose/Julie Edwards 5. Grant Thornton 6. Maggie Gibb 7. Maggie Gibb 8. Maggie Gibb 9. Maggie Gibb
12 Sept 18	1. Business Continuity Management Update 2. Annual Report – Compliments and Complaints - 3. Mandatory Training Compliance Update - 4. Standing Orders Exemptions and Breaches 5. Risk Management Group update 6. Corporate Debt Update Whistleblowing Policy – Maggie to clarify where the ownership of this policy would sit. 7. Anti-Fraud and Corruption Policy 8. Anti-Money Laundering Policy 9. 18/19 Business Assurance Update 10. Fraud Update 11. Risk Management Group update 12. Forward Plan	1. Andy Fyfe 2. Kate Mitchelmore 3. Caroline High – Could we have last years figures as a comparator 4. Richard Ambrose (Mark Preston) 5. Maggie Gibb 6. Matt Strevens 7. Maggie Gibb 8. Linda Forsythe 9. Maggie Gibb 10. Maggie Gibb 11. 10. Maggie Gibb
21 Nov 18	1. Treasury Management Update 2. Annual Governance Statement Action Plan 3. Risk Management Group update 4. Review of Constitution 5. Petitions Review	1. Julie Edwards 2. Richard Ambrose 3. Maggie Gibb 4. Claire Hawkes 5. Claire Hawkes

Regulatory & Audit Committee Forward Plan – Forward Plan

	6. Forward Plan 7. 18/19 Business Assurance Update	6. Maggie Gibb 7. Maggie Gibb