

Regulatory and Audit Committee 30 July 2019

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Regulatory and Audit Committee

Title:	Statement of Accounts for the year ended 31 March 2019
Date:	23 July 2019
Author:	Richard Ambrose –Director of Finance & Procurement
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 21 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. Representatives from Grant Thornton will provide an update on their findings at the meeting as detailed in their Audit Findings Report for 2018-19.

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 2018-19 and agrees that the Statement of Accounts for Buckinghamshire County Council and Pension Fund for the financial year ended 31 March 2019 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

These are the main adjustments to the primary financial statements that have been made to the accounts as a consequence of the audit and have been agreed with Grant Thornton:

- Financial Instruments - Balance sheet and Note 21, Short Term Borrowings were restated to £35,945k from £47,945k and Investments were restated to £70k from £12,070k.
- Usable reserves (Note 4) - the funds held on behalf of the LEP of £13.8m have now been reclassified on the balance sheet as a liability rather than as a usable reserve.
- The Council's pension liability has increased by £9,361k in respect of the McCloud judgement.

There was no overall impact on the General Fund balance. A 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 a decrease of £0.973m to £26.420m. Earmarked reserves have reduced by £3.366m to £95.869m. 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 2019 – BCC
Letter of Representation – BCC (to be provided by Grant Thornton)
Draft Audit Findings Report 2018-19- BCC (to be provided by Grant Thornton)

Buckinghamshire County Council

Statement of Accounts

For the year ended 31st March 2019



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The Council's Responsibilities

The Council is required to:

- make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. In this Council, that officer is the Director of Finance & Procurement;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- approve the Statement of Accounts, delegated to the Regulatory and Audit Committee.

The Director of Finance & Procurement Responsibilities

The Director of Finance & Procurement is responsible for the preparation of the Council's Statement of Accounts in accordance with proper practices as set out in the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Local Authority Accounting in the United Kingdom 2018-19 (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 Statement of Accounts for the year ended 31 March 2019 gives a true and fair view of the financial position of the Council as at 31 March 2019 and its income and expenditure for the year ended 31 March 2019.

Richard Ambrose


Date: 30 July 2019

Director of Finance & Procurement

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 2018/19



In 2018, the Secretary of State for Housing, Communities and Local Government confirmed the decision to create a single new council for Buckinghamshire, combining the current five county and district councils. This change will ensure that we can continue to deliver great services to our residents whilst making huge savings.

Whilst we can look back and be proud of what we have achieved, we also look forward with excitement to the years to come. We embrace this opportunity to affect change together, improve services and outcomes for our residents and remain positive about the future of the county.

Whilst some of the financial pressures being faced by local authorities were recognised in the 2018 Autumn Budget, managing the increase in demand for services, including social care and children's services, continues to be a significant challenge. Our services will continue to take action to mitigate these pressures where possible.

Following the disappointing outcome of last year's Ofsted inspection for Children's Social Care services, regular monitoring visits have taken place which have indicated early signs of improvement. We will continue to embed performance compliance and further develop practice and quality standards throughout the next phase of our improvement journey.

We are committed to delivering the best quality support within Adult Social Care and to do this we are redesigning and improving the way that we support people who need care, as well as enabling people to live independently with access to and support from their own family and community networks.

With significant increases in population expected, we also need to plan for the development of housing and infrastructure in order to meet future demand. We are working with partners to ensure that all growth is beneficial to our economy, the wellbeing of our community as well as being good for the environment.

Martin Tett
Leader of Buckinghamshire County Council

SAFEGUARDING OUR VULNERABLE



The Council aims for all residents to be safe, happy and healthy. Most residents live healthy lives but some need extra support. The Council, working closely with our partners, is successful in equipping our most vulnerable children, adults and families with the support and skills they need to do more for themselves and to get back their independence at the earliest opportunity.

SOME OF OUR KEY ACHIEVEMENTS IN 2018/19

27

Special Educational Needs and Disability groups were attended by Family Information Outreach Officers



8 female students attended a trial session in partnership with the RAF to build self-confidence and increase physical activity

30

schools participated in the GO GIVERS project with the Citizens Foundation aiming to build up 7-11 year olds confidence by helping other people and the environment



1,000

young people attended the final celebration event!



The Early Years Team were awarded a National Honour for their work in forecasting and coping with the huge increase in demand for child care

91

children placed with an in-house foster carer

17

children adopted into loving homes

23%

more foster carers



Hughenden Gardens retirement village supports independent living for people aged 55 and over to help people stay independent for longer



50 students have been trained about online safety and



24

people have attended e-safety drop-in sessions run by those trained students. This project aims to link communities such as schools and older people's homes together.



2 new homes for looked after children allowing us to place more young people within the County



CREATING OPPORTUNITIES AND BUILDING SELF-RELIANCE



Buckinghamshire residents have the aspiration and opportunities to lead successful and independent lives, taking responsibility for their own health and wellbeing and supporting each other in their communities. Children should have the best start in life, and young people should thrive in Buckinghamshire schools, enabling them to progress to good jobs and training opportunities in the county.

SOME OF OUR KEY ACHIEVEMENTS IN 2018/19

The launch of our Side by Side project to support schools as they seek to deliver the very best education for their pupils



14,820

residents received an NHS Healthcheck



Launched KOOTH online counselling service to support young people's emotional wellbeing and mental health



37

Apprentices hosted by Corporate Business Support services since the scheme started

3,922

residents are participating in Active Bucks



5,386

Births registered

1,736

Ceremonies conducted

3,225

Deaths registered



of Early Years providers have good or outstanding Ofsted judgement

80%

of pupils attend good or outstanding schools

On World Mental Health Day we signed the Time to Change Employer Pledge which encourages people who have experienced mental health challenges to talk about them openly and honestly - helping others to open up and ask for help when they need it

ENSURING BUCKINGHAMSHIRE IS THRIVING AND ATTRACTIVE



Buckinghamshire is growing rapidly and its economy is one of the strongest in the country. As it grows our challenge is to shape quality places, ensuring they are prosperous, thriving and attractive. We will continue to plan and deliver early interventions with our partners to drive forward and secure good jobs, good road, rail and other essential infrastructure, which will meet the current and future needs of our residents. We will proactively protect and mitigate the impact of development on the County's unique natural environment.

SOME OF OUR KEY ACHIEVEMENTS IN 2018/19



Launched S. C. R. A. P Fly-tipping campaign and have recorded the first decrease in fly-tipping in 6 years



701 people have been prosecuted for fly-tipping since 2004

£990,000 total amount paid by convicted offenders



95%

superfast broadband coverage for residents and businesses in Buckinghamshire delivered 16 months ahead of schedule

£2M

spent on 'plane and patch' scheme to fix damaged road surfaces as well as continuing individual pothole repairs



£183M



bid submitted for funding for highways, schools and other infrastructure in order to unlock planned housing in Aylesbury

63

gritting runs completed



Producing enough electricity to power

40,000

homes from the Greatmoor Energy from Waste facility



£4.4M

funding secured from ADEPT & Department for Transport for innovation on the Highway

3,000,000

square metres of grass cut



Over

1,000,000

visitors to our Country Parks for the third year in a row



ABOUT BUCKINGHAMSHIRE COUNTY COUNCIL

Below are some of the achievements Buckinghamshire County Council have made this year.



125

active apprenticeships since April 2017, making use of new talent and upskilling existing staff



504

children were in our care on 31 March 2019

84 %

of qualifying apprentices move into further employment with the Council

We have increased engagement on our social media

channels by

225%



We are an inclusive employer and this year our median hourly gender pay gap has fallen by 3.6% to 1.8%

550

officers completed online customer service training during National Customer Service Week

Since March 2018 over 150,000 customers have accessed and used our online forms. 91% of customers have rated the forms 4 or 5 stars.



Calls answered in under 29 seconds has improved from 40% in March 2018 to 64% in February 2019



In March 2018, we created Brilliant at the Basics, a programme of work that aims to strengthen our existing technology, reduce the number of microsites that have been created by the business, reduce costs and protect the Council's reputation, alongside enhancing the customer experience.

This meant our customers can interact with us 24 hours a day, 7 days a week and we have had over 2.5 million visits to our website since March 2018.

The Next Chapter

We are currently in the 130th and final year of the County Council and from 1 April 2020, the existing five councils in Buckinghamshire will become one brand new Buckinghamshire Council.

The new Council will be responsible for all the services that the County and District Councils deliver today. This gives us a unique opportunity to look at the way each service is delivered and draw upon the very best of the expertise and knowledge from each council to provide more joined up services which will help to address the challenges we face as a county.

Reorganising local government in Buckinghamshire will involve a great amount of work and whilst 1 April 2020 will not be the end of the transformation journey, there are a number of things that need to be in place prior to this date. This is why it is crucial that all five councils work collaboratively to ensure that the future Buckinghamshire Council has the best possible start.

Our priority during the period of transition is to ensure that services continue without disruption, focusing on the wellbeing of our residents. The reorganisation also gives us a key opportunity to engage and work with partners, voluntary and community sector organisations, businesses, and town and parish councils, making the new Council more approachable to residents and partners and allowing local people to feel more involved in decision making for their communities.

We are extremely optimistic that the reorganisation of local government in Buckinghamshire will be a catalyst for us to work more efficiently for our residents and provide excellent services which deliver better value for money.

Revenue budget

The outturn position is an underspend for the year ending 31 March 2019. At a Portfolio level, there are significant overspends in Children's Social Care (£4.86m = 7.1%), Education & Skills (£1.53m = 6.8%) and Health and Wellbeing (£1.56m = 1.2%). These overspends are partially offset by an underspend in Planning & Environment (-£1.63m = -15.8%), giving an overall Portfolio position of £6.75m overspent (2.2%). An underspend of £7.0 in non-Portfolio budgets

gives an overall outturn position for the Council of an underspend of £0.227m before the use of £1.2m of General Fund reserves. This gives an overall impact on the General Fund of £0.973m decrease.

The revenue outturn is summarised below:

Revenue Table				
Portfolio Area	Outturn £000	Budget £000	Variance £000	Variance %
Leader	6,954	7,128	(174)	(2.4%)
Community Engagement	9,424	9,351	73	0.8%
Health & Wellbeing	134,152	132,591	1,561	1.2%
Children's Social Care	73,761	68,897	4,864	7.1%
Education & Skills	24,067	22,539	1,528	6.8%
Resources	25,525	25,072	453	1.8%
Planning & Environment	8,668	10,295	(1,627)	(15.8%)
Transportation	28,904	28,832	72	0.2%
Portfolio Total	311,455	304,705	6,750	2.2%
Corporate Costs	9,455	11,771	(2,316)	(19.7%)
Treasury Management & Capital Financing	22,585	24,098	(1,513)	(6.3%)
Operating Budget	343,495	340,574	2,921	(0)
External Financing	(343,722)	(340,574)	(3,148)	0.9%
Council Total	(227)	-	(227)	
Use of General Fund	1,200			
	973	-	973	

Operating deficit

The Comprehensive Income and Expenditure Statement (CIES) shows the net surplus or deficit in the provision of services on an accounting basis. An operating deficit of £61.662m (2017/18 £34.847m) 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) represents the actual impact of income and expenditure during the year on the funds available to the Council. This shows the General Fund decrease of £0.973 (2017/18 surplus of £2.888m) as reported to Members in the outturn report to Cabinet.

The Expenditure and Funding Analysis statement 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.

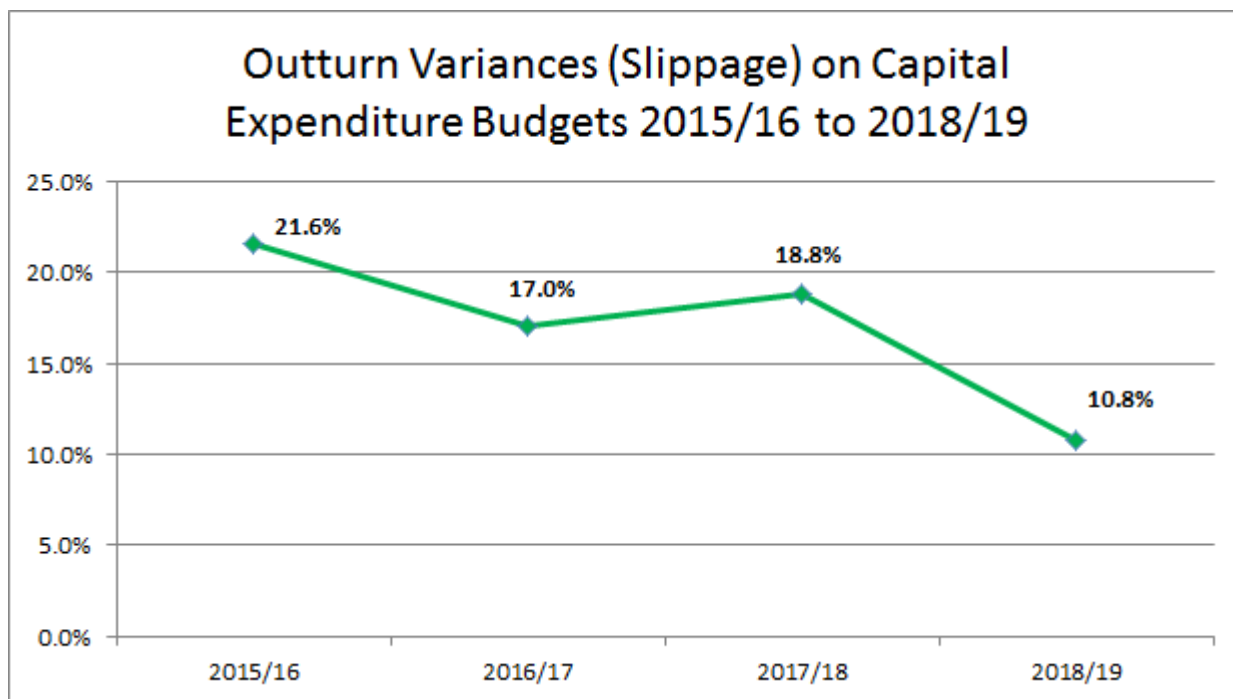
Capital budget

There is an overall underspend / slippage of £23.128m (11.2%) on the 2018/19 Capital programme.

Portfolio Area	Outturn	Budget	Variance	Variance
	£000	£000	£000	%
Leader	13,203	23,017	(9,814)	(42.6%)
Community Engagement	1,054	1,588	(534)	(33.6%)
Health & Wellbeing	-	2,800	(2,800)	(100.0%)
Children's Services	228	1,257	(1,029)	(81.8%)
Education & Skills	47,908	45,734	2,174	4.8%
Resources	81,707	87,980	(6,273)	(7.1%)
Planning & Environment	2,231	2,351	(119)	(5.1%)
Transportation	37,924	41,846	(3,922)	(9.4%)
Total	184,255	206,572	(22,317)	(10.8%)
Corporate	-	811	(811)	(100.0%)
Overall BCC	184,255	207,383	(23,128)	(11.2%)

A comparison of slippage over the last 4 years is shown below.

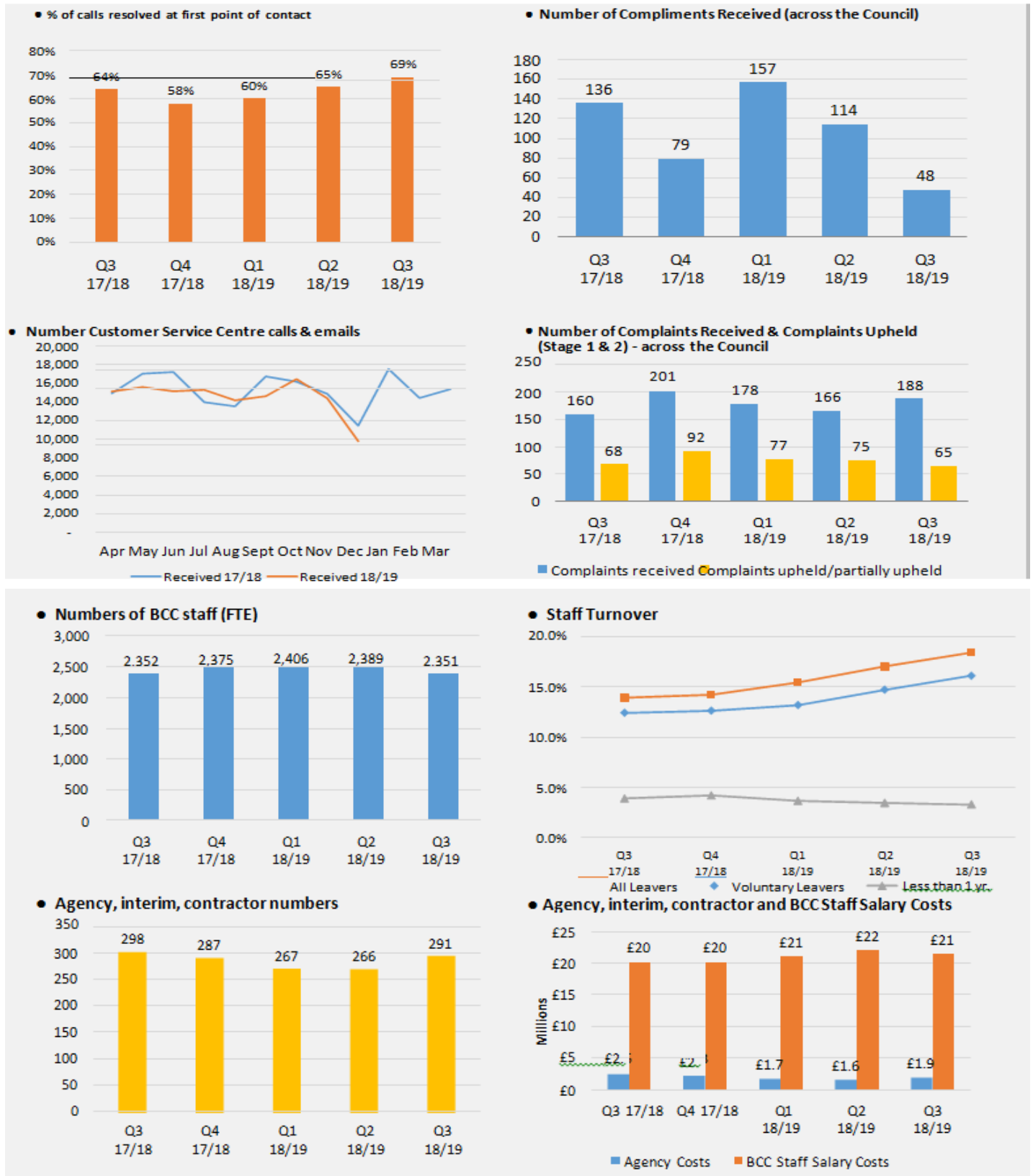
This details slippage, including underspends brought forward from previous years. Expenditure schedule for 2018/19 slipped by 11.2%. Expenditure scheduled for 2018/19 including underspent expenditure from previous years, brought forward to spend in 2018/19 slipped by 10.8% as detailed below.



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)

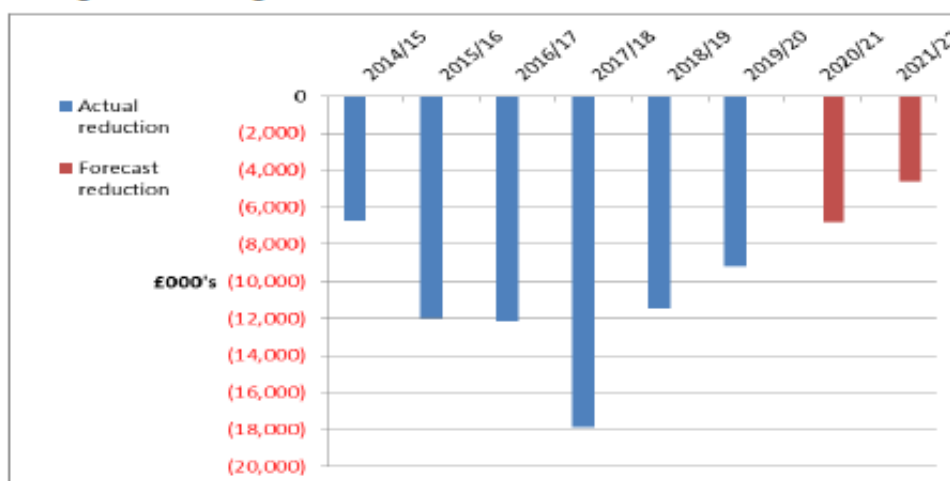
Strategic Overview

Following the Secretary of States announcement that proposals to create a single Unitary Council for Buckinghamshire, effective from April 2020, this budget will be the last one set for Buckinghamshire County Council. Given the timescales and challenges of creating the new Council every effort has been made to ensure that provision is made to support the transition and that the indicative Buckinghamshire County Council budgets for the period after the creation of the new Council give it every chance of success.

Although the wider economic picture has been relatively stable recently the outlook for local authority budgets continues to be challenging. 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 and the increasing complexity of the cases dealt with. In the 2016/17 Local Government Finance Settlement the offer of a 4 year settlement to 2019/20 was made. Buckinghamshire County Council accepted this offer, and the certainty which came with it has provided a stable backdrop for the past 3 years. There is now only one year remaining of the 4 year settlement, which leaves the Council with little certainty of funding levels beyond 2020.

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 Revenue Support Grant to Buckinghamshire County Council was removed completely in 2018/19 due to its relatively large tax base. In 2018/19 Buckinghamshire became 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 or decline in business rates. 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.

In 2019/20 Buckinghamshire County Council will be a pilot authority of 75% Business Rates Retention following a joint bid with the districts. This is for 2019/20 only and allows a greater share of growth to be retained locally. In 2020/21 this model will be rolled-out across England and the learning from the pilots will inform the final design of the new system.

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 the District

Councils 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, will continue to be paid for 4 years, having been reduced over the last 2 years.

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 'Adult 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 was used in 2017/18 and 2018/19 so there is no increase in this 'precept' in 2019/20.

In addition it was announced in the recent Autumn Budget that an additional £650m had been identified in 2019/20 to support pressures across Adults and Children's Social Care. Of this £240m is to support Adults Social Care and reduce pressures on the NHS and £410m is to address the continued pressures across Adults and Children's Social Care budgets. The allocations for Buckinghamshire being £1.671m and £2.855m respectively. These will be used to support Adults Social Care budgets and to create a general Social Care contingency budget in order to address demand, complexity and demographic pressures.

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. One such 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. We continue to explore such opportunities and apply rigorous due diligence, including using external professional advisors, before taking any such decisions.

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 (c£100m over the last 5 years). Further budget reductions have been included within the Medium Term Financial Plan (£12.5m in 2019/20). This includes some ambitious proposals to radically change the way services are delivered and greater integration of services with partners, particularly Health, to deliver more efficient public services beyond the boundary of the Council itself. Continuing to achieve this level of further savings, whilst maintaining service levels is becoming more difficult in every budget. 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 an economic slow-down 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. A spending review is due later in 2019;

Brexit - The impacts of an adverse BREXIT could be felt through many mechanisms, including but not limited to; Business Rate receipt reductions through failure / relocation of UK businesses, national tax rate reductions requiring greater savings in Local Government, wage inflation in our supply chain due to lack of suitable employees, loss of knowledgeable staff and council tax receipt reductions due to emigration and potential increases in Council Tax discounts;

Demand Led Budgets – client numbers and levels of need for statutory services are notoriously difficult to control. Buckinghamshire has a growing elderly population (especially 85+) and growing numbers of people with disabilities, which have increasingly complex needs. Furthermore, we have a high number of statemented children and have had

increases in the number of children with child protection plans. The Council's strategy is to increase the number of internal placements and has had some success in this in terms of increased fostering numbers. 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;

Local Government Funding – With the end of the 4 year settlement, the forthcoming Spending Review, the ongoing reform of Business Rates Retention and the Fair Funding Review there is considerable uncertainty over funding levels beyond 2019/20. Prudent estimates have been made for future years, but both the quantum of funding available and the method of apportionment present a significant risk;

National Living Wage – The Council has made provision for the National Living Wage which will mainly fall directly on our social care providers on the basis that these contracts will absorb a proportion of those costs;

Social Care Policy & Funding – With the Green Paper on the future of Social Care still awaited and much Social Care funding one-off or potentially ending (Adult Social Care precept and Better Care Fund), both the national policy underpinning service delivery requirements and the funding to support it are uncertain. Whilst some assumptions have been made regarding future funding for Social Care there is a risk that these assumptions will be incorrect and that policy change will impose greater burdens on the Council;

Care Market Sustainability – The Council has recognised that there are other more fundamental pressures within the provider market for Care services 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;

Investment Property Income – Over recent years the Council has invested in a portfolio of property assets in order to support the local economy to generate income streams to offset the loss of Government Funding and hence 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 2018/19 the Council has continued to use the gateway process to ensure strong governance in this area. As a result slippage has been greatly reduced in recent years and risks of escalations in costs have been mitigated to an extent. Nonetheless, in the current climate construction costs are rising 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.

Financial Position

Net Asset Position

The Council has net assets of £437.893m (2017/18 £417.974m) backed by usable reserves of £135.908m (2017/18 £152.005m) and unusable reserves of £301.985m (2017/18 £265.959m). This is shown in the Balance Sheet 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 £762.653m as at 31 March 2019 (2017/18 £782.607m). The main factors impacting on this are:

- £16.102m increase in the liability due primarily to an decrease in the discount rate from 2.55% to 2.40%. 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 increased by 0.05% (from 2.35% to 2.40%) which has increased the estimated liability.
- This has been a strong year in relation to asset growth with a net increase in assets of £45.417m.
- 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 additional contributions to meet the liabilities 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 (unallocated) 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 authority and, as such, a review of the level of reserves has been undertaken as part of the budget formulation.

There is an overall decrease in usable reserves of £16.033m (2017/18 increase of £26.140m). This decrease comprises:

- a net General fund decrease of £0.973m as detailed above;
- a net increase on schools balances of £3.231m (2017/18 deficit of £2.339m);
- a net decrease of earmarked reserves of £17.211m (2017/18 increase £14.595m) and
- the decrease of £1.080m (2017/18 increase of £10.730m) of capital reserves.

The table below summarises the Council's usable reserves:

	Balance at 31 March 2018	Balance at 31 March 2019
	£m	£m
General Fund	27.4	26.4
Schools Balances	12.6	15.9
Earmarked Reserves	82.0	95.9
Total	122.0	138.2

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.

The actual external borrowing as at 31 March 2019 was £308.6m which includes £2.7m accrued interest. During 2018/19 £12.6m of PWLB debt was repaid and £106m new borrowing from the PWLB was taken out, £76m for the purchase of two investment properties and £30m to optimise overall cash balances in line with the Council's Treasury Management Strategy. The Council pre-paid a £48m LOBO loan and replaced it with £48m of new PWLB borrowing. Temporary borrowing amounts have ranged from £20m to £45m depending on cash flow requirements. The mix of temporary and fixed rate borrowing continues to be reviewed in line with advice from our Treasury advisors.

Capital Financing Requirement

Our Capital Financing requirement (the Council's underlying need to borrow) is £470.6m. The Council have actually borrowed £308.6m externally. The Council have been able to do this by internally borrowing. Enabling the Council to optimise cash flow and lower our costs.

The Cash Flow Statement shows how the movement in resources has been reflected in cash flows. The net decrease in cash and cash equivalents during the year was £0.919m (2017/18 net decrease of £1.927m).

Capital programme

The four year capital programme has been developed following an assessment and prioritisation of aspirations against key Council priorities. The Council has managed to find the resources to continue its road improvement programme for 2019/20 through to 2022/23. Although the Council continues to commit significant resources to its school build programme it remains unclear whether this will be sufficient to deal with the rate of growth in the school population and relies on significant developer contributions.

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 on infrastructure projects, districts on town centre regeneration, with national bodies on development of housing opportunities through the Housing Infrastructure Fund and on the development of 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 2019/20 £000's	Year 2 2020/21 £000's	Year 3 2021/22 £000's	Year 4 2022/23 £000's	Grand Total £000's
Capital Expenditure					
Primary School Places	4,395	9,375	6,801	6,000	26,571
Abbey View Primary (Dawes Hill)	4,502				4,502
St Michael's Catholic School Aylesbury	12,555	500			13,055
Secondary School Places	4,813	27,700	14,000	20,000	66,513
Other Education & Skills	3,902	7,723	1,450	1,450	14,525
School Property Maintenance	5,000	3,389	3,000	4,310	15,699
Respite Care	50	315			365
Waterside North Development		599			599
Rural Broadband	600	1,200			1,800
Leader LEP Schemes	3,336	32,228	16,361		51,925
Biowaste Treatment	240	3,950	1,498		5,688
Flood Defence Schemes	650	3,486	2,160	3,210	9,506
Other Planning & Environment Schemes	242	1,742	242	1,200	3,426
ICT investment	4,189	3,000	2,200	2,200	11,589
Property Investment	3,323	1,015	1,015	1,015	6,368
Strategic Highway Maintenance	15,000	15,000	15,000	15,000	60,000
Other Transport Schemes	22,827	19,300	16,328	9,895	68,350
All Other Schemes	500	500	500	500	2,000
Total Expenditure	86,125	131,022	80,555	64,780	362,482
Capital Funding					
Unringfenced Government Grants	(55,186)	(48,032)	(42,046)	(35,061)	(180,324)
Prudential Borrowing	(2,040)	(1,500)	-	-	(3,540)
Capital Receipts	(5,440)	(8,500)	(4,000)	(4,200)	(22,140)
Developer Contributions	(5,435)	(11,159)	(8,631)	(95,115)	(120,340)
Revenue Contributions	(3,453)	(2,788)	(2,752)	(3,252)	(12,246)
Balances Brought Forward	(12,545)	-	-	-	(12,545)
Other Funding	(2,837)	(2,837)	(2,837)	(2,837)	(11,347)
Total Funding	(86,935)	(74,815)	(60,267)	(140,465)	(362,482)
Net Funding (surplus) / or gap	(810)	56,207	20,288	(75,685)	(0)

Sources of Funds for Capital Expenditure

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

- The application of capital grants and usable capital receipts;
- A direct charge to revenue or by use of earmarked revenue reserves.
- Contributions received from another party, including Developer Contributions;
- Borrowing.

General Accounting Principles

The Statement of Accounts summarises the Council's transactions for the 2018/19 financial year and its position at the year end of 31 March 2019. 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 2018/19 (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 £753.292m (2017/18 £782.607m) 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 £78.572m in commercial investment properties including Voyager Place and Globeside.

Interests in Companies and Other Entities

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.

Movement in Reserves Statement

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.

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 2020/21 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.

IAS 40 Investment Property

Transfers of Investment Property, provides further explanation of the instances in which a property can be reclassified as investment property. This will have no impact on the Council as it already complies.

IFRIC 22 Foreign Currency Transactions and Advance Consideration

Clarifies the treatment of payments in a foreign currency made in advance of obtaining or delivering services or goods. The Council does not have any material transactions within the scope of the amendment.

IFRIC 23 Uncertainty over Income Tax Treatments

Provides additional guidance on income tax treatment where there is uncertainty. This will have no impact on the accounts.

IFRS 9 Financial instruments

Prepayment features with negative compensation amends IFRS9 to make clear that amortised cost should be used where prepayments are substantially lower than the unpaid principal and interest. The Council has no loans to whom this will apply.

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 is within the Narrative Report.

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 2019 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 £1.346bn.
Valuations/Impairments	Valuations and impairments are arrived at by a qualified valuer based on the latest guidance from the Royal Institute of Chartered Surveyors. Actual values may be higher or lower depending on variations in market conditions.	It is impracticable to quantify. Assumptions are standard recommended practice for valuation of properties. The carrying amount of assets subject to revaluation and impairment is £1.024bn 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 £753.292m.
Fair Value	When the fair values of financial assets and financial liabilities cannot be measured based on quoted prices in active markets their fair value is measured using valuation techniques. Where there is no observable data judgement is required in establishing fair values. Changes in the assumptions used could affect the fair value of the Councils assets and liabilities.	The Council uses discounted cash flow (DCF) to measure the fair value of its adult social care re-provisioning. The significant unobservable inputs used in the fair value measurement include assumptions regarding rent growth and discount rates. Significant changes in any of the unobservable inputs would result in a significantly lower or higher fair value measurement for the investment properties and financial assets.

Local Government Reorganisation Update - July 2019

On 1 November 2018 the Secretary of State for Housing Communities and Local Government announced a single unitary authority for Buckinghamshire.

This new council will be called Buckinghamshire Council and will replace the existing local councils – Aylesbury Vale District Council, Buckinghamshire County Council, Chiltern District Council, South Bucks District Council and Wycombe District Council – in April 2020.

The implementation of Buckinghamshire Council is overseen by the Shadow Authority, which will ensure a smooth transition to the new council by 1 April 2020. A total of 202 councillors make up the Shadow Authority. Its key responsibilities include setting a budget for the new Buckinghamshire Council and appointing members to committees.

Events after the Balance Sheet Date

Bedgrove Junior School has converted to Academy status since the 31st March 2019. Bedgrove Junior School was valued at the 31st March 2019 as Building £4.594m and Land £2.368m. These amounts will be derecognised from the Balance Sheet.

Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure (revenue or capital), or reduce local taxation) and unusable reserves. The Surplus or Deficit on the Provision of Services line shows the true economic cost of providing the Council's services, more details of which are shown in the CIES (Comprehensive Income and Expenditure Statement). This is different from the statutory amounts required to be charged to the General Fund Balance for Council Tax setting purposes. Authorities raise taxation to cover expenditure in accordance with regulations. The Net Increase/Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council. The unusable reserves hold unrealised gains and losses (for example the Revaluation Reserve) and account for differences under regulations between accounting basis and funding basis which are detailed in Note 3.

	General Fund Balance £000	Earmarked Schools Balances £000	Earmarked General Fund Reserves £000	Total General Fund £000	Capital Receipts Reserve £000	Capital Grants Unapplied Account £000	Total Usable Reserves £000	Unusable Reserves* £000	Total Reserves £000
Balance at 1 April 2018	(27,393)	(12,627)	(99,235)	(139,256)		(12,483)	(151,739)	(266,034)	(417,773)
Movement in reserves during 2018/19									
(Surplus) or deficit on the Provision of Services	85,509	-	-	85,509	-	-	85,509	-	85,509
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	(105,630)	(105,630)
Total Comprehensive Income and Expenditure	85,509	-	-	85,509	-	-	85,509	(105,630)	(20,121)
Adjustments between accounting basis & funding basis under regulations (Note 3)	(70,556)	-	-	(70,556)	-	879	(69,677)	69,679	1
Net (Increase) / Decrease before Transfers to Earmarked Reserves	14,953	-	-	14,953	-	879	15,832	(35,951)	(20,120)
Transfers to/(from) Earmarked Reserves (Note 4)	(13,980)	(3,231)	17,211	-	-	-	-	-	-
(Increase) / Decrease in 2018/19	973	(3,231)	17,211	14,953	-	879	15,832	(35,951)	(20,120)
Balance at 31 March 2019	(26,420)	(15,858)	(82,024)	(124,303)		(11,604)	(135,907)	(301,985)	(437,892)

Comparative Figures 2017/18

	General Fund Balance £000	Earmarked Schools Balances £000	Earmarked General Fund Reserves £000	Total General Fund £000	Capital Receipts Reserve £000	Capital Grants Unapplied Account £000	Total Usable Reserves £000	Unusable Reserves £000	Total Reserves £000
Balance at 1 April 2017 Restated*	(24,505)	(14,966)	(84,640)	(124,112)	-	(1,752)	(125,864)	(209,268)	(335,132)
Movement in reserves during 2017/18									
(Surplus) or deficit on the Provision of Services	34,847	-	-	34,847	-	-	34,847	-	34,847
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	(117,420)	(117,420)
Total Comprehensive Income and Expenditure	34,847	-	-	34,847	-	-	34,847	(117,420)	(82,573)
Adjustments between accounting basis & funding basis under regulations (Note 3)	(49,991)	-	-	(49,991)	(10,997)	(60,988)	60,719	-	-
Net (Increase) / Decrease before Transfers to Earmarked Reserves	(15,144)	-	-	(15,144)	(10,997)	(26,141)	(56,701)	(82,842)	(82,842)
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)	(56,701)	(82,842)	(82,842)
Balance at 31 March 2018	(27,393)	(12,627)	(99,235)	(139,256)	(12,749)	(152,005)	(265,969)	(417,974)	(417,974)

* For further detail, please refer to Note 31 – Prior Period Adjustment

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.

2017/18 Restated *			2018/19			
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
£000	£000	£000		£000	£000	£000
184,796	(51,409)	133,387	Health & Wellbeing	194,374	(56,947)	137,427
74,396	(7,239)	67,157	Children's Services	81,292	(5,874)	75,418
411,780	(335,016)	76,764	Education & Skills	413,845	(336,816)	77,029
36,519	(24,318)	12,201	Community Engagement	35,331	(24,063)	11,268
8,983	(1,976)	7,007	Leader	11,969	9,865	21,833
21,725	(8,153)	13,572	Planning & Environment	23,088	(9,391)	13,696
60,741	(6,591)	54,150	Resources	66,745	(6,232)	60,514
46,519	(7,916)	38,603	Transportation	48,845	(8,111)	40,734
1,436	(5,569)	(4,133)	Corporate Costs	10,120	(931)	9,189
846,895	(448,187)	398,708	Cost of Services	885,609	(438,501)	447,108
21,803		21,803	Other Operating Expenditure (Note 5)	7,207	-	7,207
31,250	(17,346)	13,904	Financing and Investment Income and Expenditure (Note 6)	70,281	(10,388)	59,893
-	(399,568)	(399,568)	Taxation and Non-Specific Grant Income (Note 7)	-	(428,699)	(428,699)
899,948	(865,101)	34,847	(Surplus) or Deficit on Provision of Services	963,097	(877,588)	85,509
		(63,820)	(Surplus) or Deficit on Revaluation of Non-Current Assets (Note 26)			(46,460)
		(278)	Surplus or deficit on revaluation of financial assets (Note 26)			(95)
		(53,590)	Remeasurement of the defined benefit liability / (asset) (Note 14)			(59,075)
		(117,688)	Other Comprehensive Income and Expenditure			(105,630)
		(82,841)	Total Comprehensive Income and Expenditure			(20,121)

* For further detail, please refer to Note 31 – Prior Period Adjustment

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.

1 April 2017 restated*	31 March 2018 restated *		Notes	31 March 2019
£000	£000			£000
1,280,150	1,302,807	Property, Plant & Equipment	15	1,354,721
7,524	7,524	Heritage Assets	17	7,524
83,820	130,812	Investment Property	19	193,050
2,389	2,264	Intangible Assets	18	2,088
506	761	Long Term Investments	21	2,258
15,170	13,454	Long Term Trade and Other Receivables	24	12,208
1,389,559	1,457,622	Long Term Assets		1,571,849
5,108	89	Short Term Investments	21	11,989
26	1,927	Temporary Loans	21	2,231
1,071	1,279	Assets Held for Sale	20	1,649
228	86	Inventories		117
50,433	41,099	Short Term Trade and Other Receivables	24	45,447
17,678	23,448	Available for Sale Financial Assets	21	-
3,843	1,927	Cash and Cash Equivalents	23	919
78,387	69,855	Current Assets		62,352
(85,342)	(45,333)	Short Term Borrowing	21	(35,945)
(97,289)	(106,802)	Short Term Trade and Other Payables	24	(128,071)
(182,631)	(152,135)	Current Liabilities		(164,016)
(6,941)	(7,011)	Provisions and Long Term Liabilities	25	(9,028)
(139,000)	(167,951)	Long Term Borrowing	21	(260,611)
(804,241)	(782,607)	Pension Liability	14	(762,653)
(950,182)	(957,569)	Long Term Liabilities		(1,032,292)
335,133	417,773	Net Assets		437,893
(125,865)	(151,739)	Usable Reserves	MiRS*	(135,908)
(209,268)	(266,034)	Unusable Reserves	26	(301,985)
(335,133)	(417,773)	Total Reserves		(437,893)

* For further detail, please refer to Note 31 – Prior Period Adjustment

Certification by the Chief Financial Officer

I certify that the statement of accounts presents a true and fair view of the financial position as at 31 March 2019 and its income and expenditure for the year then ended.

Richard Ambrose
Director of Finance and Procurement

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

Cash Flow Statement

and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made from resources which are intended to contribute to the Council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (lenders) to the Council.

Restated 2017/18 *		2018/19
£000		£000
34,847	Net (surplus) or deficit on the provision of services	85,509
(135,539)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	(134,649)
74,753	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	88,063
(25,939)	Net cash flows from operating activities (note 28)	38,922
88,791	Purchase of property, plant and equipment, investment property and intangible assets	143,337
816,638	Purchase of short-term and long-term investments	938,808
(8,200)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(2,172)
(814,010)	Proceeds from short-term and long-term investments	(948,555)
(66,425)	Other receipts from investing activities	(86,060)
16,795	Net cash flows from investing activities	45,358
101,020	Cash receipts of short and long-term borrowing	163,421
(112,078)	Repayments of short and long-term borrowing	(246,692)
11,058	Net cash flows from financing activities	(83,271)
1,914	Net (increase) or decrease in cash and cash equivalents	1,009
3,842	Cash and cash equivalents at the beginning of the reporting period	1,928
1,928	Cash and cash equivalents at the end of the reporting period	919

* For further detail, please refer to Note 31 – Prior Period Adjustment

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 Council 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	134,152	568	134,720	2,707	137,427
Children's Services	73,762	604	74,365	1,053	75,418
Education & Skills	24,064	4,336	28,400	48,629	77,029
Community Engagement	9,424	(186)	9,238	2,030	11,268
Leader	6,954	15,118	22,072	(239)	21,833
Planning & Environment	8,668	(1,636)	7,032	6,664	13,696
Resources	25,528	13,610	39,138	21,376	60,514
Transportation	28,904	(29)	28,874	11,859	40,734
Corporate costs	6,677	(5,760)	916	8,272	9,189
Net Cost of Services	318,131	26,625	344,756	102,352	447,108
Other Income and Expenditure in CIES	(303,982)	(1,091)	(305,073)	(56,526)	(361,599)
(Surplus) or Deficit on Provision of Services	14,149	25,535	39,684	45,825	85,509
Adjustments under Regs	(13,176)	(8,324)	(21,500)	(49,056)	(70,556)
Net (Increase) / Decrease before Transfers to Earmarked Reserves	973	17,211	18,184	-	14,953
Transfers to / (from) earmarked reserves	-	(13,980)	(13,980)	-	(13,980)
(Increase) / Decrease in 2018/19	973	-	4,204	-	973
General Fund Balance as at 31 March 2018					(27,393)
General Fund Balance as at 31 March 2019					(26,420)
Planned Use of General Fund	-				
Net Budget (surplus) / deficit	973				

Notes to the Accounts

Comparative Figures 2017/18 Restated *

	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	2,341	134,904
Children's Services	67,326	(71)	67,255	2,086	69,341
Education & Skills	26,638	(1,427)	25,211	58,630	83,841
Community Engagement	9,509	(218)	9,291	3,108	12,399
Leader	6,937	851	7,789	(567)	7,222
Planning & Environment	9,769	(2,721)	7,048	6,262	13,310
Resources	24,735	4,135	28,870	13,731	42,601
Transportation	27,549	(475)	27,074	12,034	39,108
Corporate costs	5,703	(5,819)	(116)	(3,903)	(4,019)
Net Cost of Services	309,440	(4,454)	304,986	105,825	398,707
Other Income and Expenditure in CIES	(323,115)	(161)	(323,276)	(40,584)	(363,861)
(Surplus) or Deficit on Provision of Services	(13,675)	(4,615)	(18,291)	63,924	34,847
Adjustments under Regs	10,787	(7,641)	3,146	(53,137)	(49,991)
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)				

* For further detail, please refer to Note 31 – Prior Period Adjustment

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.

2017/18				2018/19				
Capital Adjustments	Pensions Adjustments	Other Differences	Total Adjustments		Capital Adjustments	Pensions Adjustments	Other Differences	Total Adjustments
£000	£000	£000	£000		£000	£000	£000	£000
755	2,881	-	3,636	Health & Wellbeing	2,009	1,241	(544)	2,707
472	2,976	(24)	3,424	Children's Services	618	1,283	(848)	1,053
52,965	11,599	(75)	64,489	Education & Skills	53,791	4,998	(10,160)	48,629
2,377	1,364	(20)	3,721	Community Engagement	1,819	588	(377)	2,030
(147)	-	(9)	(157)	Leader	(47)	-	(192)	(239)
5,178	821	632	6,631	Planning & Environment	5,398	354	912	6,664
7,663	6,667	1,342	15,672	Resources	14,806	2,873	3,697	21,376
11,694	617	-	12,312	Transportation	11,866	266	(273)	11,859
-	(4,080)	177	(3,903)	Corporate costs	-	8,082	190	8,272
80,956	22,846	2,023	105,825	Net Cost of Services	90,262	19,685	-7,595	102,352
(45,095)	19,896	(16,702)	(41,901)	Other Income and Expenditure in CIES	(79,333)	19,436	3,371	(56,526)
35,861	42,742	-14,679	63,924	(Surplus) or Deficit on Provision of Services	10,929	39,121	-4,224	45,825

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.

Notes to the Accounts

2 - Expenditure and Income analysed by Nature

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

Restated 2017/18 *		2018/19
£000		£000
(115,376)	Fees, charges & service income	(112,935)
(17,292)	Interest and investment income	(10,390)
(279,367)	Income from Council Tax, NDR	(301,159)
(450,740)	Government Grants and contributions	(468,535)
(862,775)	Total Income	(893,019)
339,757	Employee benefit expenses	333,226
442,530	Other Service Expenses	470,997
10,156	Interest expenses	37,618
83,375	Depreciation, amortisation and impairment	107,442
474	Precepts & Levies	481
21,330	Gain & loss on disposal of non-current assets	6,727
897,621	Total Expenditure	953,736
34,846	Surplus or Deficit on Provision of Services	60,717

* For further detail, please refer to Note 31 – Prior Period Adjustment

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 £57.030m (2017/18 £55.662m) relating to employees of Voluntary Aided and Foundation Schools.

Segmental income

Income received on a segmental basis is analysed below:

2017/18	Revenues from external customers	2018/19
£000		£000
(23,806)	Health & Wellbeing	(21,625)
(1,030)	Children's Services	(4,168)
(20,431)	Education & Skills	(21,903)
(2,291)	Community Engagement	(2,260)
(494)	Leader	(1,940)
(7,894)	Planning & Environment	(9,210)
(10,072)	Resources	(12,976)
(6,236)	Transportation	(6,571)
(555)	Corporate costs	(421)
(72,808)		(81,074)

3 - Adjustments between Accounting Basis and Funding Basis under Regulations

This note analyses the differences between the CIES compiled in accordance with proper accounting practice and the resource specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure.

General Fund Balance

The General Fund is the statutory fund into which all the receipts of the Council are required to be paid and out of which all liabilities of the Council are to be met, except to the extent that statutory rules might provide otherwise. The General Fund Balance summarises the resources that the Council is statutorily empowered to spend on its services or on capital investment at the end of the financial year.

Capital Receipts Reserve

The Capital Receipts Reserve holds the proceeds from the disposal of land or other assets. The reserve is restricted by statute from being used other than to fund new capital expenditure or to repay debt. The balance on the reserve shows the resources that have yet to be applied for these purposes at the year end.

Capital Grants Unapplied Reserve

The Capital Grants Unapplied Reserve holds the grants and contributions received towards capital projects for which the Council has met the conditions that would otherwise require repayment of the monies but which have yet to be applied to meet expenditure. The balance is restricted by grant terms as to the capital expenditure against which it can be applied and/or the financial year in which this can take place.

Notes to the Accounts

2018/19

	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	(37,696)	-	-	37,696
Revaluation losses on Property, Plant and Equipment	(16,281)	-	-	16,281
Fair Value gains / losses on Investment Properties	(11,706)	-	-	11,706
Amortisation of Intangible Assets	(773)	-	-	773
Capital grants and contributions applied	83,832	-	-	(83,832)
Revenue Expenditure Funded from Capital Under Statute	(40,987)	-	-	40,987
Amounts of non-current assets written off on disposal as part of the (gain)/loss on disposal to the CIES	(8,927)	-	-	8,927
Insertion of items not debited or credited to the CIES:				
Statutory provision for the financing of capital investment (minimum revenue provision)	6,455	-	-	(6,455)
Capital expenditure financed from the General Fund	14,019	-	-	(14,019)
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	3,814	-	(3,814)	-
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	4,693	(4,693)
Adjustments primarily involving the Capital Receipts Reserve:				
Transfer of cash sale proceeds credited as part of the (gain)/loss on disposal to the CIES	2,201	(2,201)	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	3,734	-	(3,734)
Contribution from the Capital Receipts Reserve towards the costs of non-current asset disposals	(29)	29	-	-
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	-	(1,562)	-	1,562
Write Down of deferred capital receipts	-	-	-	-
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-	-	-	-
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	(28,014)	-	-	28,014
Adjustments primarily involving the Pension Reserve:				
Reversal of items relating to retirement benefits debited or credited to the CIES	(67,573)	-	-	67,573
Employer's pension contributions and direct payments to pensioners payable in the year	37,813	-	-	(37,813)
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	59	-	-	(59)
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	2,222	-	-	(2,222)
Total Adjustments	(59,609)	(1)	879	58,731

Comparative Figures 2017/18 Restated

	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	(67,339)	-	-	67,339
Employer's pension contributions and direct payments to pensioners payable in the year	35,383	-	-	(35,383)
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	(49,991)	(10,997)	60,988	

4- Transfer To/From Earmarked Reserves

Notes to the Accounts

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 2017 £000	Transfers Out 2017/18 £000	Transfers In 2017/18 £000	Balance at 31 March 2018 £000	Transfers Out 2018/19 £000	Transfers In 2018/19 £000	Balance at 31 March 2019 £000
Earmarked General Fund Reserves							
Health & Wellbeing	(2,726)	1,206	(372)	(1,892)	318	(1,359)	(2,933)
Children's Services	(1,596)	119	(735)	(2,212)	632	(542)	(2,122)
Education & Skills	(4,299)	3,749	(7,128)	(7,678)	4,728	(852)	(3,802)
Community Engagement	(446)	391	(286)	(342)	267	(139)	(213)
Leader	(22,621)	1,596	(5,782)	(26,807)	16,458	(11,839)	(22,188)
Planning & Environment	(4,469)	1,256	(3,094)	(6,308)	291	(2,177)	(8,194)
Resources	(12,045)	3,478	(7,682)	(16,248)	9,767	(3,414)	(9,895)
Transportation	(5,990)	1,018	(1,962)	(6,934)	830	(1,216)	(7,320)
Corporate Costs	(30,448)	7,975	(8,341)	(30,815)	15,734	(10,275)	(25,356)
Subtotal	(84,640)	20,787	(35,382)	(99,236)	49,024	(31,813)	(82,024)
Earmarked for Schools							
Earmarked Schools Revenue Balances	(12,949)	13,070	(10,920)	(10,799)	10,876	(12,780)	(12,703)
Earmarked Schools Devolved Formula Capital	(2,017)	2,017	(1,828)	(1,828)	1,828	(3,155)	(3,155)
Subtotal	(14,966)	15,087	(12,748)	(12,627)	12,704	(15,935)	(15,858)
Total	(99,607)	35,874	(48,130)	(111,863)	61,728	(47,748)	(97,883)

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 2018	Balance at 31 March 2019
Devolved Formula Capital carried forward	(1,828)	(3,155)
Surpluses carried forward*	(12,696)	(14,882)
Deficits carried forward*	1,897	2,179
Total	(12,627)	(15,858)

*Excluding Academy Schools

Health & Wellbeing including the Public Health Reserve which holds grant funding of £1.9m that will be used in future years. It also includes £1m set aside for Adult Social Care Transformation

Children's Services including grant funding to be used in future years such as Families First (£0.9m), Troubled Families (£0.2m) and Step Up to Social Work (£0.2m). It also includes £0.3m for Ofsted Improvement Plan.

Education & Skills including School Improvement Monitoring and Brokering monies (£0.7m) and the carry-forward of unspent DSG of £2.9m

Leader including funds held on behalf of other bodies such as the South East Strategic Leaders Partnership (£0.2m). Also included is Aylesbury Eastern Link Road (£10.0m), Strategic Development (£2.5m), Broadband (£0.3m) and Unitary Reserve (£7.7m)

Planning & Environment including Waste reserve of £7.1m to smooth the effect of volatility in third party income and selling electricity. Also included are the Country Parks Reserves (£0.9m)

Resources including the Insurance Reserve (£6.4m) which relates to the estimated liabilities in respect of insurance claims not yet notified. Also included is the Energy Efficiency & Salix Reserve (£1.0m) 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 (£1.2m) and the Revenue Invest to Save Reserve (£0.7m) enables the Council to invest in existing or new assets in order to generate an income stream or future savings. The Investment Properties Reserves holds £0.6m.

Transportation including monies set aside for Adverse Weather (£2.5m), revenue contribution to East West Rail (£2.8m), Fleet Renewals (£0.8m) and Highways and Transportation Procurement (£0.6m)

Corporate Costs including the Revenue Contribution to Capital Reserve (£23.5m) 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.

Notes to the Accounts

5 - Other Operating Expenditure

2017/18		2018/19
£000		£000
3,632	(Gain)/losses on the disposal of non-current assets	4,287
17,698	Loss on de-recognition of Academies non-current assets	2,440
474	Levies - Environment Agency	481
21,804	Total	7,207

6 - Financing and Investment Income and Expenditure

Restated 2017/18		2018/19
£000		£000
10,074	Interest payable and similar charges	37,764
21,213	Net interest on the defined pension liability	19,436
(2,642)	Interest receivable and similar income	(2,638)
	Impairment Loss Allowance	545
(14,741)	Investment Properties Income and expenditure and changes in Fair Value	4,787
13,904	Total	59,893

*see note 31 Prior Period Adjustment

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 2018/19.

Taxation and Non Specific Grant Income

2017/18		2018/19
£000	Grants Held Centrally	£000
(264,553)	Council Tax	(283,258)
(8,076)	Revenue Support Grant	-
(14,814)	Locally Retained Non Domestic Rates	(17,901)
(27,122)	NNDR Top up Grant	(28,283)
(18,578)	Non-ringfenced Government Grants *	(13,198)
(66,425)	Capital Grants and Contributions	(86,060)
(399,568)	Total	(428,699)

* Non ringfenced government grants detailed below

2017/18		2018/19
£000	Non-ringfenced Government Grants	£000
(4,587)	Transition Grant	
(1,382)	Education Service Grant	
(1,091)	Independent Living Fund	(1,057)
(3,220)	New Homes Bonus	(2,262)
(1,238)	Small Business Rates Relief	(2,023)
(1,679)	Adult Social Care Grant	(4,702)
(3,488)	Improved Better Care Fund	
(1,893)	Total of other grants below £1m each	(3,154)
(18,578)	Total	(13,198)

2017/18		2018/19
£000	Grants Credited to Services	£000
(276,837)	Dedicated Schools Grant	(275,086)
(21,081)	Public Health Grant	(20,539)
(5,118)	Education Funding Agency 16-19	(4,394)
(3,379)	Skills Funding Agency	(3,613)
(2,398)	PE and Sports Grant	(2,870)
(465)	Department of Transport Grant	(1,465)
(5,954)	Universal Free School Meals	(5,471)
(8,737)	Pupil Premium	(8,677)
(1,075)	Devolved Formula Capital Grant	(2,761)
(3,049)	Disabled Facilities Grant	(3,725)
	Winter Pressure	(1,671)
(5,122)	Total of other grants below £1m each	(5,530)
(333,215)	Total	(335,801)

Notes to the Accounts

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 2018/19 are as follows:

	Central Expenditure	Individual Schools Budgets	Total
	£000	£000	£000
Final DSG for 2018/19 before Academy recoupment			428,917
Academy figure recouped for 2019/20			(152,930)
Total DSG after Academy recoupment for 2018/19			275,987
Brought forward from 2017/18			6,967
Carry-forward to 2019/20 agreed in advance			(500)
Agreed initial budgeted distribution in 2018/19			282,454
In year adjustments	3,369	(901)	2,468
Final budgeted distribution for 2018/19	76,307	202,778	279,085
Less Actual central expenditure	(76,938)		(76,938)
Less Actual ISB deployed to schools		(202,176)	(202,176)
Plus agreed carry-forward for 2019/20			500
Carry Forward to 2019/20	2,738	(299)	2,939

9 - Members Allowances

2017/18		2018/19
£000		£000
558	Salaries	566
68	Employer Contributions	65
344	Allowances	351
970	Total	982

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 £2.2m in 2018/19 (2017/18 £2.3m) 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 2018/19 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 2018/19 TWK Transit provided the Council with transport services to the value of £1.58m (2017/18 £1.57m). Collectively the Khattak Group have provided services to the value of £3.84m (2016/17 £3.71m).

Interests in Companies and Other Entities

Buckinghamshire Learning Trust (BLT)

The BLT is an educational charity delivering services to schools and early years' settings, including school improvement and governor services. The Trust received £1.09m from the Council (2017/18 £7.72m) including grant funding of £0.552m (2017/18 £6.5m). Income received by the Council from the BLT in relation to a support services buy-back agreement was £0.05m (2017/18 £0.20m). Due to the changing educational landscape, statutory services were transferred back to the County Council during the summer 2018, while BLT intended to continue trading a range of non-statutory services. However, the Directors of BLT decided to go into voluntary liquidation on 19th March 2019.

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 Shortenills Centre, Chalfont St Giles to the ALC 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 £0.750m loan to ALF to cover initial investment (£15k repaid in 2018/19). 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 £0.37m during the year from ALF (2017/18 £0.43m).

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 2018/19 the Trust received funding from the Council totalling £0.45m (2017/18 £0.44m).

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 £0.413m (2017/18 £0.525m) towards operating costs and an additional £0.044m (2017/18 £0.6m) 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

Buckinghamshire Advantage is an independent company limited by guarantee, and owned by the Council, the four District Councils and Bucks Business First. During 2018/19 the Council has made a contribution towards operating costs of £0.07m (2017/18 £0.55m).

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 seven business leaders. The BTVLEP became incorporated on 31st March 2019. The Council has made a contribution of £0.09m (2017/18 £0.19m) and been reimbursed £0.12m (2017/18 £0.08m) for services provided to the BTVLEP. In addition BTVLEP funding had available new funds to be used to pump prime of £11.879m (2017/18 £10.874m) for strategic capital infrastructure projects. As at 31 March 2019 £13.8m (2017/18 £22.00m) 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 2018/19 was £0.62m (2017/18 £0.63m).

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 2018/19 the joint service fee paid by BCC to SCC totalled £0.904m (2017/18 £0.941m)

HR and Legal Shared Service Arrangement

The Council has 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. These arrangements will be terminating in September 2019 following a Cabinet decision to exit the Inter Authority Agreement. During 2018/19 BCC paid fees of £3.91m (£4.461m in 2017/18) and received income of £0.0m (£0.203m in 2017/18) under this arrangement.

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 2018/19 BCC contributed £0.05m (£0.13m in 2017/18). As at 31 March 2019 the Council holds £1.358m (£0.71m on the 31st March 2018) on behalf of EEH.

East West Rail Consortium

A group of 30 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 Strategic Board (Western Section). Buckinghamshire County Council's element of the funding in 2018/19 was £1.0m (£1.0m in 2017/18.)

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 2018/19 was as follows:

Employee Name	Salary,	Pension	2018/19 Total	2017/18 Total	
	Fees and Allowances	Contrib'ns			
	£	£	£	£	
Chief Executive	Rachel Shimmin	216,506	57,158	273,664	252,148
Director of Finance and Procurement (s151 Officer)	Richard Ambrose	121,170	31,989	153,159	151,736
Director of Public Health		125,807	18,091	143,898	143,898
Resources					
Executive Director (Resources)	Sarah Ashmead	153,023	39,407	192,430	146,209
Transport Economy and Environment					
Executive Director (TEE)		114,733		114,733	140,417
Children's Services					
Executive Director (Children's Services)	Tolis Vouyioukas	166,300	43,824	210,124	94,950
Communities, Health & Adult Social Care					
Executive Director (CHASC)	Gillian Quinton	171,118	44,269	215,387	196,654
Executive Director (CHASC)*					170,640
Executive Director (CHASC and Children's)*					173,482
		1,068,657	234,738	1,303,395	1,470,133

*Interim posts during 2017/18

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:

	2017/18			2018/19		
	Non Schools	Schools	Total	Non Schools	Schools	Total
£50,000 - £54,999	72	58	130	93	61	154
£55,000 - £59,999	38	57	95	30	45	75
£60,000 - £64,999	30	37	67	39	31	70
£65,000 - £69,999	21	20	41	29	24	53
£70,000 - £74,999	8	10	18	14	12	26
£75,000 - £79,999	5	7	12	6	5	11
£80,000 - £84,999	4	4	8	5	7	12
£85,000 - £89,999	5	2	7	4	1	5
£90,000 - £94,999	2	1	3	2	2	4
£95,000 - £99,999	4	-	4	2	-	2
£100,000 - £104,999	3	-	3	1	-	1
£105,000 - £109,999	2	-	2	1	-	1
£110,000 - £114,999	2	-	2	3	-	3
£115,000 - £119,999	2	-	2	1	-	1
£120,000 - £124,999	1	-	1	2	-	2
£125,000 - £129,999	2	-	2	1	-	1
£130,000 - £134,999	-	1	1	1	-	1
£135,000 - £139,999	1	-	1	-	-	-
£140,000 - £149,999	-	-	-	-	-	-
£150,000 - £154,999	-	-	-	-	-	-
£155,000 - £159,999	1	-	1	2	-	2
£160,000 - £164,999	1	-	1	-	-	-
£170,000 - £174,999	-	-	-	-	-	-
£175,000 - £179,999	-	-	-	2	-	2
£180,000 - £184,999	-	-	-	1	-	1
£185,000 - £189,999	-	-	-	-	-	-
£190,000 - £194,999	-	-	-	-	-	-
£195,000 - £199,999	1	-	1	-	-	-
£200,000 - 219,999	-	-	-	1	-	1
	205	197	402	240	188	428

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 2018/19, incurring liabilities of £1.063m (2017/18 £0.760m). 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	
	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19	2017/18 £000	2018/19 £000
£0 - £19,999	5	13	49	52	54	65	303	444
£20,000 - £39,999	1		10	11	12	11	363	335
£40,000 - £59,999	1		1	2	1	2	94	95
£60,000 - £79,999				1		1		64
£80,000 - £99,999								
£100,000-£199,999				1		1		125
	7	13	60	67	67	80	760	1,063

13 - Pension Schemes Accounted for as Defined Contributions Schemes

The NHS Pension Scheme is an unfunded multi-employer defined benefit scheme administered by NHS Pensions that covers NHS employers. In 2018/19 the Council paid an estimated £0.162m to NHS Pensions in respect of public health staff retirement benefits (2017/18 £0.163m). The expected contribution to be paid by the Council in relation to the NHS Pension Scheme for 2019/20 is estimated around £0.129m. This is charged to the Health & Wellbeing line in the CIES.

The arrangements for the NHS scheme mean that liabilities for these benefits cannot ordinarily be identified specifically to the Council. The scheme is 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.

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 2018/19, the Council paid an estimated £14.407m (2017/18 £14.782m) to Teachers' Pensions in respect of teachers' retirement benefits. 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.

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:

2017/18 restated		2018/19
£000	Cost of Services	£000
45,367	Service Cost (comprising)	56,787
49,447	- current service cost	48,705
286	- past service costs	9,960
(4,366)	- settlements and curtailments	(1,878)
759	Administration expenses	711
	Financing and Investment Income and Expenditure	
21,213	Net interest on the defined liability	19,436
67,339	Total Post Employment Benefit Charged to the Surplus/Deficit on the Provision of Services	76,934

Notes to the Accounts

2017/18 restated	Other Comprehensive Income and Expenditure	2018/19
£000	Remeasurement of the defined benefit liability, comprising:	£000
24,106	Return on plan assets in excess of interest Actuarial gains and losses	22,488
29,484	Change in Financial assumptions Change in demographic assumptions Experience gain/loss on defined benefit obligation	(58,160) 94,747
53,590	Total Post Employment Benefit charged to the CIES	59,075

2017/18 restated	Movement in Reserves Statement	2018/19
£000	Movement in Reserves Statement	£000
(67,339)	Reversal of net charges made to the Surplus/Deficit for the Provision of Services for post employment benefits in accordance with the Code	(76,934)
35,383	Actual amount charged against the General Fund balance employers' contributions payable in year to the scheme	37,813

The change in financial assumptions has resulted in a loss of £58.160m in respect of pensions liabilities (as shown above).

Pension Assets and Liabilities recognised in the Balance Sheet Restated

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:

	2014/15	2015/16	2016/17	2017/18	2018/19
	£000	£000	£000	£000	£000
Present value of the defined benefit obligation	(1,204,552)	(1,161,635)	(1,511,758)	(1,546,590)	(1,577,513)
Fair value of plan assets	650,900	649,915	783,865	836,822	882,239
Net liability on Fund	(553,652)	(511,720)	(727,893)	(709,768)	(695,274)
Present value of unfunded obligation	(77,511)	(71,823)	(76,348)	(72,839)	(67,379)
Net liability in Balance Sheet	(631,163)	(583,543)	(804,241)	(782,607)	(762,653)

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 2.4% (2017/18 2.55%) 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.

2017/18 restated		2018/19
£000		£000
(1,588,106)	Opening balance at 1 April	(1,619,429)
(49,447)	Current service cost	(48,705)
(286)	Past service costs, including curtailments	(9,960)
(42,499)	Interest cost	(40,810)
(7,627)	Contributions by scheme participants	(8,104)
	Remeasurement gains and losses:	
29,484	- change in financial assumptions	(58,160)
	- change in demographic assumptions	94,747
	- experience loss/(gain) on defined benefit obligation	
5,448	Liabilities extinguished on settlements	1,109
28,820	Estimated benefits paid net of transfers in	39,628
4,784	Unfunded pension payments	4,792
(1,619,429)	Closing balance at 31 March	(1,644,892)

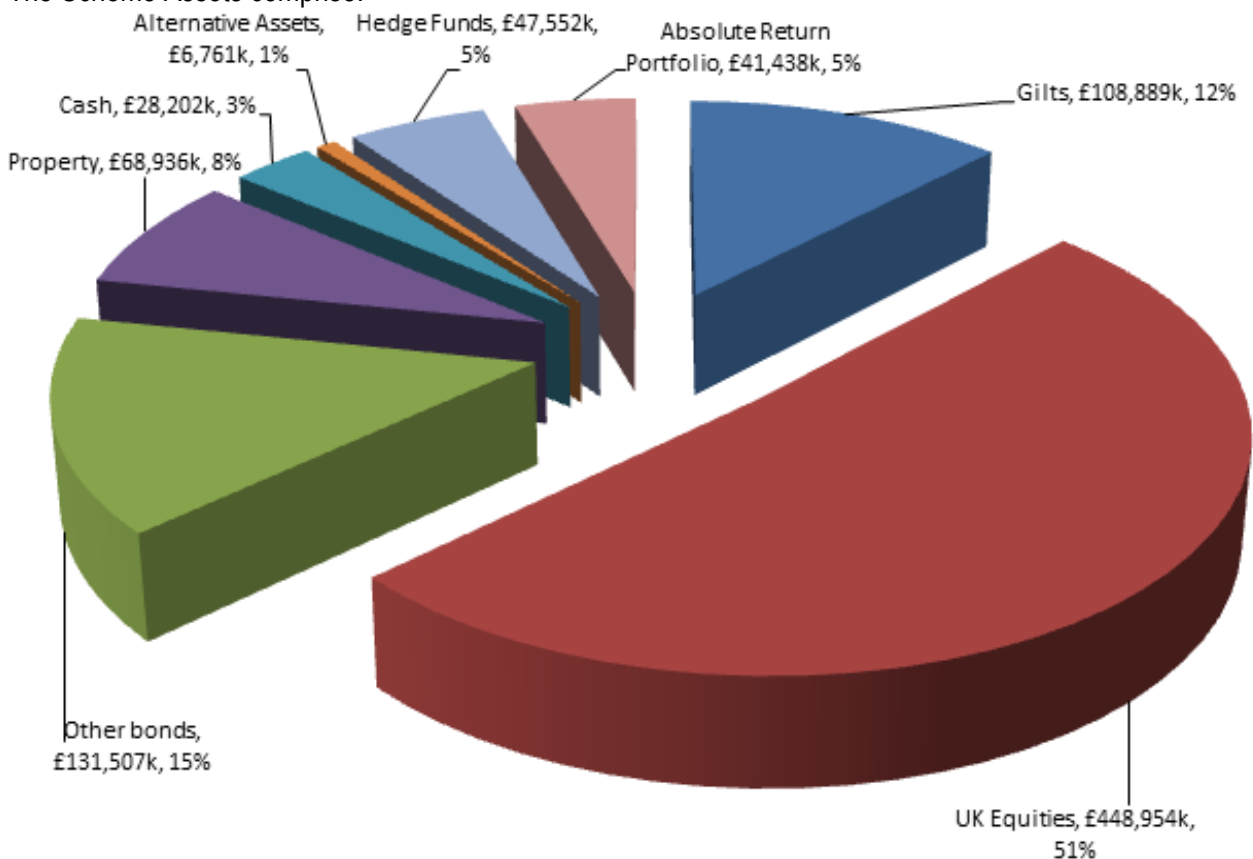
Reconciliation of the movement in the fair value of the scheme (plan) assets

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

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

2017/18 restated	2018/19
£000	£000
783,865 Opening balance at 1 April	836,822
21,286 Interest on assets	21,374
	Remeasurement gains and losses:
24,106 - return on plan assets less the amount included in net interest expense	22,488
	- other actuarial gains/(losses)
(759) Administration expenses	(711)
35,383 Employer contributions	37,813
7,627 Contributions by scheme participants	8,104
(33,604) Estimated benefits paid plus unfunded net of transfers in	(44,420)
(1,082) Settlement prices received/(paid)	769
836,822 Closing balance at 31 March	882,239

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:

2017/18	Mortality assumptions:	2018/19
£000	Longevity at 65 for current pensioners:	
24 years	■ Men	22.9 years
26.1 years	■ Women	24.8 years
	Longevity at 65 for future pensioners:	
26.2 years	■ Men	24.6 years
28.4 years	■ Women	26.6 years
	Other assumptions:	
3.4%	RPI Increases	3.40%
2.4%	CPI Increases	2.40%
3.9%	Rate of increase in salaries*	2.40%
2.4%	Rate of increase in pensions	2.40%
2.6%	Rate for discounting scheme liabilities	2.40%
10.0%	Take-up option to convert annual pension into retirement lump sum	10.00%

*salaries are assumed to increase at 2.4% per annum until 31 March 2020 and 3.9% per annum thereafter. 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%	1,644,892	50,384
Adjustment to discount rate	+0.1%	1,615,871	49,145
	-0.1%	1,674,464	51,655
Adjustment to long term salary increase	+0.1%	1,647,002	50,384
	-0.1%	1,642,798	50,384
Adjustment to pension increases and deferred revaluation	+0.1%	1,672,325	51,654
	-0.1%	1,617,938	49,143
Adjustment to mortality age rating assumption	+ 1 year	1,704,411	52,113
	- 1 year	1,587,458	48,711

In general, participating in a defined benefit pension scheme means that the employer is exposed to a number of risks:-

Notes to the Accounts

- 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 £0.33m in 2019/20. The estimated duration of the Employer's liability is 18 years.

Pension guarantees

In accordance with the terms of the Admission Agreement with 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, these also have no liability currently recognised.

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 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.

Notes to the Accounts

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 2018/19 is £6.455m (2017/18 £5.946m).

Notes to the Accounts

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 2018	848,972	119,635	479,026	5,437	2,407	1,455,476
Additions	15,098	1,291	46,964	340	150	63,843
Revaluation increases recognised in the Revaluation Reserve	28,176			744		28,920
Revaluation (decreases) recognised in the Revaluation Reserve	(1,357)					(1,357)
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(10,771)			(697)		(11,468)
Derecognition - disposals	(2,047)	(2,248)		(265)		(4,560)
Derecognition - Academies	(2,182)					(2,182)
Derecognition - other	(3,254)					(3,254)
Assets reclassified	(6,087)			6,085		(2)
At 31 March 2019	866,548	118,678	525,990	11,644	2,557	1,525,416
Accumulated Depreciation and Impairment						
At 1 April 2018	(43,765)	(9,047)	(98,371)	(1,485)	-	(152,468)
Depreciation charge	(20,608)	(4,170)	(12,907)		-	(37,685)
Depreciation written out to the Revaluation Reserve	18,225			178		18,403
Derecognition - disposals	355	2,229		50	-	2,634
Derecognition - other	(1,385)					(1,385)
Assets reclassified	3,750			(3,742)	-	8
At 31 March 2019	(43,428)	(10,988)	(111,278)	(4,999)	-	(170,693)
Net Book Value						
as at 31 March 2019	823,119	107,690	414,712	6,646	2,557	1,354,724
as at 1 April 2018	805,206	110,588	380,655	3,953	2,407	1,303,009

The main movements include revaluation increases of £47.323m (made up of gross valuation of £28.920 and accumulated depreciation of £18.403).

2017/18 Comparative Figures

	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)	0	0	0	0	(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	359,979	2,254	648	1,280,150

Notes to the Accounts

Capital Commitments

Project	Type of Contract	Name of Contractor	Contract Value £000	Amount Outstanding at 31st March 2019 £000
Aylesbury Satellite Secondary School	Construction	BAM construction	22,463	9,542
Bierton CE Combined School	Construction	Borras Construction	3,573	2,346
Chesham Grammar School	Construction	T&B Contractors	1,389	580
Daws Hill Primary School & Nursery	Construction	Morgan Sindall Construction & Infrastructure	6,438	5,045
Great Kimble CE School	Construction	Lengard Ltd	954	865
			34,816	18,377

At 31 March 2019, the Council has £18.377mm capital commitments for the construction or enhancement of Property, Plant, Equipment and Intangible Assets. Commitments as at 31 March 2018 were £25.948m.

Revaluations

The following table shows the progress of the Council's five year rolling programme for the revaluation of fixed assets. The valuations for 2018/19 have been carried out by RICS qualified external company, Carter Jonas. The effective date of valuation for the current year was 1 April 2018.

	Other Land and Buildings £000	Vehicles, Plant and Equipment £000	Infrastructure Assets £000	Surplus Assets £000
Carried at historical cost:		107,690	414,712	
Valued at fair value as at:				
31 March 2015	159,360			
31 March 2016	159,192			
31 March 2017	229,577			
31 March 2018	133,350			
31 March 2019	141,639			6,646
Total Cost or Valuation	823,119	107,690	414,712	6,646

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 £239.246m as at 31 March 2018 (£237.732m 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.

2017/18		2018/19
£000		£000
362,872	Opening Capital Financing Requirement	395,323
	Capital Investment	
50,248	Property, plant and equipment	63,843
37,538	Investment properties	78,761
868	Intangible assets	596
19,563	Revenue Expenditure Funded from Capital Under Statute	40,986
	Source of Finance	
(9,701)	Capital receipts	(3,734)
(55,428)	Government grants and other contributions	(86,938)
(4,691)	Direct revenue contributions	(14,019)
(5,946)	Minimum revenue provision	(6,455)
395,323	Closing Capital Financing Requirement	468,363
	Explanation of movements in year	
32,451	Increase/(decrease) in underlying need to borrowing (unsupported by government financial assistance)	73,040
32,451	Increase/(decrease) in Capital Financing Requirement	73,040

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.

Notes to the Accounts

Where information is held on the cost or value of a Heritage Asset, the asset is recognised and measured (including the treatment of revaluation gains and losses and impairments) in accordance with the policy for Property, Plant and Equipment in respect of tangible heritage assets or in accordance with the policy in respect of intangible heritage assets. Where this information is not available, and cannot be obtained at a cost which is commensurate with the benefits to users of the financial statements, the assets are not recognised in the Balance Sheet. No depreciation or amortisation is charged on heritage assets which have indefinite lives.

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

	Historic Sites and Monuments	Kedermminster Library and Pew	Museum Collections and Paintings	Total
	£000	£000	£000	£000
Valuation				
1 April 2018	787	1,056	5,681	7,524
31 March 2019	787	1,056	5,681	7,524

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

Historic Sites and Monuments

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

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

Kedermminster Library and Pew

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

County Museum Collections and Paintings

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

Centre for Buckingham Studies

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

18 - Intangible Assets

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

Intangible assets are measured initially at cost. Amounts are not revalued as their fair value cannot be determined by reference to an active market. All software is given a finite useful life, which has been assessed as between 1 and 6

years, based on the period that it is expected to be used. The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £0.773m charged to revenue in 2018/19 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:

2017/18		2018/19
£000		£000
	Balance at start year:	
9,172	Gross carrying amounts	4,427
(6,783)	Accumulated amortisation	(2,163)
	Net carrying amount at start of year	
868	Purchases	596
(5,613)	Disposals	(912)
5,613	Accumulated amortisation written out on disposal	912
(992)	Amortisation for the period	(773)
2,264	Net carrying amount at end of year	2,088
	Comprising:	
4,427	Gross carrying amounts	4,111
(2,163)	Accumulated amortisation	(2,024)
2,264		2,088

19 - Investment Property

Investment properties are those that are used solely to earn rental income 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

Notes to the Accounts

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:

2017/18		2018/19
£000		£000
(4,566)	Rental income from Investment Property	(7,901)
144	Direct operating expenses arising from Investment Property	982
(9,122)	Revaluation gains and losses	11,706
(1,197)	Profit or loss on disposal of Investment Property	
(14,741)	Charge for the year	4,787

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

2017/18		2018/19
£000		£000
83,819	Balance at start of the year	130,812
37,675	Additions	78,830
(230)	Disposals	(4,173)
9,122	Net gains / loses from fair value adjustments	(11,706)
426	Transfers to / from Property, Plant and Equipment	(713)
130,812	Balance outstanding at year end	193,050

Valuation Process for Investment Properties

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

Fair Value Hierarchy

The Council uses valuation techniques that are appropriate for investment property and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. The fair value for the investment properties (at market rents) has been based on the market approach using current market

conditions and recent sales prices and other relevant information for similar assets in the local authority area. Market conditions are such that similar properties are actively purchased and sold and the level of observable inputs are significant, leading to the properties being categorised at Level 2 in the fair value hierarchy. There were no transfers between Levels 1 (quoted prices (unadjusted) in active markets for identical assets) and Level 2 during the year.

Other Significant Fair Value as Observable at 31 March 2018			Other Significant Fair Value as Observable at 31 March 2019	
Inputs (Level 2)			Inputs (Level 2)	
42,575	42,575	Residential Property (market rental)	38,628	38,628
88,236	88,236	Commercial Units	154,420	154,420
130,811	130,811	Total	193,048	193,048

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.

2017/18		2018/19
£000		£000
1,071	Balance outstanding at start of the year:	1,278
	Assets newly classified as held for sale:	
55	Property, Plant and Equipment	707
940	Revaluation gains	378
(12)	Depreciation	(11)
	Assets declassified as held for sale:	
(776)	Assets sold	(702)
1,278	Balance outstanding at year end	1,650

21 - Financial Instruments

The Council has made use of transitional provisions in IFRS9 to not restate the prior year's financial statements.

Financial instruments are recognised on the Balance Sheet when the Council becomes party to the contractual provisions of a financial instrument. They are classified based on the business model for holding the instruments and their expected cashflow characteristics.

Financial Assets

To meet new Code requirements, financial assets are now classified into one of three categories:

- Financial Assets

- Fair value Through Other Comprehensive Income (FVOCI)
- Fair Value Through Profit and Loss (FVTPL)

Financial Assets held at Amortised Cost

Financial assets held at amortised cost. These represent loans and loan-type arrangements where repayments or interest and principal take place on set dates and at specified amounts. The amount presented in the Balance Sheet represents the outstanding principal received plus accrued interest. Interest credited to the CIES is the amount receivable as per the loan agreement.

Fair value Through Other Comprehensive Income

These assets are measured and carried at fair value. All gains and losses due to changes in fair value (both realised and unrealised) are accounted for through a reserve account, with the balance debited or credited to the CIES when the asset is disposed of.

Fair Value Through Profit and Loss

These assets are measured and carried at fair value. All gains and losses due to changes in fair value (both realised and unrealised) are recognised in the CIES as they occur.

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	Short Term	Long Term	Short Term
	31 March	31 March	31 March	31 March
	2018	2018	2019	2019
	£000	£000	£000	£000
Investments				
Loans and Receivables:				
Cash and Cash Equivalents	-	1,927		
Temporary Loans	-	1,927		
Loans to Local Authority companies and other entities	185	-		
Investments	576	89		
Available for sale Financial Assets	-	23,448		
Total Investments	761	27,391		
Trade and Other Receivables				
Loans and Receivables	13,454	41,100		
Total Trade and Other Receivables	13,454	41,100		
Less Statutory Items to be Excluded				
Payments in Advance	-	(3,752)		
Collection Fund Adjustment	-	(6,126)		
Her Majesty's Revenue and Customs (HMRC)	-	(6,394)		
Total to be Deducted from Loans and Receivables	-	(16,272)	-	-
Total Value of Assets	14,215	52,219	-	-
Financial Assets at Amortised Costs				
Cash and Cash Equivalents				919
Temporary Loans				2,231
Loans to Local Authority companies and other entities			170	
Trade and other receivables				45,447
			170	48,597
Less Statutory Items to be Excluded				
Payments in Advance				(4,522)
Collection Fund Adjustment				(9,281)
Her Majesty's Revenue and Customs (HMRC)				(7,127)
Investments			2,088	11,919
Total Financial Assets at Amortised Costs			2,258	39,586
Fair Value Through Profit and Loss				
Investments				70
Total Fair Value Through Profit and Loss			-	70
Total Value of Assets	14,215	52,219	2,258	39,656
Borrowings				
Financial Liabilities at Amortised Cost	(167,951)	(45,333)	(260,610)	(35,945)
Total Borrowings	(167,951)	(45,333)	(260,610)	(35,945)
Trade and Other Payables				
Financial Liabilities at Amortised Cost	-	(106,802)	-	(128,071)
Total Trade and Other Payables	-	(106,802)	-	(128,071)
Less Statutory Items to be Excluded				
Receipts in Advance and Deferred Income	-	15,715	-	31,499
Collection Fund Adjustment	-	4,964	-	3,269
Her Majesty's Revenue and Customs (HMRC)	-	4,631	-	30
Total to be Deducted from Liabilities	-	25,310	-	34,798
Total Value of Liabilities	(167,951)	(126,825)	(260,610)	(129,218)
Income, Expenditure, Gains and Losses				

	2017/18				2018/19			
	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	10,074			10,074	9,016			9,016
Fee expense				-	28,748			28,748
Total expense in Surplus or Deficit on the Provision of Services	10,074	-	-	10,074	37,764	-	-	37,764
Interest Income		(2,293)	(349)	(2,642)		(2,289)	(349)	(2,638)
Total income in Surplus or Deficit on the Provision of Services	-	(2,293)	(349)	(2,642)	-	(2,289)	(349)	(2,638)
Gains on revaluation			(278)	(278)			(336)	(336)
Surplus / Deficit arising on revaluation of financial assets in Other Comprehensive Income and Expenditure	-	-	(278)	(278)	-	-	(336)	(336)
Net loss/(gain) for the year	10,074	(2,293)	(627)	7,154	37,764	(2,289)	(685)	34,790

Fair Value of Financial Assets

Investment 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 using:

	2017/18				2018/19			
	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	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 2019
	£000	£000	£000	£000	£000	£000	£000	£000
Investments	6,122	18,239		24,361	6,217	6,147		70
Total	6,122	18,239	-	24,361	6,217	6,147	-	70

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

	31 March 2018			31 March 2019		
	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	(274,663)	-	(274,663)	347,459	-	347,459
Total	0	-	(274,663)	347,459	-	347,459
Financial assets						
Other loans and receivables	665	-	665	2,158	-	2,158
Soft Loans	-	2,688	2,688	-	2,401	2,401
Other Long-term Debtors	-	13,454	13,454	-	0	0
Total	665	16,142	16,807	2,158	2,401	4,559

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

Notes to the Accounts

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	n/a	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 2019 £000	Historical experience of default %	Historical experience adjusted for market conditions at 31 March 2019 %	Estimated maximum exposure to default and uncollectability at 31 March 2019 £000	Estimated maximum exposure at 31 March 2018 £000
	A	B	C	(A x C)	
Deposits with banks and financial institutions	5,476	0.006%	0.009%	0.49	1.64
Customers	15,812	3.134%	10.966%	1,734.00	1,793.00
				1,734.49	1,794.64

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

Of the £15.812m (2017/18 £17.565m) balance, £14.575m (2017/18 £11.977m) 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 £1.734m (2017/18 £1.793m) to be made in respect of these trade receivables.

The Council does not generally allow credit for customers, such that £8.979m of the £15.870m balance is past its due date for payment. The past due amount can be analysed by age as follows:

31 March 2018		31 March 2019
£000		£000
5,349	Less than three months	3,956
854	Three to six months	771
1,442	Six months to one year	684
3,070	More than one year	3,569
10,715		8,979

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 2018		31 March 2019
£000		£000
45,343	Less than one year	15,146
9,173	Between one and two years	5,962
16,672	Between two and five years	28,334
142,106	More than five years	226,315
213,294		275,757

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

Notes to the Accounts

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 2018/19 would have been:

31 March 2018		31 March 2019
£000		£000
(252)	Increase in interest payable on variable rate borrowings	(196)
197	Increase in interest receivable on variable rate investments	69
(55)	Impact on Surplus/Deficit on the Provision of Services	(127)
(44,310)	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)	(44,145)

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

Price Risk

The Council invested £5m in the CCLA pooled property fund in 2013/14. This element of the Council's portfolio is exposed to the risk of rising and falling commercial property prices. A 5% fall in commercial property prices would result in a £0.25m fall in the Council's investment value.. 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.

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 2018		31 March 2019
£000		£000
1,927	Bank current accounts	919
1,927	Total Cash and Cash Equivalents	919

24 - Trade and Other Receivables and Payables

Short Term Trade and Other Receivables

31 March 2018		1 April 2018*	31 March 2019
£000		£000	£000
810	Central Government bodies		878
6,394	HM Revenue and Customs		7,127
464	Other local authorities and NHS		1,712
7,705	Collection Fund adjustment		9,281
23,768	Sundry Trade and Other Receivables		23,661
3,752	Payments in advance		4,522
42,893	Total	47,181	47,181
(1,793)	Impairment Loss Allowance	(2,279)	(1,734)
41,100	Total Short Term Trade and Other Receivables	44,902	45,447

*To meet the new code requirements, provision for doubtful debt has now been re-categorised as Impairment Loss Allowance which has resulted in a new 2018/19 opening balance. Allowances for impairment losses have been calculated for amortised cost assets, applying the expected credit losses model. Changes in loss allowances (including balances outstanding at the date of derecognition of an asset) are debited/credited to the Financing and Investment Income and Expenditure line in the CIES.

Long Term Trade and Other Receivables

31 March 2018		31 March 2019
£000		£000
12,012	Reprovisioning of Adult Social Care	12,193
483	Finance lease	
959	Other Long Term Trade and Other Receivables	15
13,454	Total Long Term Trade and Other Receivables	12,208

Short Term Trade and Other Payables

31 March 2018		31 March 2019
£000		£000
(4,631)	HM Revenue and Customs	(30)
(1,070)	Central Government bodies	(1,049)
(4,269)	Other local authorities and NHS	(4,156)
(3,618)	Collection Fund adjustment	(3,269)
(28,413)	Deposits from contractors and others	(28,886)
(41,746)	Other sundry creditors	(49,592)
(15,715)	Receipts in advance and deferred income	(31,499)
(7,340)	Capital expenditure	(9,590)
(106,802)	Total	(128,071)

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

Notes to the Accounts

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 2019:

	Long Term Provisions			Total £000
	Insurance	National Non-Domestic Rates	Other	
	£000	£000	£000	
1 April 2018	(5,644)	(1,162)	(205)	(7,011)
Additional provisions made		(1,865)	(152)	(2,017)
Amounts used				-
Unused amounts reversed				-
Balance at 31 March 2019	(5,644)	(3,027)	(357)	(9,028)

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.

2017/18 Restated*		2018/19
£000		£000
(418,543)	Revaluation Reserve	(448,679)
(622,649)	Capital Adjustment Account	(635,772)
3,817	Financial Instruments Adjustment Account	31,831
(14,058)	Deferred Capital Receipts Reserve	(12,496)
782,607	Pensions Reserve	762,653
(2,925)	Collection Fund Adjustment Account	(2,984)
6,904	Accumulated Absences Account	4,682
(1,122)	Available for Sale Financial Instruments Reserve	-
-	Financial Instrument Revaluation Reserve	(1,217)
(265,969)	Total Unusable Reserves	(301,982)

*See Note 31 Prior Period Adjustment

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.

2017/18		2018/19
£000		£000
(363,901)	Balance at 1 April	(418,543)
	(67,110) Upward revaluation of assets	(52,599)
	3,290 Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	6,139
(63,820)	Surplus or deficit on revaluation of non-current assets not posted to the Surplus/Deficit on the Provision of Services	(46,460)
	4,902 Difference between fair value depreciation and historical cost depreciation	6,081
	4,276 Accumulated gains on assets sold or scrapped	10,243
9,178	Amount written off to the Capital Adjustment Account	16,324
(418,543)	Balance at 31 March	(448,679)

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

Notes to the Accounts

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.

2017/18 restated		2018/19
£000		£000
(638,116)	Balance as restated as at 1 April	(622,713)
	Reversal of items relating to capital expenditure debited or credited to the CIES:	
37,820	- Charges for depreciation and impairment of non-current assets	37,696
24,954	- Revaluation losses on Property, Plant and Equipment	16,281
(9,122)	- Movements in the market value of Investment Properties	11,706
992	- Amortisation of intangible assets	773
19,563	- Revenue Expenditure Funded from Capital Under Statute	40,987
28,164	- Amounts on non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	8,930
102,372		116,372
	Adjusting amounts written out of the Revaluation Reserve:	
(9,178)	- Net written out amount of the cost of non-current assets consumed in the year	(16,324)
	Capital financing applied in the year:	
(9,701)	- Use of the Capital Receipts Reserve to finance new capital expenditure	(3,734)
(54,421)	- Capital grants and contributions credited to the CIES that have been applied to capital financing	(83,832)
(1,007)	- Application of grants to capital financing from the Capital Grants Unapplied Account	(3,106)
(5,946)	- Statutory provision for the financing of capital investment charged against the General Fund balance	(6,455)
(1,961)	- Voluntary provision for the financing of capital investment charged against the General Fund balance	(1,961)
(4,691)	- Capital expenditure financed from the General Fund	(14,019)
(86,905)		(129,431)
(622,649)	Balance at 31 March	(635,772)

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.

2017/18		2018/19
£000		£000
1,923	Balance at 1 April	3,817
2,088	Premiums incurred in the year and charged to the Comprehensive Income and Expenditure Statement	28,748
(194)	Proportion of premiums incurred in previous financial years to be charged against the General Fund balance in accordance with statutory requirements	(734)
<u>1,894</u>		<u>28,014</u>
3,817	Balance at 31 March	31,831

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.

2017/18		2018/19
£000		£000
(15,800)	Balance at 1 April	(14,058)
7	Write-down / impairment of benefit	
234	Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	
1,501	Transfer to the Capital Receipts Reserve upon receipt of cash	1,562
<u>(14,058)</u>	Balance at 31 March	<u>(12,496)</u>

Pensions Reserve

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

2017/18 restated		2018/19
£000		£000
804,241	Balance at 1 April	782,607
(53,590)	Actuarial gains and losses on pensions assets and liabilities	(59,075)
67,339	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the CIES	76,934
(35,383)	Employer's pension contributions and direct payments to pensioners payable in the year	(37,813)
<u>782,607</u>	Balance at 31 March	<u>762,653</u>

Collection Fund Adjustment Account

Notes to the Accounts

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

2017/18		2018/19
£000		£000
(3,831)	Balance at 1 April	(2,925)
399	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	871
507	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	(930)
(2,925)	Balance at 31 March	(2,984)

Accumulated Absences Account

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

2017/18		2018/19
£000		£000
7,058	Balance at 1 April	6,904
(7,058)	Settlement or cancellation of accrual made at the end of the preceding year	(6,904)
6,904	Amounts accrued at the end of the current year	4,682
(154)	Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(2,222)
6,904	Balance at 31 March	4,682

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.

2017/18		2018/19
£000		£000
(844)	Balance at 1 April	(1,122)
(278)	Fair Value adjustments on Available for Sale Financial Instruments	1,122
(1,122)	Balance at 31 March	-

Financial Instrument Revaluation Reserve

The Financial Instrument Revaluation 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.

2017/18		2018/19
£000		£000
	Balance at 1 April	(1,122)
	Fair Value adjustments on Available for Sale Financial Instruments	(95)
	Balance at 31 March	(1,217)

Notes to the Accounts

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:

2017/18		2018/19
£000		£000
88	Fees payable with regard to external audit services carried out by the appointed auditor for the year for Buckinghamshire County Council	66
12	Fees payable for the certification of grant claims and returns for the year	12
	Fees payable in respect of other services provided during the year	
100	Total	78

28 - Notes to the Cash Flow Statement

2017/18 Restated		2018/19
£000		£000
34,847	Net (surplus) or deficit on the provision of services	85,509
	Adjustments for non-cash movements	
(62,787)	■ Depreciation, impairment and downward valuations	(53,977)
9,122	■ Changes in fair value of Investment Properties	(11,706)
(992)	■ Amortisations	(773)
(413)	■ Increase in impairment for provision of bad debts	59
(9,513)	■ Increase / decrease in creditors	(21,269)
(10,637)	■ Increase /decrease in debtors	3,042
(142)	■ Increase / decrease in inventories	31
(31,956)	■ Movement in Pension liability	(39,121)
(28,151)	■ Carrying amount of non-current assets sold or derecognised	(8,927)
(70)	■ Other non-cash items charged to the net Surplus or Deficit on the provision of services	(2,017)
(135,540)		(134,658)
	Adjustment for items that are Investing and Financing activities	
8,061	■ Proceeds from the sale of property, plant and equipment, investment property and intangible assets	2,003
66,692	■ Any other items for which the cash effects are investing or financing activities	86,060
74,753		88,063
(25,939)	Net cash flows from Operating Activities	38,913

29 - Pooled Budgets

Better Care Fund

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

2017/18 £000		2018/19 £000
	Expenditure	
34,466	Better Care Fund	35,437
	Total Expenditure	
	Income	
(6,538)	Contribution from Buckinghamshire County Council	(6,979)
(312)	Contribution from Milton Keynes Clinical Commissioning Group	(318)
(13,144)	Contribution from Aylesbury Vale Clinical Commissioning Group	(28,140)
(14,472)	Contribution from Chiltern Clinical Commissioning Group	
(34,466)	Total Income	(35,437)

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.

2017/18 £000		2018/19 £000
	Expenditure	
8,183	Integrated mental health provision	8,251
	Total Expenditure	
	Income	
(2,725)	Contribution from Buckinghamshire County Council	(2,751)
(5,458)	Contribution from Oxfordshire and Buckinghamshire Mental Health Trust	(5,500)
(8,183)	Total Income	(8,251)

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.

2017/18 £000		2018/19 £000
	Expenditure	
6,585	Children and adolescence mental health services	7,089
	Total Expenditure	
	Income	
(1,621)	Contribution from Buckinghamshire County Council	(1,599)
(1,914)	Contribution from Aylesbury Vale Clinical Commissioning Group	(5,490)
(3,050)	Contribution from Chiltern Clinical Commissioning Group	
(6,585)	Total Income	(7,089)

Notes to the Accounts

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.

2017/18		2018/19
£000		£000
	Expenditure	
7,821	Community Equipment Loan Service (CELS)	8,299
	Total Expenditure	
	Income	
(2,466)	Contribution from Buckinghamshire County Council	(2,591)
(2,423)	Contribution from Aylesbury Vale Clinical Commissioning Group	(5,708)
(2,932)	Contribution from Chiltern Clinical Commissioning Group	
(7,821)	Total Income	(8,299)

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.

2017/18		2018/19
£000		£000
	Expenditure	
10,603	Section 117	15,409
10,603	Total Expenditure	15,409
	Income	
(5,726)	Contribution from Buckinghamshire County Council	(7,942)
(4,877)	Contribution from Aylesbury Vale Clinical Commissioning Group	(7,467)
(10,603)	Total Income	(15,409)

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.

2017/18		2018/19
£000		£000
	Expenditure	
3,780	Integrated Therapies Contract (commenced 1.4.2017)	3,764
	Total Expenditure	
	Income	
(1,726)	Contribution from Buckinghamshire County Council	(1,717)
(2,054)	Contribution from Chiltern Clinical Commissioning Group	(2,047)
(3,780)	Total Income	(3,764)

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

2017/18		2018/19
£000	Other Pooled Budget Arrangements	£000
2,870	Integrated Mental Health Provision for Older People Agreement	2,880
2,215	Residential Respite Short Breaks Pooled Fund	2,179
1,958	Speech and Language Therapy	

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 (2017/18 £6.397m). 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 2018		31 March 2019
£000		£000
6,397	Other Land and Buildings	10,248
6,397	Finance Lease Net Book Value	10,248

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 2018		31 March 2019
£000		£000
830	Amounts paid during the year	584
747	Not later than one year	557
1,048	Later than one year and not later than five years	331
734	Later than five years	122
2,529	Total Estimated Future Payments	1,010

The amounts paid in year comprise the following elements:

Notes to the Accounts

31 March 2018		31 March 2019
£000		£000
830	Minimum lease payments	584
830	Total Amounts Paid In Year	584

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 2018		31 March 2019
£000		£000
	Finance lease debtor (net present value of minimum lease payments):	
808	■ current	483
483	■ non-current	
91	Unearned finance income	16
200	Unguaranteed residual value of property	200
1,582	Gross investment in the lease	699

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 2018	31 March 2019		31 March 2019	31 March 2019
£000	£000		£000	£000
883	483	Not later than one year	883	483
700	200	Later than one year and not later than five years	500	
		Later than five years		
1,583	683		1,383	483

The Council has granted a number finance leases to schools on obtaining Academy status for nil rentals. The value of buildings derecognised totals £239.246m 2018/19 (£237.732m 2017/18). 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 2018		31 March 2019
£000		£000
1,531	Not later than one year	772
3,077	Later than one year and not later than five years	2,278
6,407	Later than five years	3,113
11,015		6,163

31 – Prior Period Adjustment

The Teachers' Pension Scheme Restatement

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).

Notes to the Accounts

Within the prior year Buckinghamshire County Council statement of accounts the Teachers' Pension Scheme has been accounted for as a defined contribution scheme under section 6.4.1.7 of the 2018/19 CIPFA code of practice on local authority accounting. This treatment allows an authority whose pension plan provides defined pension benefits to its employees, but that is not able to identify its share of the underlying financial position and performance of the plan with sufficient reliability for accounting purposes to account for the pension plan as if it were a defined contribution plan.

The actuary is now able to produce an estimate of the Council's liability of the unfunded benefits and therefore we are obligated to account for the unfunded benefits of the Teachers' Pension Scheme as a defined benefit scheme. This has necessitated a restatement of prior year figures within the 2018/19 statement of accounts for comparison purposes to aid the users of the Council's statement of accounts.

This has resulted in an impact to the CIES of £10.518m, changing the Total Comprehensive Income and Expenditure Statement from £71.787m to £82.841m. This has also resulted in the Pensions Liability within the Balance Sheet being understated by £50.298m as at 1st April 2017 and £39.244 as at 31st March 2018. This has also had an opposite effect on the Unusable Reserves by the same amounts, therefore having a net nil effect on the Balance Sheet. These movements have also effected some of the notes throughout the accounts resulting in the 2017/18 figures to be restated.

This restatement has also affected note 6 Financing and Investment Income and note 26 Unusable Reserves. We have restated the 2017/18 to reflect the situation as stated above

The impact of these amendments is reflected in the tables below.

Recharges Restatement

Within the Council's management accounting there are internal recharges between operating segments and historically these have been included within the Comprehensive Income and Expenditure Statement (CIES) in the statement of accounts.

Section 3.4.2.39 of the 2018/19 CIPFA code of practice on local authority accounting states

"As the service segments in the Comprehensive Income and Expenditure Statement are not intended to cover the reporting requirements for IFRS 8 then transactions between segments are not permitted in the service analysis section of the Statement".

Therefore internal recharges between segments are no longer allowed to be included in the CIES and will be removed.

This change has necessitated the restatement of the 2017/18 Comprehensive Income and Expenditure Statement.

As these are internal recharges there is a net nil effect on the Cost of Service within the CIES. However there is a material impact to the segments within the CIES. The two main segments that are impacted are Resources, increasing the expenditure by £11.548m and Education and Skills decreasing the expenditure by £7.077m. These movements have also effected notes 1 and 2 resulting in the 2017/18 figures to be restated.

The impact of these amendments is reflected in the tables below.

Effect on the Comprehensive Income and Expenditure Statement 2017/18

2017/18			2017/18 Restated					
Gross Expenditure	Gross Income	Net Expenditure		Pensions Liability	Internal Recharges	Gross Expenditure	Gross Income	Net Expenditure
£000	£000	£000		£000	£000	£000	£000	£000
187,609	(51,409)	136,199	Health & Wellbeing	(1,295)	(1,518.5)	184,796	(51,409)	133,387
77,918	(7,239)	70,679	Children's Services	(1,338)	(2,184.1)	74,396	(7,239)	67,157
424,716	(335,016)	89,700	Education & Skills	(5,859)	(7,077.4)	411,780	(335,016)	76,764
37,330	(24,318)	13,013	Community Engagement	(613)	(197.6)	36,519	(24,318)	12,201
9,608	(1,976)	7,632	Leader	(410)	(214.3)	8,983	(1,976)	7,007
21,832	(8,153)	13,679	Planning & Environment	(369)	262.6	21,725	(8,153)	13,572
51,134	(6,591)	44,542	Resources	(1,941)	11,548.3	60,741	(6,591)	54,150
47,301	(7,916)	39,385	Transportation	(278)	(504.6)	46,519	(7,916)	38,603
1,550	(5,569)	(4,019)	Corporate Costs		(114)	1,436	(5,569)	(4,133)
858,998	(448,188)	410,811	Cost of Services	(12,103)	(0.0)	846,895	(448,187)	398,708
21,803		21,803	Other Operating Expenditure (Note 5)			21,803		21,803
29,933	(17,346)	12,587	Financing and Investment Income and Expenditure (Note 6)	1,317		31,250	(17,346)	13,904
-	(399,568)	(399,568)	Taxation and Non-Specific Grant Income (Note 7)			-	(399,568)	(399,568)
910,734	(865,101)	45,633	(Surplus) or Deficit on Provision of Services	(10,786)		899,948	(865,101)	34,847
		(63,820)	(Surplus) or Deficit on Revaluation of Non-Current Assets (Note 26)					(63,820)
		(278)	Surplus or deficit on revaluation of financial assets* (Note 26)					(278)
		(53,322)	Remeasurement of the defined benefit liability / (asset) (Note 14)	268				(53,590)
		(117,420)	Other Comprehensive Income and Expenditure	268				(117,688)
		(71,787)	Total Comprehensive Income and Expenditure	(10,518)				(82,841)

Effect on the Balance Sheet 2017/18

Balance Sheet per 2017/18 Statement of Accounts

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

Restated Balance Sheet

	2014/15	2015/16	2016/17	2017/18
	£000	£000	£000	£000
Present value of the defined benefit obligation	(1,211,823)	(1,168,307)	(1,511,758)	(1,546,590)
Fair value of plan assets	655,142	654,147	783,865	836,822
Net liability on Fund	(556,681)	(514,160)	(727,893)	(709,768)
Present value of unfunded obligation	(77,511)	(71,823)	(76,348)	(72,839)
Net liability in Balance Sheet	(634,192)	(585,983)	(804,241)	(782,607)

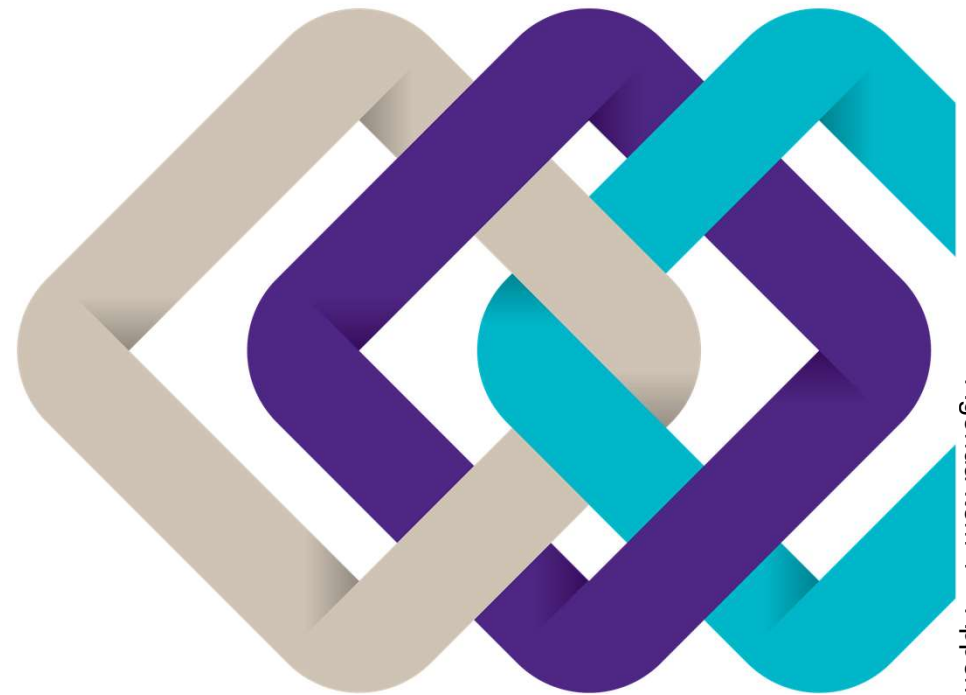
Pensions Liability Increase Effect on the Balance Sheet

	2014/15	2015/16	2016/17	2017/18
	£000	£000	£000	£000
	(51,184)	(47,589)	(50,298)	(39,244)

The Audit Findings for Buckinghamshire County Council

Year ended 31 March 2019

30 July 2019



Contents



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Section

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2. Financial statements
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Appendices

- A. Follow up of prior year recommendations
- B. Audit adjustments
- C. Fees

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.

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Headlines

This table summarises the key findings and other matters arising from the statutory audit of Buckinghamshire County Council ('the Council') and the preparation of the Council's financial statements for the year ended 31 March 2019 for those charged with governance.

<p>Financial Statements</p>	<p>Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion, the Council's financial statements:</p> <ul style="list-style-type: none"> • give a true and fair view of the financial position of the Council and the Council's income and expenditure for the year; and • have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014. <p>We are also required to report whether other information published together with the audited financial statements (including the Annual Governance Statement (AGS), Narrative Report and Pension Fund Financial Statements), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p>	<p>We planned to complete our audit by 31 July 2019, but this may not prove to be possible. There are several reasons for this, which are as follows:</p> <ul style="list-style-type: none"> • The 'Significant findings – audit risks (valuation of the pension fund net liability)' section of this report sets out the additional work we have had to perform in respect of the McCloud court case. The work on this matter has impacted on the progress of a number of areas of the audit, due to the additional time commitment required. This matter was outside the control of the Council and the court case was only finalised in June, after the accounts had been submitted for audit • The Financial Reporting Council who, from April 2019, now regulate public sector audit, have made clear their increased expectations in respect of audit work on pensions and the valuation of property, plant and equipment. This has increased the volume of work we've needed to do for bodies of your size. • The additional work arising from the factors set out above, particularly the specialist pensions work, has increased our total workload. We have sought to avoid this impacting on the quality of the audit by retaining our use of specialist public sector audit individuals, rather than expanding the team to use non-specialists. Whilst we have sought to contain and absorb the additional work as much as possible, we also want to avoid untenable pressures on our auditors as well as your finance team. • The draft financial statements submitted for audit in late May contained several inconsistencies. There were several figures in the Movement in Reserves Statement, Balance Sheet and the supporting notes which were different to one another, even though they should be the same. This issue was resolved in the version of accounts we received on 24 July 2019. Our audit work in this area has been delayed as a result. • The draft statements also included a cash flow statement which contained figures copied incorrectly from the prior year and did not agree to the cash figure on the balance sheet. • These errors have not proven to be material. They are indicative of challenges faced by the Council to produce financial statements by 30 May deadline. Resolving these issues has taken time on the part of both the finance and audit teams. Appendix B to this report sets out in further detail the errors and misstatements we have identified to date. • Provision of working papers and responses to audit queries have, on some occasions, been slow in coming, particularly given the short timescale that we are attempting to complete the audit in. There are a number of areas where, in our view, the working papers and evidence provided could be improved. • These challenges have been compounded by capacity challenges within the audit team and the extra work set out above. <p>This report contains all our findings to date which we need to report to you. We will need to provide you with an updated version of this document when our audit is substantially complete. We will provide the Council with a draft audit report opinion in this updated version.</p>
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Headlines

Value for Money arrangements

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report if, 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 the Council's 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 the matter we have identified in respect of children's services.

We therefore anticipate issuing an 'except for' value for money conclusion. Our findings are summarised in the 'Value for money' section of this report.

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
- To certify the closure of the audit.

We have not exercised any of our additional statutory powers or duties and do not anticipate doing so before the completion of the audit

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.

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 management.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK) and the Code, 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 Council's business and is risk based, and in particular included:

- 10. An evaluation of the Council's internal controls environment, including its IT systems and controls;

- Controls testing of the Council's employee remuneration 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

We have not had to alter or change our audit plan, as communicated to you on 4 April 2019.

Conclusion

Our audit of your financial statements is currently underway. This report contains all our findings to date which we need to report to you. We will need to provide you with an updated version of this document when our audit is substantially complete. We do not anticipate issuing our audit opinion before 31 July 2019.

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.

Our assessment of materiality, performance materiality and trivial matters has been updated to reflect the draft financial statements, and so the figures differ slightly from those reported to you in our audit plan. We detail in the table below our determination of materiality for Buckinghamshire County Council.

	Amount (£)
Materiality for the financial statements	17,524,000
Performance materiality	12,267,000
Trivial matters	876,000

Significant findings – audit risks

Risks identified in our Audit Plan

Commentary

1

Revenue includes fraudulent transactions

Auditor commentary

We reported in our audit plan that we had considered the risk factors set out in ISA240 and the nature of your revenue streams and had determined that the risk of fraud arising from revenue recognition could be rebutted, because:

- there is little incentive to manipulate revenue recognition as the majority of your income is derived from grants or formula based income from central government and tax payers;
- 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. Our assessment has not changed since we reported it to you in our audit plan.

2

Management override of controls

Auditor commentary

We have:

- evaluated the design effectiveness of management controls over journals;
- analysed the journals listing and determined the criteria for selecting high risk unusual journals;
- on a risk-based basis, tested unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration;
- gained an understanding of the accounting estimates and critical judgements applied made by management and considered their reasonableness with regard to corroborative evidence; and
- evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions.

Our work in respect of this risk is currently underway.

Significant findings – audit risks

Risks identified in our Audit Plan	Commentary
<p>3 Property, plant and equipment - valuation of land and buildings (rolling revaluation)</p>	<p>Auditor commentary</p> <p>We have:</p> <ul style="list-style-type: none"> • evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work; • evaluated the competence, capabilities and objectivity of the valuation expert; • written to the valuer to confirm the basis on which the valuation was carried out; • challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding; • tested revaluations made during the year to see if they had been input correctly into the your asset register; and • evaluated the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value at year end. <p>Our work in respect of this risk is currently underway.</p>

Significant findings – audit risks

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Risks identified in our Audit Plan

Commentary

4 Valuation of the pension fund net liability

Auditor commentary

We have:

- updated our understanding of the processes and controls put in place by management to ensure that your pension fund net liability is not materially misstated and evaluate the design of the associated controls;
- evaluated the instructions issued by management to their expert (an actuary) for this estimate and the scope of the actuary's work;
- assessed the competence, capabilities and objectivity of the actuary who carried out your pension fund valuation;
- assessed the accuracy and completeness of the information provided to the actuary to estimate the liability;
- tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary;
- undertaken procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report; and
- requested assurances on the controls in place for Buckinghamshire Pension Fund surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements.

Our work in respect of this risk is almost complete. One of the key issues that has arisen during the audit is in respect of the McCloud judgement. The Court of Appeal has ruled that there was age discrimination in the judges and firefighters pension schemes where transitional protections were given to scheme members. The Government applied to the Supreme Court for permission to appeal this ruling, but this permission to appeal was unsuccessful. The case will now be remitted back to employment tribunal for remedy. The legal ruling around age discrimination (McCloud - Court of Appeal) has implications for pension schemes where they have implemented transitional arrangements on changing benefits.

Discussion is ongoing in the sector regarding the potential impact of the ruling on the financial statements of Local Government bodies. The Council has requested an estimate from its actuary of the potential impact of the McCloud ruling. The actuary's estimate was of a possible increase in pension liabilities of £9,361k at 31 March 2019.

Management have decided to amend the financial statements to recognise this increased liability. We have reviewed the analysis performed by the actuary, and consider that the approach that has been taken to arrive at this estimate is reasonable.

Significant findings – audit risks

Risks identified in our Audit Plan

Commentary

4 Valuation of the pension fund net liability

Auditor commentary

A second issue that has arisen is in respect of and equalisation of Guaranteed Minimum Pension (GMP) benefits between males and females. In March 2016, in order to ensure a smooth transition to the new single-tier State Pension and equalisation of Guaranteed Minimum Pension (GMP) benefits between males and females, the Government introduced an 'interim solution' in respect of those members of public service schemes who reach State Pension age (SPA) between 6 April 2016 and 5 December 2018, whereby the GMP earned by these members in public service received full inflationary increases from public service pension schemes. In January 2018, the Government decided to extend this interim solution for a further 2 years, i.e. to members who reach their SPA between 6 December 2018 and April 2021

Our understanding is that Barnett Waddingham have allowed for the interim solution to 5 December 2018 in their IAS 19 valuation and have included an allowance for potential allowances post 2021. We have obtained a view from our internal actuary, who has confirmed that:

- the interim solution should be allowed for until April 2021
- it is not appropriate to allow for potential allowances post 2021 at this stage as the liabilities have not yet been triggered.

Our estimate of the impact of this is as follows:


- there is an understatement in respect of the 28 month period from 5 December 2018 to 6 April 2021. We estimate that this would be approximately a 0.05% understatement of the gross liability
- there is an overstatement in respect of post 2021 allowances. We estimate that this would be approximately 0.2% of the gross liability

The net impact is an overstatement of 0.15% of the gross liability, which we estimate to be £2,352k

Management agree with the approach that their actuary has taken and are of the view that the impact of this issue is not material to the Council. We have satisfied ourselves that there is not a risk of material error as a result of this issue. We also acknowledge the significant uncertainties relating to the estimation of the impact on the Council's liability. We have included this as an uncertainty within Appendix B.

Other than the matters reported above, we have not identified any issues in respect of the valuation of the pension fund net liability.

Significant findings – key judgements and estimates

	Summary of management's policy	Audit Comments	Assessment																		
	Valuation of land and buildings	Our work in respect of this risk is currently underway. We will report on key judgements and estimates when it is complete.																			
	Net pension liability – £753m	<p>The Council's net pension liability at 31 March 2019 is £753m (PY £783m) comprising the Council's share of the net liabilities of the Buckinghamshire County Council Pension Fund and unfunded defined benefit pension scheme obligations. The Council uses Barnett Waddingham to provide actuarial valuations of the Council's assets and liabilities. A full actuarial valuation is required every three years. The latest full actuarial valuation was completed in 2016. A roll forward approach is used in intervening periods, which utilises key assumptions such as life expectancy, discount rates, salary growth and investment returns. Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements. The net pension liability has reduced by £30m during 2018/19, prior to the adjustments referred to in the 'Significant findings – audit risks' section of our report being made.</p> <ul style="list-style-type: none"> The Council has used Barnett Waddingham as their actuary and so we gained an understanding of their competence, capabilities and objectivity in providing the valuations required by the Council in respect of the pension fund net liability at 31 March 2019 We have reviewed the assumptions made by the actuary when estimating the pension fund net liability to confirm their reasonableness. We made use of PwC, as an auditor's expert, to obtain assurance in this area. A summary of the work performed is in the table below. <table border="1"> <thead> <tr> <th>Assumption</th> <th>Actuary Value</th> <th>Assessment</th> </tr> </thead> <tbody> <tr> <td>Discount rate</td> <td>2.4%</td> <td>●</td> </tr> <tr> <td>Pension increase rate</td> <td>2.4%</td> <td>●</td> </tr> <tr> <td>Salary growth</td> <td>3.9%</td> <td>●</td> </tr> <tr> <td>Life expectancy – Males currently aged 45 / 65</td> <td>24.6 years</td> <td>●</td> </tr> <tr> <td>Life expectancy – Females currently aged 45 / 65</td> <td>26.6 years</td> <td>●</td> </tr> </tbody> </table> <ul style="list-style-type: none"> We have undertaken procedures to confirm the reasonableness of the Council's share of Buckinghamshire County Council Pension Fund's assets and did not identify any issues. Subject to the issues reported separately in respect of the McCloud judgement and GMP equalisation, we are satisfied that the Council's key judgements and estimates in respect of the pension fund net liability are reasonable. 	Assumption	Actuary Value	Assessment	Discount rate	2.4%	●	Pension increase rate	2.4%	●	Salary growth	3.9%	●	Life expectancy – Males currently aged 45 / 65	24.6 years	●	Life expectancy – Females currently aged 45 / 65	26.6 years	●	 Green
Assumption	Actuary Value	Assessment																			
Discount rate	2.4%	●																			
Pension increase rate	2.4%	●																			
Salary growth	3.9%	●																			
Life expectancy – Males currently aged 45 / 65	24.6 years	●																			
Life expectancy – Females currently aged 45 / 65	26.6 years	●																			

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Assessment

- We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- We consider management's process is appropriate and key assumptions are neither optimistic or cautious

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

Your management have assessed that the establishment of the new unitary authority, Buckinghamshire Council, on 1st April 2020 does not alter your going concern assumption for Buckinghamshire County Council. In making this assessment management have had regard to paragraphs 2.1.2.6 and 3.4.2.23 of the CIPFA Code of Practice on Local Authority Accounting 2018/19, which state that transfers of services under combinations of public sector bodies (such as local government reorganisation) do not negate the presumption of going concern.

Management’s assessment that the Council remains a going concern is also based on the Council having a balanced budget in place for 2019/20, which will be the final year of its existence. The Council have also prepared a medium term financial plan for the period up to 2022/23. This plan has been prepared so that the new council begins with the best possible understanding of its future challenges and opportunities.

Work performed and auditor commentary

We agree with management’s assessment that the establishment of the new unitary authority on 1st April 2020 does not alter your going concern assumption for Buckinghamshire County Council.

We have reviewed the Council’s budget for 2019/20 and its medium term financial plan. This work has not identified any issues which would require us to challenge management’s assessment that the council is a going concern.

We have not identified a material uncertainty related to going concern. However, the ‘General Notes to the Statement of Accounts’ (Assumptions made about the Future and Other Major Sources of Estimation Uncertainty) have been amended to include additional disclosure in respect of the establishment of the unitary council. We will include an ‘emphasis of matter’ in our audit opinion in respect of this disclosure because of its significance. This ‘emphasis of matter’ is not a qualification of the opinion.

Concluding comments

Auditor commentary

We have concluded that management’s assessment that the Council remains a going concern is reasonable and there are no material uncertainties that we need to report. We have included an ‘emphasis of matter’ in respect of the establishment of the unitary council in our audit opinion.

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	<ul style="list-style-type: none"> We have previously discussed the risk of fraud with the Regulatory and Audit Committee. 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	<ul style="list-style-type: none"> Our work to date has not identified any related parties or related party transactions which have not been disclosed, but our work is not yet complete
③ Matters in relation to laws and regulations	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> A letter of representation will be requested from the Council. We will provide a copy of this letter when it has been drafted. The letter cannot be drafted until the audit is substantially complete.
⑤ Confirmation requests from third parties	<ul style="list-style-type: none"> We requested from management permission to send confirmation requests to third parties with whom the Council has loans and investments. All required confirmation requests were received, except at the time of drafting this report we had not received a response to our confirmation request from the Council's bankers, Lloyds Bank. Management is following up this outstanding response.
⑥ Disclosures	<ul style="list-style-type: none"> Our review identified a number of disclosures that needed to be added to the financial statements. These are set out in more detail in Appendix B.

Other responsibilities under the Code

Issue	Commentary
1 Other information	<p>We are required to give an opinion on whether the other information published together with the audited financial statements (including the Annual Governance Statement, Narrative Report and Pension Fund Financial Statements), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p> <p>Inconsistencies have been identified but have been adequately rectified by management. We plan to issue an unmodified opinion in this respect</p>
2 Matters on which we report by exception	<p>We are required to report on a number of matters by exception in a numbers of areas:</p> <ul style="list-style-type: none"> • 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 other information of which we are aware from our audit • If we have applied any of our statutory powers or duties <p>We have nothing to report on these matters</p>
3 Specified procedures for Whole of Government Accounts	<p>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.</p> <p>As the Council exceeds the specified group reporting threshold of we examine and report on the consistency of the WGA consolidation pack with the Council's audited financial statements. This work has not yet been completed.</p>
4 Certification of the closure of the audit	<p>We will certify the closure of the 2018/19 audit of Buckinghamshire County Council when our audit is complete.</p>

Value for Money

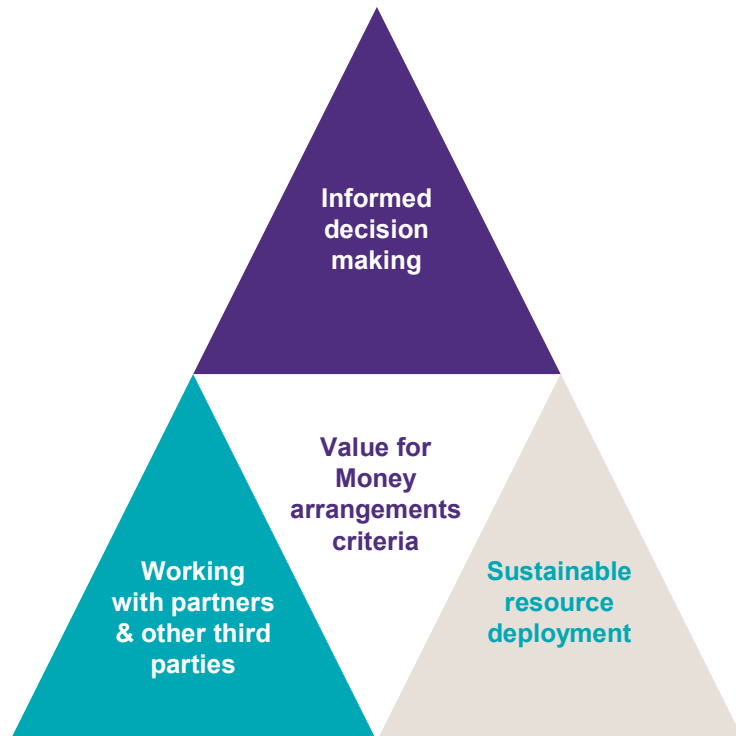
Background to our VFM approach

We are required to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the Value for Money (VFM) conclusion.

We are required to carry out sufficient work to satisfy ourselves that proper arrangements are in place at the Council. In carrying out this work, we are required to follow the NAO's Auditor Guidance Note 3 (AGN 03) issued in November 2017. AGN 03 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:



Risk assessment

We carried out an initial risk assessment in October 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 March 2019.

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 the Council's arrangements. In arriving at our conclusion, one of our key areas of focus has been 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 services for children in need of help and protection, children looked after and care leavers. Ofsted rated the services as 'inadequate', which was the same rating given by Ofsted following their previous inspection in 2014. Since the date of that re-inspection, Ofsted have performed two further monitoring visits in July 2018 and December 2018. In reaching our conclusion, we have had regard to Ofsted's January 2018 re-inspection report and the two reports they issued following their monitoring visits. These form the principal evidence base for our conclusion.

We have concluded that the outcomes of Ofsted's re-inspection of children's services and their further monitoring visits are 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
- planning, organising and developing the workforce effectively to deliver strategic priorities.

The basis of our conclusion is set out in more detail in the 'Key findings' section below. This section also reports the results of our work on other significant risks, which have not resulted in a qualification of the value for money conclusion.

Overall conclusion

Based on the work we performed to address the significant risks, except for the matter we identified in respect of children's services, the Council had proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We therefore propose to give a qualified 'except for' conclusion.

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 risk assessment.

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Significant risk

1 Ofsted inspection of children’s services

- Ofsted issued a report on your children’s services in January 2018 which gave you a 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.

Findings and conclusion

Findings

Ofsted undertook a re-inspection of your services for children in need of help and protection in November 2017. Their report, published in January 2018, concluded:

“Overall progress in improving services for children in Buckinghamshire since the last inspection in 2014 has been inconsistent and too slow. The strategic response to change has been piecemeal and has not successfully achieved the required wholesale improvements to services for vulnerable children. Consequently, at this inspection inspectors found serious shortfalls in some parts of the service, which led to services for children in need of help and protection and for children looked after being judged inadequate”.

Ofsted did note some areas of improvement since the previous inspection, with adoption performance receiving a rating of ‘good’, while Ofsted also commented that children are a top priority for the Council and that significant financial investment has been made in services for children and their families.

As a result of the outcome of the re-inspection, 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 children’s services. John Coughlan, the Chief Executive of Hampshire County Council, was appointed as the commissioner to undertake this review. On 12 July 2018, it was announced that the Department for Education had considered and accepted 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 advisers to support your children’s improvement programme.

Members and senior officer have accepted the shortfalls identified by Ofsted and have acted swiftly to start addressing them. Prior to the inspection, the Council appointed a new director of children’s services and cabinet member. Since then, the Council has made significant changes in the senior management structure of children’s services and made a significant financial investment in the services. As a result, the Council now believes that children’s services have sufficient funding and resources to tackle the issues identified by Ofsted. The Council has also restructured its Improvement Board arrangements for providing oversight and challenge of the improvement plan.

Ofsted’s first post-inspection monitoring visit was undertaken on 3 and 4 July 2018 and focused on children in need. They reported positively in respect of the following:

- from a very low base, the council is making some early progress in improving services for children and young people who are the subject of a child in need plan
- senior leaders have a clear and well-informed understanding of the significant weaknesses in the quality of work with children in need

Key findings

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

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Significant risk

Findings and conclusion

1

Ofsted inspection of children's services

- plans to improve practice are credible and well devised
- senior managers are strongly committed to moving forward at a realistic pace and are determined to achieve rapid and sustainable improvements in children's circumstances and outcomes
- social workers reported an awareness of a developing learning culture and most said that they feel supported and 'heard' through the process of change.
- senior managers have recently undertaken a widespread review of children subject to child in need plans to ensure that children are receiving support at the appropriate level of intervention. In most cases reviewed by inspectors, children were receiving the right level of help based on their needs.

However, Ofsted also noted that further progress was still needed, as follows:

- improvements are in their infancy. There is much more to do before the substantial number of children who are subject to child in need plans all receive support which is effective in helping them to overcome the neglect and poor parenting they experience in their day-to-day lives
- caseloads are too high, which limits the time that social workers have available to spend working directly with children and their families. This, in turn, reduces their ability to build trusting relationships with families that will provide the basis for challenge, support and positive change
- the quality and impact of management oversight and supervision are too variable: managers do not consistently support and assist social workers to evaluate and build an improved understanding of the needs of children. This reduces the progress that children make. Frequent changes of managers in some parts of the service have further impeded improvements
- senior managers are introducing a learning and reflective approach as an integral part of case auditing and quality assurance. While this is a positive new initiative, it is too soon to identify what impact it is having on supervision and practice.

Ofsted's second post-inspection monitoring visit was undertaken on 11 and 12 December 2018 and focused on progress made in respect of the arrangements for supporting children in need of protection. They reported positively in respect of the following:

- leaders have continued to respond purposefully to the critical weaknesses in services for children in need of help and protection
- the senior leadership team continues to maintain a clear focus on how best to improve children's services and have the political support to deliver this. They have an accurate understanding of the extent of the challenge and a realistic improvement plan in place to address this. They are focusing attention on the things that matter most and recognise that their greatest challenge is to stabilise the workforce.

Key findings

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

Significant risk	Findings and conclusion
1 Ofsted inspection of children's services	<p>However, Ofsted also noted that further progress was still needed, as follows:</p> <ul style="list-style-type: none">• leaders' work to tackle quality, performance and capability issues has resulted in a high turnover of staff, in social worker and managerial positions. This has created considerable shortfalls in capacity in some parts of the service, leading to high caseloads. Some children's cases are allocated to managers, and the children are visited by duty social workers, while waiting allocation to a social worker. This makes it difficult for children to build meaningful relationships with social workers• work to strengthen the quality of practice and ensure greater compliance with basic practice standards is beginning to show some early signs of improvement in some parts of the service. There remains too much variability in the quality of assessment, planning and intervention. The impact of this is that some children do not receive the help, protection and support they need. <p>Conclusion</p> <p>The Council is working hard to address the issues raised by Ofsted in its 2018 re-inspection report. The two further monitoring visits performed by Ofsted in 2018 provide evidence that progress is being made, but there is still work to be done.</p> <p>Ofsted's 'inadequate' rating of children's services remains in place and there is not sufficient evidence from Ofsted's two further monitoring visits that the issues raised in their re-inspection report have been fully addressed.</p> <p>We have therefore concluded that the Council does not have adequate arrangements for achieving economy, efficiency and effectiveness in relation to children's services.</p>

Key findings

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

Significant risk	Findings and conclusion
<p>2 Transformation of adult social care services</p> <ul style="list-style-type: none"> You are currently transforming the way that adult social care is delivered in Buckinghamshire through greater health and social care integration and the implementation of your “Better Lives” strategy We have reviewed progress made in implementing the changes to your arrangements. 	<p>Findings</p> <p>In April 2018, the Council launched its ‘Better Lives Strategy’ which aims to help people:</p> <ul style="list-style-type: none"> live independently regain control of their independence live with support but as independently as possible. <p>The Council has developed a Project Management Office function to provide the operational capacity to deliver the strategy. A Programme Plan has also been prepared, which sets out actions for each of the areas of the programme along with a clear timeline for their implementation. To provide oversight over the implementation of the transformation programme, the Council has formed an Adult Social Care Programme Board to meet on a monthly basis provide the overarching governance and decision-making framework for the programme. The Programme Board has a clearly defined remit, which includes providing robust challenge and scrutiny over all elements of the programme, resolving conflicts between the programme and business as usual, and ensuring co-ordination with the delivery 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 the Health and Adult Social Care Select Committee. To support the Transformation Programme, the Council have developed a dashboard aligned to the Quality, Service Improvement Redesign (QSIR) principles that they have implemented across the Council. QSIR has a focus on service improvement and is delivered to a range of health and social care staff. The dashboard includes indicators, which evidence the short and medium-term impact of the programme and is updated and presented at monthly and quarterly meetings to develop a deep understanding of performance, challenges and remedial actions. The transformation programme is well underway, with evidence of service users and staff being consulted on proposed changes to service delivery arrangements. The Council has also performed well against its target for admissions of older people (65+) into residential and nursing care per 100,000 of population during 2018/19.</p> <p>Conclusion</p> <p>The Council has been able to demonstrate that it is making progress in respect of its transformation of adult social care services. We have concluded that the risk has been mitigated and so there is no need for us to consider qualifying our value for money conclusion in respect of the transformation of adult social care services.</p>

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Key findings

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

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Significant risk

3 Funding pressures

- In light of the increasing funding pressures that you face, there is a risk that you will not be able to generate new revenue streams or deliver savings of sufficient scale to maintain a balanced budget over the period covered by the Medium Term Financial Plan
- We have reviewed recent performance against the budget and considered the reasonableness of the assumptions upon which the Medium Term Financial Plan is based.

Findings and conclusion

Findings

A new, unitary council for Buckinghamshire is due to begin formal operation on 1st April 2020. Whilst the current County Council will cease to exist in its current form from 1st April 2020, you are still making plans for 4 years so that the new council begins with the best possible understanding of its future challenges and opportunities. The budget that was prepared by the Council and approved in February 2019 is a four-year budget covering 2019/20 to 2022/23. The four-year budget shows a balanced position throughout this period. However, the scale of the financial challenges faced over the medium term remains challenging. The Council's Revenue Support Grant has now reduced to zero (compared to £41m in 2015/16). The Council has performed well so far in making savings in response to continuing reductions in central government funding. However, delivering additional savings in future will be a continuing challenge.

Council Tax has increased by 2.99% for the County in 2019/20, with a 0% Social Care Precept. There is also an increase in the Council Tax base of 1.28%, which means that Council Tax income will increase by 4.27% between 2018/19 and 2019/20. The Council has lost all top-up grant for 2019/20, which means a loss of income of £27.5m compared to the prior year. However, the increased income from retained business rates provides an additional £32m of income compared to the prior year. Overall, income has increased by £18m from the prior year, which is an increase of 5.3%. The Council's spending plans have increased in line with the rise in its income and the savings it plans to make. The assumptions made in respect of savings plans appear to be prudent. The Children's Social Care budget has increased by 17% from the prior year, while the planned use of reserves has increased by £9m from the prior year (£5m of the increase will come from earmarked reserves and £4m from non-earmarked reserves).

The Council recorded an underspend of £0.2m against its revenue budget in 2018/19. There has continued to be strong pressures on the demand-led budgets for children's social care and health and wellbeing, which overspent. However, the Council were able to make savings in other areas, such as corporate costs, planning and environment and treasury management and capital financing, as well as generating additional funding, in order to deliver the overall underspend.

As a result of the outturn position, the General Fund balance stands at £26.4m as at 31 March 2019, which represents 7.4% of the Council's net budget for 2019/20. This is not a significant level of reserves compared to historic reserves, but the Council's view that they should be sufficient to enable them to withstand any demand-led shocks within the period of its medium-term financial plan is reasonable.

Conclusion

The Council has delivered a balanced budget in 2018/19 and has a medium term financial plan which shows a balanced financial position until 2022/23, though significant challenges remain in respect of demand-led services such as children's services and adult social care. We have concluded that the risk has been mitigated and so there is no need for us to consider qualifying our value for money conclusion in respect of your funding pressures.

Key findings

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

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Significant risk

Findings and conclusion

4

Creation of a unitary authority in Buckinghamshire

- In April 2020, your services and those of the four Buckinghamshire district councils are due to transfer to a new unitary authority. You are working closely with your district council colleagues to prepare for this transition.
- We have reviewed your programme, planning and risk management arrangements that you have put in place to prepare for this transition.

Findings

The Council has been developing detailed programme planning arrangements to manage the transition to the new council in conjunction with the district councils. This planning work was underway in 2018/19 and a Shadow Authority has since been established, which will undertake specific functions associated with the creation of the new council, including setting a 2020/21 budget and council tax for the new council. Three interim officer posts have been created under the Shadow Authority (Head of Paid Service, Chief Finance Officer and Monitoring Officer), which have now been filled. A Shadow Executive was also created at the same time as the Shadow Authority, consisting of the Leader of the County Council, eight members nominated by the County Council and two members nominated by each of the four District Councils. The Shadow Authority and Shadow Executive will be replaced by the cabinet and council for the new council following the planned elections in May 2020.

Beneath the Shadow Executive is the Chief Executives' Implementation Group, and then Boards covering the following service areas:

- Resources
- Communities
- Housing, Growth and Economy
- Adults' Transformation
- Children's Transformation

A programme management office has been established and officers have been appointed to it from across the county and district councils. Work is underway on the supporting processes for the programme, including management of the implementation budget and risk management processes. Some of the initial high-level programme risks that have been identified include:

- recruitment and retention of key staff
- capacity across the five councils
- staff focus and/or motivation and morale during transition period
- engagement and communication with partners and key stakeholder
- failure to understand full statutory/non-statutory responsibilities of merging authorities.

Conclusion

The transfer to the new council is at an early stage, but you have been able to demonstrate progress in key areas. We have not identified any issues which would result in us needing to consider whether we should qualify our value for money conclusion in respect of the creation of a unitary authority in Buckinghamshire.

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 Council. The following non-audit services were identified:

Service	Fees £	Threats	Safeguards
Audit related			
Teachers Pensions certification (in respect of 2017/18)	£7,500	Self-Interest (because this is a recurring fee) Self-review Management	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 £66,066 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 perceived self-review threat is mitigated by the fact that the work is performed after the audit is completed. The perceived management threat is mitigated by the fact that the Council has informed management in place who make their own decisions on whether any changes are to be made to the entries on the return.
Education and Skills Funding Agency certification (in respect of 2017/18)	£4,000	Self-Interest (because this is a recurring fee) Self-review Management	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 £66,066 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 perceived self-review threat is mitigated by the fact that the work is performed after the audit is completed. The perceived management threat is mitigated by the fact that the Council has informed management in place who make their own decisions on whether any changes are to be made to the entries on the return.

Non-audit related

No non-audit related services have been provided to you by Grant Thornton UK LLP for the year ended 31 March 2019.

These services are consistent with the Council's policy on the allotment of non-audit work to your auditors. All services have been approved by the Regulatory and Audit Committee. None of the services provided are subject to contingent fees.

Follow up of prior year recommendations

We identified the following issues in the audit of Buckinghamshire County Council's 2017/18 financial statements, which resulted in 3 recommendations being reported in our 2017/18 Audit Findings report. We have followed up on the implementation of our recommendations and note that management have explained why they are not addressing one of them.

	Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
1	✓	Though you prepared and approved your draft 2017/18 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 2018. This was 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.	The 2018/19 statement of accounts was published in advance of 31 May 2019. The period for the exercise of public rights commenced at 9am on 31 May 2019 and covered the first 10 working days of June.
115 2	X	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 instability and financial misstatements. In our Audit Plan dated 31 May 2018, we reported 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.	We recommended that the "SAP_ALL" profile be reserved for use within an emergency or firefighter type ID that can be locked when not in use, as most day to day administrative activities do not require such wide ranging access as provided by "SAP_ALL". Management have responded that the "SAP_ALL" profile is used for upgrades which require full access to the system. This ensures that when upgrades take place there is no stopping and starting due to authorisations.
3	✓	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 have confirmed that the user type has now been changed to system user and the password deactivated, and that it will only be set to dialog user when it is needed for an upgrade.

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

Our audit is currently underway. Set out below are the misstatements identified during our work to date for which management have agreed to adjust the financial statements.

Detail	Comprehensive Income and Expenditure Statement £'000	Balance sheet £'000	Impact on total net expenditure £'000
119 1 The draft financial statements reported short term investments of £12,070k and available for sale assets of £11,919k, totalling £23,989k. This total figure of £23,989k was overstated by £12,000k. The financial statements are to be adjusted accordingly, with the resulting balance of £11,989k being classified as short term investments. £11,919k of these short term investments were mistakenly classified as available for sale financial assets in the draft financial statements. This category no longer exists following the implementation of IFRS9.	0	12,000	0
2 The draft financial statements reported short term borrowing of £47,945k. This figure was overstated and the financial statements are to be adjusted to report short term borrowing of £35,945k	0	12,000	0

Audit Adjustments

Misclassification and disclosure changes

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

Adjustment type	Value (£'000)	Account balance / Note	Impact on the financial statements	Agreed adjustment?
Disclosure	n/a	General Notes to the Statement of Accounts	The section of the note on 'Assumptions made about the Future and Other Major Sources of Estimation Uncertainty' is to be expanded to disclose the creation of a unitary council in Buckinghamshire, which is a significant future event. We will include an emphasis of matter in our audit report in respect of this item	✓
Disclosure	n/a	General Notes to the Statement of Accounts	The section of the note on 'General Accounting Principles' is to be expanded to reflect the implementation of IFRS15	✓
Disclosure	n/a	General Notes to the Statement of Accounts	The section of the note on 'Critical Judgements in Applying Accounting Policies' includes a disclosure in respect of schools non-current assets. This is to be expanded to make clear what the critical judgement is, rather than simply what the accounting policy is	✓
Disclosure	149,753	Movement in Reserves Statement	Usable reserves at 31 March 2019 are to be amended from £153,781k to £149,753k because the previous figure did not agree to the usable reserves figure on the balance sheet	✓
Misclassification	13,800	Balance sheet	Funds held on behalf of the LEP of £13.8m are to be recorded on the balance sheet as a liability, rather than as one of the Council's usable reserves	✓
Disclosure	919	Cash Flow Statement	In the draft financial statements cash and cash equivalents at the end of the reporting period was reported as £4,179k in the cash flow statement, which did not agree to the cash and cash equivalents figure on the balance sheet of £919k. The cash flow statement is to be revised to record cash and cash equivalents at the end of the reporting period of £919k	✓
Disclosure	Various	Cash Flow Statement	The current year figures for cash receipts of short and long term borrowing and repayments of short and long term borrowing were mistakenly copied from the prior year figures. They are to be adjusted to correct this error	✓
Disclosure	Various	Note 1 – Expenditure and Funding Analysis	The reconciliation at the foot of the table is to be expanded to include the full general fund balance, including earmarked reserves	✓

Audit Adjustments

Adjustment type	Value (£'000)	Account balance / Note	Impact on the financial statements	Agreed adjustment?
Disclosure	Various	Note 2 - Expenditure and Income analysed by Nature	The note is to be expanded to disclose a segmental analysis of depreciation, as required by the CIPFA Code	✓
Disclosure	430,286	Note 7 - Taxation and Grant Income	The note is to be amended in respect of 'Grants held centrally' as the figure which was reported in the draft financial statements did not agree to the Comprehensive Income and Expenditure Statement	✓
118 Disclosure	Various	Note 13 - Pension Schemes Accounted for as Defined Contributions Schemes	The note is to be expanded to disclose the contributions paid into the Teachers Pension Scheme for 2018/19 and the expected contributions to be paid into the scheme for 2019/20	✓
Disclosure	n/a	Note 14 - Defined Benefit Pension Schemes	The disclosure in respect of the salary increase assumption is to be amended from 3.9% to "salaries are assumed to increase at 2.4% per annum until 31 March 2020 and 3.9% per annum thereafter"	✓
Disclosure	36,000,000	Note 14 - Defined Benefit Pension Schemes	In the 'Other defined benefit plan information' section of the note, the expected pension contributions for 2019/20 are to be amended downwards from £36m to £33.3m	✓
Disclosure	Various	Note 21 – Financial Instruments	There is to be additional disclosure of how financial instruments have been reclassified and remeasured following the implementation of IFRS9	✓
Disclosure	12,208	Note 21 – Financial Instruments	The long term loan and receivable in respect of Adult Social Care re-provisioning of £12,208k is to be removed from this note as it does not meet the definition of a financial instrument	✓
Disclosure	Various	Note 21 – Financial Instruments	The CIPFA Code requires that for each class of financial assets and financial liabilities the fair value of that class of assets and liabilities should be disclosed in a way that permits it to be compared with its carrying amount. This disclosure is to be added to the final financial statements	✓

Audit Adjustments

Adjustment type	Value (£'000)	Account balance / Note	Impact on the financial statements	Agreed adjustment?
Disclosure	Various	Note 21 – Financial Instruments	The note is to be expanded to disclose the valuation techniques and inputs used in fair value measurements. This disclosure was not made for those at level 2 in the fair value hierarchy, which are material	✓
Classification	28,748	Note 21 – Financial Instruments	Interest expense of £28,748k was mistakenly classified as 'Financial Assets: Loans and Receivables' in the draft financial statements. It is to be re-classified as 'Financial Liabilities measured at amortised cost'	✓
Disclosure	11,989	Note 21 – Financial Instruments	The note is to be expanded to include greater disclosure in respect of the nature of the short term investments held by the Council	✓
Disclosure	Various	Note 21 – Financial Instruments	The note is to be expanded to include disclosures in respect of the fair values of financial assets and financial liabilities that are not measured at fair value (but for which fair value disclosures are required). These disclosures were included in the 2017/18 financial statements but were mistakenly omitted from the draft 2018/19 financial statements.	✓
Disclosure	15,146	Note 22 - Nature and Extent of Risks Arising from Financial Instruments	In the section on 'liquidity risk', there is to be additional disclosure to explain why the 'less than one year' figure of £15,146k does not agree to short term borrowing on the balance sheet of £35,945k	✓
Disclosure	Various	Note 30 – Leases	'The Council as Lessee - Finance Leases' section of the note is to be amended because the current and prior year figures were misstated. The 'Finance Lease Net Book Value' for 31 March 2018 are to be amended from £9,591k to £6,397k and for 31 March 2019 from £6,397k to £10,248k	✓
Disclosure	n/a	Note 31 – Prior Period Adjustment	The note is to be amended to clarify that it is the unfunded benefits that are the subject of the prior period adjustment, rather than all contributions into the Teachers Pension Scheme	✓

Audit Adjustments

Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2018/19 audit which have not been made within the final set of financial statements. The Regulatory and Audit Committee is required to approve management's proposed treatment of all items recorded within the table below:

Detail	Balance sheet £'000	Impact on total net expenditure £'000	Reason for not adjusting
1 Overstatement of the pension fund net liability in respect of the impact of equalisation of Guaranteed Minimum Pension (GMP) benefits between males and females. The net impact is an overstatement of 0.15% of the gross liability, which we estimate to be £2,352k	2,352	0	Management agree with the approach that their actuary has taken and are of the view that the impact of this issue is not material to the Council. We have satisfied ourselves that there is not a risk of material error as a result of this issue. We also acknowledge the significant uncertainties relating to the estimation of the impact on the Council's liability

Fees

Our fees for the audit and provision of non-audit services, as communicated in the Audit Plan, are set out below. We have yet to determine the final fee for the audit.

Audit Fees

	Proposed fee	Final fee
Council Audit	66,066	TBC
Total audit fees (excluding VAT)	£66,066	TBC

Non Audit Fees

¹²¹ Fees for other services	Fees £'000
Audit related services:	
• Teachers Pensions certification (in respect of 2017/18)	7,500
• Education and Skills Funding Agency certification (in respect of 2017/18)	4,000
	£11,500

Regulatory & Audit Committee

Title:	Pension Fund Accounts for the Year Ended 31 March 2019
Date:	Wednesday 30 July 2019
Author:	Director of Finance & Procurement
Contact officer:	Julie Edwards, Pensions & Investments Manager 01296 383910
Local members affected:	N/A

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

Summary

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

Recommendation

That the Committee considers its response to the matters raised by Grant Thornton in their Audit Findings Report 2018/19 and agrees that the Statement of Accounts for the Pension Fund for the financial year ended 31 March 2019 can be signed by the Chairman of this Committee.

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

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

Resource implications

- 1 There are none arising directly from this report.

Other implications / issues

- 2 The Pension Fund's Unaudited Statement of Accounts were presented to the Pension Fund Committee at its meeting on 30 May 2019 and the Regulatory and

Audit Committee, as part of the Council's overall unaudited Statement of Accounts, on 21 May 2019. At that stage, the audit of the accounts had not commenced.

- 3 Subject to the satisfactory resolution of the normal audit processes, we anticipate that Grant Thornton will provide **an unqualified opinion** on the Pension Fund's financial statements. The Accounts are attached as Appendix 1, the changes since the draft document was presented to this Committee are highlighted in the document. Representatives from Grant Thornton will provide an update on their findings at the meeting as detailed in the draft Audit Findings Report, see Appendix 2. Under the Accounts and Audit Regulations 2015, the Statement of Accounts must be approved by a committee of Members. Once approval has been given, the Chairman of the Committee is required to sign and date the Statement of Accounts.
- 4 Note 18 – Actuarial Present Value of Promised Retirement Benefits has been updated to reflect the increased present value of defined benefit obligation and past service costs arising from the revised actuarial estimate to reflect the McCloud judgment. The Court of Appeal has ruled that there was age discrimination in the judges and firefighters pension schemes where transitional protections were given to scheme members. The Government applied to the Supreme Court for back to tribunal for remedy.

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

Not applicable

Background Papers

None.

Buckinghamshire County Council Pension Fund

Statement of Accounts

For the year ended 31 March 2019

Pension Fund Accounts

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Pension Fund Account for the Year Ended 31 March 2019

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

31 March 2018 £000	Pension Fund Account	Note	31 March 2019 £000
	Dealings with Members, Employers and Others directly Involved in the Fund		
	Income		
(134,066)	Contributions	3	(137,260)
(16,504)	Transfers in from other pension funds	4	(11,349)
(110)	Other income		(163)
(150,680)			(148,772)
	Benefits	5	
85,504	Pensions		90,860
22,700	Commutation of pensions and lump sums		21,210
	Payments to and on Account of Leavers	6	
556	Refunds of contributions		804
14,113	Transfers out to other pension funds		11,736
122,873			124,610
(27,807)	Net Additions from Dealings with Members		(24,162)
19,239	Management expenses	7	16,237
(8,568)	Net (Additions)/Withdrawals including Fund Management Expenses		(7,925)
	Returns on Investments		
(45,448)	Investment income	8	(47,693)
(73,103)	Profits and losses on disposal of investments and changes in the market value of investments	9	(129,727)
554	Taxes on income	16	471
(117,997)	Net Returns on Investments		(176,949)
(126,565)	Net (Increase)/Decrease in the Net Assets Available for Benefits During the Year		(184,874)

Pension Fund Accounts

Net Assets Statement

31 March 2018 £000	Net Assets Statement	Note	31 March 2019 £000
	Investments		
840	Long term investments		840
883,946	Equities - quoted		573,933
352,726	Bonds		428,687
1,239,939	Pooled investment vehicles		1,690,849
204,534	Unit trusts - property		214,243
121,408	Cash deposits		80,693
102	Derivative contracts		(34)
9,504	Investment income		10,489
2,812,999	Net Investments	11	2,999,700
14,293	Current assets	15	21,694
(5,143)	Current liabilities	15	(14,370)
2,822,149	Net Assets of the Fund Available to Fund Benefits at 31 March		3,007,024

Note: The Fund's financial statements do not take account of liabilities to pay pensions and other benefits after the period end. The actuarial present value of promised retirement benefits is disclosed at Note 18.

1 Description of the Fund

Buckinghamshire County Council Pension Fund (the Fund) is part of the Local Government Pension Scheme (LGPS) and is administered by Buckinghamshire County Council. Organisations participating in the Fund include the County Council, Milton Keynes Council, the district and parish Councils of Buckinghamshire, Thames Valley Police, Buckinghamshire Fire and Rescue Service, and other scheduled and admitted bodies. These are listed in Note 21 to these Financial Statements. Teachers, fire fighters and police officers, for whom separate pension schemes apply, are excluded from the Pension Fund.

The purpose of the Pension Fund is to provide defined benefits for employees and their widows, widowers and children, based on pay and past service. The scheme is a career average scheme, whereby members accrue benefits based on their pensionable pay in that year at an accrual rate of 1/49th. Employee contribution bands range from 5.5% to 12.5% of pensionable pay. In April 2014 a 50/50 option was introduced which means members can pay half their contribution rate and build up half the pension benefit whilst retaining full value of other scheme benefits such as death in service lump sum and ill health cover. Accrued pension is revised annually in line with the Consumer Prices Index. Prior to 1 April 2014, pension benefits under the LGPS were based on final pensionable pay and length of pensionable service. More details of benefits provided under the scheme are available on the Council's pension website.

<https://www.buckscc.gov.uk/services/council-and-democracy/local-government-pension-scheme/scheme-members>

The Fund is governed by the Public Service Pensions Act 2013. The fund is administered in accordance with the following secondary legislation:

- the Local Government Pension Scheme Regulations 2013 (as amended)
- the Local Government Pensions Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended)
- the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.

In 2015 the government announced that they wanted the 91 Local Government Pension Scheme funds to pool their investments into larger pools in order to achieve savings in investment management costs. Brunel Pension Partnership Ltd was formed to implement the investment strategies for ten Funds. The founding Funds include The Environment Agency Pension Fund, and the Local Government Funds of Avon, Buckinghamshire, Cornwall, Devon, Dorset, Gloucestershire, Oxfordshire, Somerset and Wiltshire. The company Brunel Pension Partnership Ltd was formed on 14 October 2016. By 31 December 2018 the collective assets of the pool were circa £30 billion.

The objective of pooling assets is to achieve savings over the longer term from both lower investment management costs and more effective management of the investment assets. The pool will look to deliver the savings based upon the collective buying power the collaboration initiative will produce. Local accountability will be maintained as each individual fund will remain responsible for strategic decisions including asset allocation. The pooling of assets will only affect the implementation of the investment strategy in terms of manager appointments. The transition of assets began in July 2018 and by 2021 for the majority of the assets will have transitioned, although illiquid alternative assets such as private equity may need a longer transition timetable. More information and updates can be found on the Brunel Pension Partnership website at: www.brunelpensionpartnership.org

The following summarises the membership of the Fund:

31 March 2018	Membership of the Fund	31 March 2019
24,042	Contributors	24,141
18,548	Pensioners	19,411
27,313	Deferred pensioners	28,991
69,903	Total Membership of the Fund	72,543

Investment Strategy Statement

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

https://www.buckscc.gov.uk/media/4508836/bccpf_iss_may2017.pdf

Further Information

The County Council publishes a separate Annual Report on the Pension Fund, which gives more detailed information, a copy can be viewed on the Council's pension website.

<http://www.buckscc.gov.uk/services/council-and-democracy/local-government-pension-scheme/investment/pension-fund-annual-reports/>

Basis of Preparation

The accounts summarise the Fund's transactions for the 2018/19 financial year and its position at year end as at 31 March 2019. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting (the Code), which is based on International Financial Reporting Standards (IFRS), as amended for the UK public sector.

The accounts summarise the transactions of the Fund and report on the net assets available to pay pension benefits. The accounts do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year. The actuarial present value of promised retirement benefits is disclosed at Note 18 of these accounts.

Pension Fund Accounts

The Pension Fund is administered by Buckinghamshire County Council, but the Fund balances are not included in Buckinghamshire County Council's Consolidated Balance Sheet.

2. Accounting Policies and Critical Judgements in Applying Accounting Policies

Accounting Policies

Accruals of Income and Expenditure

The financial statements are prepared on an accruals basis, unless otherwise stated. That is, income and expenditure are recognised as they are earned or incurred, not as they are received or paid.

Contributions, benefits and investment income are included on an accruals basis. All settlements for buying and selling investments are accrued on the day of trading. Interest on deposits is accrued if not received by the end of the financial year. Investment management expenses are accounted for on an accruals basis. Administrative expenses are accounted for on an accruals basis, staff costs are paid by Buckinghamshire County Council then recharged to the Pension Fund at the year end and group transfers to and from the Fund are accounted for on an accruals basis unless it is too early in the negotiations for an estimate of the value to be available. Where income and expenditure has been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Net Assets Statement. Some additional payments are made to beneficiaries on behalf of certain employers. These payments are subsequently reimbursed by those employers. The figures contained in the accounts are shown exclusive of both payments and reimbursements.

Employers' augmentation contributions and pension strain contributions are accounted for in the period in which the liability arises. Individual transfers in / out are accounted for when received / paid, which is normally when the member liability is accepted or discharged.

Investment Income

Interest income is recognised in the fund account as it accrues, using the effective interest rate of the financial instrument as at the date of acquisition or origination. Income includes the amortisation of any discount or premium, transaction costs (where material) or other differences between the initial carrying amount of the instrument and its amount at maturity calculated on an effective interest rate basis. **Investment** income is recognised on the date the shares are quoted ex-dividend. Any amount not received by the end of the reporting period is disclosed in the net assets statement as **investment income**. Distributions from pooled funds are recognised at the date of issue. Any amount not received by the end of the reporting period is disclosed in the net assets statement as a current financial asset. Changes in the net market value of investments are recognised as income and comprise all realised and unrealised profits / losses during the year.

Benefits Payable

Pensions and lump sum benefits payable include all amounts known to be due as at the end of the financial year. Any amounts due but unpaid are disclosed in the net assets statement as current liabilities.

Management Expenses

All management expenses are accounted for on an accruals basis. Fees of the external investment managers and custodian are agreed in the respective mandates governing their appointments. These are based on the market value of the investments under their management and therefore increase or reduce as the value of these investments change.

In addition, the Fund has negotiated with the following managers that an element of their fee be performance related:

- Global Thematic Partners – global equities
- Investec Asset Management – global equities
- Mirabaud – UK equities

- Royal London Asset Management – bonds
- Schroders – global equities
- Standard Life – UK equities

Financial Instruments

Financial Instruments that are “held for trading” are classified as financial assets and liabilities at fair value through profit or loss when the financial instrument is:

- Acquired or incurred principally for the purpose of selling or repurchasing it in the near term, or
- Part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking, or
- A derivative.

Financial assets and liabilities at fair value through profit or loss are initially recognised at fair value excluding transaction costs and carried at fair value without any deduction for transaction costs that would be incurred on sale or disposal.

Financial instruments have been classified as Loans and Receivables when they have fixed or determinable payments and are not quoted in an active market. Loans and receivables are initially recognised at Fair Value and carried at historic cost as they are all short term.

The value of market quoted investments is determined by the bid market price ruling on the final day of the accounting period. Fixed interest securities are recorded at net market value based on their current yields. Pooled investments in property funds, equity funds, fixed interest funds, private equity funds and hedge fund of funds are valued by the fund manager in accordance with industry guidelines. Note 12 includes commentary on the valuation methods that the Fund’s fund managers use.

Foreign Currency Transactions

Foreign currency transactions are translated into sterling at the exchange rate ruling at the date of transaction. End of year spot market exchange rates are used to value cash balances held in foreign currency bank accounts, market values of overseas investments and purchases and sales outstanding at the end of the reporting period.

Derivatives

The Fund uses derivative financial instruments to manage its exposure to certain risks arising from its investment activities. The Fund does not hold derivatives for speculative purposes. Currently the Fund only holds forward currency contracts. The future value of the forward currency contracts is based on market forward exchange rates at the year end date and determined as the gain or loss that would arise if the outstanding contract were matched at the year end with an equal and opposite contract.

Cash and Cash Equivalents

Cash comprises cash in hand and demand deposits. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to minimal risk of changes in value.

Contingent Assets & Liabilities and Commitments

Contingent liabilities are disclosed by way of a note when there is a possible obligation which may require a payment or a transfer of economic benefits. The timing of the economic transfer and the level of certainty attaching to the event are such that it would be inappropriate to make a provision.

Contingent assets are disclosed by way of a note where inflow or a receipt or an economic benefit is possible and whose existence will be confirmed only by the occurrence or non-occurrence of one or more future events not wholly within the control of the Pension Fund.

Pension Fund Accounts

Commitments are disclosed by way of a note when there is a contractual commitment which may require a payment. The timing of the payment is such that it would be inappropriate to make a provision. Commitments are accounted for at the best estimate of the obligation.

Critical Judgements in Applying Accounting Policies

Pension Fund Liability

The Fund liability is calculated every three years by the appointed actuary, with annual updates in the intervening years. The last such valuation took place as at 31 March 2016, the funding level of the Fund as a whole increased from 82% to 87% between 31 March 2013 and 31 March 2016. The next valuation will take place as at 31 March 2019. The Fund's actuary undertook an interim valuation as at 31 March 2018 which showed that the funding level had increased to 95% and the average required employer contribution would be 21.3% of payroll assuming the deficit is to be paid by 2032. The estimated funding position is based on market movements since 31 March 2016 rather than being a full valuation with updated member data. Following the 31 March 2019 triennial valuation, an updated funding level will be available later this year.

Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities at the year end date and the amounts reported for assets and liabilities at the year end date and the amounts reported for the revenues and expenses during the year. Estimates and assumptions are made taking into account historical experience, current trends and other relevant factors. However, the nature of estimation means that the actual outcomes could differ from the assumptions and estimates.

The items in the net assets statement at 31 March 2019 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
Actuarial present value of promised retirement benefits (Note 18)	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the fund with expert advice about the assumptions to be applied.	The effects on the net pension liability of changes in individual assumptions can be measured. For instance: a 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of £93m a 0.1% increase in assumed earnings inflation would increase the value of liabilities by approximately £8m a one-year increase in assumed life expectancy would increase the liability by approximately £170m.
Private equity fund of funds (Note 12)	Private equity investments are valued at fair value in accordance with <i>International Private Equity and Venture Capital Valuation Guidelines</i> (2012). These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	Private equity investments are valued at £146m in the financial statements. There is a risk that this investment may be under or overstated in the accounts by £22m.

Events After The Reporting Date

Since 31 March 2019, there has been some volatility in the financial markets, there would be an impact on the market value of the fund's investments were they to be valued as at the date these accounts were authorised. These changes are deemed to be non-adjusting post balance sheet events. There have been no events since 31 March 2019, and up to the date when these accounts were authorised, which require any adjustments to these accounts.

Accounting Standards that have been issued but not yet 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. Potentially relevant standards include annual improvements to IFRS standards 2014-2016, IFRIC 22 foreign currency transactions and advance considerations and amendments to IFRS9 financial instruments: prepayment features with negative compensation.

3. Contributions

Contributions relating to wages and salaries paid up to 31 March 2019 have been included in these accounts, there were no augmented employers' contributions received during 2017/18 or 2018/19.

Restated 2017/18 £000	Contributions by Category	2018/19 £000
	Employers' Contributions	
(83,561)	Normal Contributions	(87,302)
(21,056)	Deficit Recovery Contributions	(19,829)
(104,617)	Total Employers' Contributions	(107,131)
(29,449)	Members' Contributions	(30,129)
(134,066)	Total Contributions	(137,260)

The 2017/18 employers' contributions by category have been restated to correct the allocation of the administering authority's normal and deficit contributions.

Original 2017/18 £000	Contributions by Category
	Employers' Contributions
(91,568)	Normal Contributions
(13,049)	Deficit Recovery Contributions
(104,617)	Total Employers' Contributions
(29,449)	Members' Contributions
(134,066)	Total Contributions

2017/18 £000	Contributions by Authority	2018/19 £000
(40,298)	Administering authority	(40,308)
(88,050)	Scheduled bodies	(92,413)
(5,718)	Admitted bodies	(4,539)
(134,066)	Total Contributions	(137,260)

Pension Fund Accounts

4. Transfer Values

2017/18 £000	Transfers in from other pension funds	2018/19 £000
(4,427)	Group transfers	(2,159)
(12,077)	Individual transfers	(9,190)
(16,504)	Total Transfers in from other pension funds	(11,349)

The individual transfer values relate to transfers, which have been received during the financial year i.e. included on a cash basis. On 31 March 2019 there were two outstanding transfer values receivable greater than £50k, for which £196k had not been received. (On 31 March 2018 there were no outstanding transfer values receivable greater than £50k.)

On 31 March 2019 there was one group transfer to the Fund being negotiated with other Funds (3 on the 31 March 2018), the value of the transfers to the Fund is being negotiated between the Funds' actuaries. The income due to the Fund for the transfers has not been accrued since negotiations are at too early a stage for an estimate of the value to be available.

5. Benefits

Benefits include all valid benefit claims notified during the financial year.

2017/18 £000	Benefits Payable by Category	2018/19 £000
85,504	Pensions	90,860
19,951	Commutations of pensions and lump sum retirement benefits	19,321
2,749	Lump sum death benefits	1,889
108,204	Total Benefits	112,070

2017/18 £000	Benefits Payable by Authority	2018/19 £000
37,825	Administering authority	40,227
62,049	Scheduled bodies	63,044
8,330	Admitted bodies	8,799
108,204	Total Benefits	112,070

6. Payments to and on Account of Leavers

2017/18 £000	Payments to and on Account of Leavers	2018/19 £000
439	Refunds to members leaving service	761
117	Payments for members joining the state scheme	43
942	Group transfers to other pension funds	0
13,171	Individual transfers to other pension funds	11,736
14,669	Total Payments to and on Account of Leavers	12,540

The individual transfer values relate to transfers, which have been paid during the financial year i.e. included on a cash basis. On 31 March 2019 there were four outstanding individual transfer values payable greater than £50k, for which £528k had not been paid. On 31 March 2018 there were 4 outstanding individual transfer values payable greater than £50k, for which £439k had not been paid.

On 31 March 2019 there was one group transfer from the Fund being negotiated with other Funds (one on the 31 March 2018); the value of the transfers from the Fund is being negotiated between the Funds' actuaries. The expenditure in respect of the transfer has not been accrued since negotiations are at too early a stage for an estimate of the value to be available.

7. Management Expenses

2017/18	Management Expenses	2018/19
£000		£000
1,840	Administrative costs	2,177
16,623	Investment management expenses	13,501
776	Oversight and governance costs	559
19,239	Total Management Expenses	16,237

The analysis of the cost of managing the Pension Fund during the period has been prepared in accordance with CIPFA guidance. Management expenses have been categorised as administrative costs, investment management expenses and oversight / governance costs. Included in the oversight and governance costs are the external audit fees, £19k in 2018/19 (£25k in 2017/18). Administrative costs increased in 2018/19 due to appointing an external provider to undertake a reconciliation of the Fund's records to HMRC's Guaranteed Minimum Pension records.

Management fees for pooled funds and transaction costs have been included in the investment management expenses. The investment management expenses include £3.03m (£0.775m in the 2017/18 financial year) in respect of performance related fees payable to the fund's investment managers. It also includes £2.621m in respect of transaction costs (£1.697m in the 2017/18 financial year).

8. Investment Income

2017/18	Investment Income	2018/19
£000		£000
(23,781)	Dividends from equities	(23,026)
(13,510)	Income from bonds	(14,315)
(804)	Income from pooled investments	(162)
(6,767)	Income from property unit trusts	(7,420)
(201)	Interest on cash deposits	(903)
(385)	Other	(1,867)
(45,448)	Total Investment Income	(47,693)

9. Investments

All investments are valued on a fair value basis and where there is an active market the bid price is the appropriate quoted market price. The investment accounting information from 13 December 2017 is provided by State Street when they became the Fund's custodian, BNY Mellon provided the investment accounting information to 12

Pension Fund Accounts

December 2017. Realised profit of £324m and unrealised loss of £195m are combined to report an increase in the market value of investments of £129m.

Investments (All values are shown £000)	Value at 31 March 2018 £000	Reclassification of Assets £000	Purchases at Cost £000	Sales Proceeds £000	Realised Profit / (Loss) £000	Unrealised Profit / (Loss) £000	Value at 31 March 2019 £000
Long term investments	840	-	-	-	-	-	840
Equities - quoted	883,946	-	458,840	(822,441)	79,231	(25,643)	573,933
Bonds	352,726	-	194,371	(123,385)	2,349	2,626	428,687
Pooled investment vehicles	1,239,939	-	1,308,442	(922,451)	238,483	(173,564)	1,690,849
Unit trusts - property funds	204,534	-	26,351	(18,923)	4,227	(1,946)	214,243
Derivative contracts	102	-	485	(463)	(22)	(136)	(34)
Cash deposits	121,408	-	-	(44,837)	-	4,122	80,693
	2,803,495	-	1,988,489	(1,932,500)	324,268	(194,541)	2,989,211
Investment income due	9,504						10,489
	2,812,999						2,999,700

During 2017/18 realised profit of £169.689m and unrealised loss of £96.586m combined to report an increase in the market value of investments of £73.103m.

Investments (All values are shown £000)	Value at 31 March 2017 £000	Reclassification of Assets £000	Purchases at Cost £000	Sales Proceeds £000	Realised Profit / (Loss) £000	Unrealised Profit / (Loss) £000	Value at 31 March 2018 £000
Long term investments	0	0	840	0	0	0	840
Equities - quoted	852,632	(214)	672,947	(643,674)	89,550	(87,295)	883,946
Bonds	339,005	0	163,024	(141,800)	3,808	(11,311)	352,726
Pooled investment vehicles	1,204,325	214	180,998	(212,055)	75,522	(9,065)	1,239,939
Unit Trusts - property funds	183,581	-	12,682	(2,826)	201	10,896	204,534
Derivative contracts	385	-	866	(1,473)	608	(284)	102
Cash deposits	87,736	-	-	33,199	-	473	121,408
	2,667,664	-	1,031,357	(968,629)	169,689	(96,586)	2,803,495
Investment income due	7,848						9,504
	2,675,512						2,812,999

Pooled investment vehicles are funds where the Pension Fund is not the named owner of specific investments such as shares or bonds, but owns a proportion of a pooled fund. The Code requires that pooled investments are analysed between unit trusts, unitised insurance policies and other managed funds. The pooled investment vehicles in the tables above are other managed funds. These funds include the following types of investments:

- Equities
- Fixed interest securities
- Index linked securities
- Hedge fund of funds
- Diversified growth funds
- Private equity fund of funds

The change in the fair value of investments during the year comprises all increases and decreases in the fair value of investments held at any time during the year, including profits and losses realised on sales of investments during the year. The Fund's investments in derivatives are not material and therefore further disclosures are not included in the accounts. Indirect costs are incurred through the bid-offer spread on investments within pooled investments.

The Fund does not participate directly in a stock lending programme.

On 31 March 2019 assets which exceed 5% of the total value of the net assets of the Fund are a £226.4m, 7.5%, investment in Legal & General's All Stocks Index-Linked Gilt Fund (£214.5m as at 31 March 2018) and a £767.1m, 25.5%, investment in Brunel Pension Partnership Passive Developed Global Equities portfolio (£0.0m as at 31 March 2018).

IFRS accounting requires that the Fund discloses information on fair value hedges, cash flow hedges and hedges of net investments in foreign operations. The Fund has exposure to hedges through its investments in a hedge fund of funds pooled investment vehicle, and so the hedge disclosure is not applicable to this type of investment.

10. Investment Management Arrangements

Aviva Investors sold its Real Estate Multi Manager (REMM) business to LaSalle Investment Management on 6 November 2018. Fund manager fees have been calculated according to the specific mandate and the associated contract agreement as shown in the following table:

Fund Manager / Mandate		Proportion of Fund			
		31 March 2018		31 March 2019	
		£000	%	£000	%
Investments managed by Brunel Pension Partnership Ltd					
Global Passive Equities		0	0	767,145	26
Infrastructure		0	0	5,883	0
Private Equity		0	0	1,565	0
Investments managed by the Fund					
La Salle / Aviva Investors	Property	211,284	8	221,066	7
BlackRock	Cash / inflation plus	134,944	5	139,122	5
Blackstone Alternative Asset Management	Hedge fund of funds	134,050	5	156,310	5
Global Thematic Partners	Less constrained global equities	197,393	7	0	0
Investec Asset Management	Less constrained global equities	232,988	8	258,633	9
Legal & General Investment Management	Passive index-tracker	786,732	28	444,420	15
Mirabaud Investment Management Limited	UK equities	151,172	5	218	0
Pantheon Private Equity	Private equity	135,818	5	119,040	4
Partners Group	Private equity	29,761	1	24,867	1
Royal London Asset Management	Core plus bonds	378,462	14	464,444	15
Schroders	Less constrained global equities	209,705	7	219,222	7
Aberdeen Standard Investments	Less constrained UK equities	119,862	4	121,985	4
Total		2,722,739	97	2,945,392	98

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11. Analysis of the Value of Investments

31 March 2018	Analysis of the Value of Investments	31 March 2019
£000		£000
840	Long Term Investments	840
	Bonds	
	Fixed Interest Securities	
319	Overseas public sector	0
213,922	UK other	279,600
78,448	Overseas other	86,759
292,689	Total Fixed Interest Securities	366,359
	Index-Linked Securities	
50,934	UK Index-linked securities public sector	51,742
9,103	UK Index-linked securities other	10,586
60,037	Total Index-Linked Securities	62,328
352,726	Total Bonds	428,687
	Equities	
301,919	UK quoted	144,069
582,027	Overseas quoted	429,864
883,946	Total Equities	573,933
	Pooled Investment Vehicles	
10,735	UK Equities	0
358,218	UK Bonds	379,310
436,412	Overseas Equities	864,319
134,940	Overseas Diversified Growth Fund	139,122
134,050	Overseas Hedge Fund of Funds	156,310
0	Overseas Infrastructure	5,883
165,584	Overseas Private Equity	145,909
1,239,939	Total Pooled Investment vehicles	1,690,849
	Other	
204,534	Unit Trusts - property funds	214,243
102	Derivatives	(34)
121,408	Cash deposits – sterling and foreign cash	80,693
9,504	Investment Income	10,489
335,548	Total Other	305,391
2,812,999	Total Value of Investments	2,999,700

12. Financial Instruments

The Net Assets of the Fund disclosed in the Net Assets Statement are made up of the following categories of financial instruments:

31 March 2018			31 March 2019		
Fair value through profit and loss £000	Loans And Receivables £000	Financial Liabilities At amortised cost £000	Fair value through profit and loss £000	Loans And Receivables £000	Financial Liabilities At amortised cost £000
Financial Assets					
840	-	-	840	-	-
883,946	-	-	573,933	-	-
352,726	-	-	428,687	-	-
1,239,939	-	-	1,690,849	-	-
204,534	-	-	214,243	-	-
102	-	-	-	-	-
9,504	-	-	10,489	-	-
-	127,559	-	-	80,693	-
-	6,371	-	-	11,585	-
2,691,591	133,930	-	2,919,041	92,278	-
Financial Liabilities					
-	-	-	(34)	-	-
-	-	(4,190)	-	-	(13,367)
-	-	(4,190)	-	-	(13,367)
2,691,591	133,930	(4,190)	2,919,007	92,278	(13,367)
2,821,331			2,997,918		

Reconciliation to Net Investments in the Net Assets Statement	£000
Net Investments	3,007,024
Less contributions due current assets	(10,109)
Add HMRC current liabilities	1,003
Valuation of Financial Instruments carried at fair value	2,997,918

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

31 March 2018 £000		31 March 2019 £000
Financial Assets		
121,320	Fair value through profit and loss	175,424
1,770	Loans and receivables	2,227
-	Financial liabilities measured at amortised cost	-
Financial Liabilities		
-	Fair value through profit and loss	-
(238)	Loans and receivables	(9,177)

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- Financial liabilities measured at amortised cost	-
122,852 Total	168,474

The code requires that for each class of financial assets and financial liabilities an authority shall disclose the fair value of that class of assets and liabilities in a way that permits it to be compared with its carrying amount. As all investments are disclosed at fair value, carrying value and fair value are therefore the same.

Valuation of Financial Instruments Carried at Fair Value

The valuation of financial instruments has been classified into three levels, according to the quality and reliability of information used to determine fair values.

Level 1: Financial instruments where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities, quoted equities are classified as level 1. Listed investments are shown at bid prices. The bid value of the investment is based on the bid market quotation of the relevant stock exchange.

Level 2: Financial instruments where quoted market prices are not available; for example, where an instrument is traded in a market that is not considered to be active, or where valuation techniques are used to determine fair value and where these techniques use inputs that are based significantly on observable market data. Fixed interest securities are traded in an active market and evaluated prices sourced from a valid pricing vendor.

Level 3: Financial instruments at level 3 are those where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data. Such instruments would include unquoted equity investments and hedge fund of funds, which are valued using various valuation techniques that require significant judgement in determining appropriate assumptions. The values of the investment in private equity are based on valuations provided by the general partners to the private equity fund of funds in which the Fund has invested. These valuations are prepared in accordance with the International Private Equity and Venture Capital Valuation Guidelines, which follow the valuation principles of IFRS. Valuations are audited annually as at 31 December, and the valuations as at 31 March reflect cash flow transactions since 31 December.

The values of the hedge fund of funds are based on the net asset value provided by the fund manager. Assurances over the valuation are gained from the independent audit of the value.

The following table analyses financial instruments, measured at fair value at the end of the reporting period, by the level in the fair value hierarchy into which the fair value measurement is categorised:

Value at 31 March 2019	Quoted Market Price	Using Observable Inputs	With Significant Unobservable Outputs	Total
	Level 1 £000	Level 2 £000	Level 3 £000	
Long term investments	-	-	840	840
Equities - quoted	573,933	-	-	573,933
Bonds	-	428,687	-	428,687
Pooled investment vehicles	-	1,539,057	151,792	1,690,849
Property – unit trusts	-	214,243	-	214,243
Derivatives	-	(34)	-	(34)
Total	573,933	2,181,953	152,632	2,908,518

Cash is not included in the analysis of assets held at fair value since it is held at amortised cost, not fair value.

Reconciliation to Net Investments in the Net Assets Statement	£000
Net Investments	2,999,700
Less Cash deposits	(80,693)
Less investment income	(10,489)
Valuation of Financial Instruments carried at fair value	2,908,518

Value at 31 March 2018	Quoted Market Price	Using Observable Inputs	With Significant Unobservable Outputs	Total
	Level 1 £000	Level 2 £000	Level 3 £000	£000
Long term investments	-	-	840	840
Equities - quoted	883,946	-	-	883,946
Bonds	-	352,726	-	352,726
Pooled investment vehicles	-	1,074,355	165,584	1,239,939
Property – unit trusts	-	204,534	-	204,534
Derivatives	-	102	-	102
Total	883,946	1,631,717	166,424	2,682,087

Sensitivity Analysis of Assets Valued at Level 3

Having analysed historical data and current market trends, the Fund has determined that the valuation methods described above are likely to be accurate within the following ranges, and has set out below the potential impact on the closing value of investments held at 31 March 2019 and 31 March 2018.

	Assessed valuation range (+/-)	Value at 31 March 2019 £000	Value on increase £000	Value on decrease £000
Pooled investment vehicles - infrastructure	15%	5,883	6,765	5,001
Pooled investment vehicles – private equity	15%	145,909	167,795	124,023
Total		151,792	174,560	129,024

	Assessed valuation range (+/-)	Value at 31 March 2018 £000	Value on increase £000	Value on decrease £000
Pooled investment vehicles – private equity	15%	165,584	190,422	140,746
Total		165,584	190,422	140,746

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Reconciliation of Fair Value Measurements Within Level 3

	Value at 31 March 2018 £000	Purchases £000	Sales £000	Realised profit/(loss) £000	Unrealised profit/loss £000	Value at 31 March 2019 £000
Pooled investment vehicles – private equity	165,584	8,853	(37,552)	31,745	(22,721)	145,909
Pooled investment vehicles – infrastructure	0	6,154	0	0	(271)	5,883
Total	165,584	15,007	(37,552)	31,745	(22,992)	151,792

	Value at 31 March 2017 £000	Purchases £000	Sales £000	Realised profit/(loss) £000	Unrealised profit/loss £000	Value at 31 March 2018 £000
Pooled investment vehicles – private equity	207,316	11,987	(66,599)	(5,785)	18,665	165,584
Total	207,316	11,987	(66,599)	(5,785)	18,665	165,584

The Fund's fund managers provided the following commentary on the valuation methods they use:

Blackstone – Fund of Hedge Funds

Blackstone's direct securities and derivative investments made through Blackstone's fund of hedge fund vehicles, such as Securities, Options, Futures are valued using prices quoted on the relevant exchanges. Forward currency contracts are valued at the current forward market prices obtained from brokers. Total return swaps are valued using the last reported public closing price of the underlying index.

Partners Group – Private Equity

Partners Group performs independent valuations of its underlying investments through a fair market valuation process, which is in accordance with International Financial Reporting Standards (IFRS) and United States Generally Accepted Accounting Principles (US GAAP).

Partners Group gathers the valuation-relevant information by systematically screening a broad set of sources for valuation-relevant information about portfolio companies which are held directly or indirectly by Partners Group's programs and mandates. This includes information supplied by the firm's due diligence and monitoring professionals, underlying fund managers and information published in industry journals and/or other publications.

LGIM – Passive Tracker Fund

The method used to value units is the same at every valuation date throughout the year. All holdings of the appropriate Pooled Fund Sections are valued at the close of business valuation point using a recognised pricing service. These values are then adjusted to allow for outstanding dividends, tax payable or recoverable and any relevant expenses (this creates the "Mid Value").

La Salle – Property Fund

La Salle rely on the NAV provided by each fund manager, computed in accordance with appropriate local standards, incorporating independent valuations conducted from suitably qualified external providers. These external NAVs are subject to review by La Salle's Real Estate Multi Manager (REMM) team.

Pantheon – Private Equity

Investments are valued using the most relevant of methods listed below:

- Cost/recent round of financing/price of recent investment where recent transactions may be the most reflective of fair value.
- Comparable Private Company Transactions used for companies with low enterprise value or low EBITDA which means it is not appropriate to use earnings multiples of similar publicly listed companies.
- Earnings/Earnings Multiples /Performance Multiples valuations involve applying a multiple, appropriate to the company being valued, to the earnings of a company. The valuation is described as a function of two variables, price and earnings (The most widely used of the valuation methodologies, especially for buyout or other businesses that have comparable characteristics to companies in the public markets).
- Underlying value of Net Assets.
- Discounted Cash flows (DCF) where there are predictable cash flows visible over a given time horizon.
- Industry Benchmarks are normally based on the assumption that investors are willing to pay for market share, and that profitability of the business in the does not vary greatly.
- Unrestricted Publicly traded securities are valued at the closing public market price on the valuation date.

These methods are consistently applied across all investment types.

BlackRock Institutional Jersey Dynamic Diversified Growth Fund

The above Fund is a sub-fund of the BlackRock Institutional Jersey Funds umbrella which reports under UK SORP and is not exchange-traded. The price is determined daily by the Funds Administrator and will be representative of the Fund's net asset value ("NAV") at each dealing point subject to any spreads applied, where appropriate. The Fund is not subject to any redemption notice periods and can be redeemed at each dealing point, currently on a daily basis.

13. Additional Financial Risk Management Disclosures

The Fund's primary long term risk is that the Fund's assets will fall short of its liabilities (i.e. promised benefits payable to members). Therefore the aim of investment risk management is to minimise the risk of an overall reduction in the value of the Fund and to maximise the opportunity for gains across the whole fund portfolio. The Fund achieves this through asset diversification to reduce exposure to market risk (price risk, currency risk and interest rate risk) and credit risk to an acceptable level. In addition, the Fund manages its liquidity risk to ensure that there is sufficient liquidity to meet the Fund's forecast cash flows. The Pension Fund Committee manages these investment risks as part of its overall Fund risk management programme.

Responsibility for the Fund's risk management strategy rests with the Pension Fund Committee. The Pension Fund Risk Assessment analyses the risks faced by the Council's pensions operations, it is reviewed regularly by the Pension Fund Committee to reflect changes in activity and in market conditions. The analysis below is designed to meet the disclosure requirements of IFRS 7.

Market Risk

Market risk represents the risk that the fair value of a financial instrument will fluctuate because of changes in market prices of equities, commodities, interest rates, foreign exchange rates and credit spreads. This could be as a result of changes in market price, interest rates or currencies. The objective of the Fund's Investment strategy is to manage and control market risk exposure within acceptable parameters, while optimising the return.

In general excessive volatility in market risk is managed through diversification across asset class, investment manager, country, industry sector and individual securities. Each manager is expected to maintain a diversified portfolio within their allocation.

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Market Price Risk

Market price risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting the market in general.

By diversifying investments across asset classes and managers, the Fund aims to reduce the exposure to price risk. Diversification of asset classes seeks to reduce correlation of price movements, whilst the appointment of specialist managers enables the Fund to gain from their investment expertise.

Market Price - Sensitivity Analysis

Whilst the value of the Fund's assets is sensitive to changes in market conditions and the Fund's assets are diversified across fund managers and asset classes to mitigate the risks. The Fund's liability to pay future benefits is equally sensitive, particularly to interest rate changes. In consultation with Mercer, the Fund's investment consultant, the Fund has determined that the following movements in market price risk are reasonably possible for 2019/20. Assuming that all other variables in particular foreign exchange rates and interest rates, if the market price of the Fund's investments does increase/decrease in line with the table below, the change in the market price of net assets available to pay benefits would be as follows.

Asset Type	31 March 2019 £000	Percentage Change %	Value on increase £000	Value on decrease £000
Long term investments	840	20.0	1,008	672
Equities – quoted	573,933	20.0	688,720	459,146
Bonds	428,687	4.2	446,621	410,753
Pooled investment vehicles	1,690,849	17.0	1,940,104	1,441,594
Property - unit trusts	214,243	14.8	245,951	182,535
Derivative contracts	(34)	12.2	(30)	(38)
Cash deposits	80,693	1.0	81,500	79,886
Investment income due	10,489	20.0	12,587	8,391
Total	2,999,700		3,416,461	2,582,939

Following analysis of historical data and expected investment return movement during the financial year, applying a 13.4% movement in market price risk which is reasonably possible for the 2017/18 reporting period, if the market price of the Fund's investments does increase/decrease in line with the table below, the change in the market price of net assets available to pay benefits would be as follows.

Asset Type	31 March 2018 £000	Percentage Change %	Value on increase £000	Value on decrease £000
Long term investments	840	13.4	953	727
Equities – quoted	883,946	13.4	1,002,395	765,497
Bonds	352,726	13.4	399,991	305,461
Pooled investment vehicles	1,239,939	13.4	1,406,091	1,073,787
Property - unit trusts	204,534	13.4	231,942	177,126
Derivative contracts	102	13.4	116	88
Cash deposits	121,408	13.4	137,677	105,139
Investment income due	9,504	13.4	10,778	8,230
Total	2,812,999		3,189,943	2,436,055

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Interest Rate – Sensitivity Analysis

The Pension Fund recognises that interest rates vary and can impact income to the fund and the fair value of the assets, both of which affect the value of the net assets available to pay benefits. The sensitivity of the Fund's investments to changes in interest rates has been analysed by showing the impact of a 1% change, long term average interest rates are expected to move less than 1% from one year to the next. The exposure to interest rate risk for 31 March 2018 has been restated to show the impact of a 1% change on the asset values. This analysis assumes that all other variables, in particular foreign currency exchange rates, remain constant.

31 March 2019	Asset Value	Impact of 1% increase	Impact of 1% decrease
	£000	£000	£000
Exposure to interest rate risk			
Cash and cash equivalents	90,575	90,575	90,575
Fixed interest bonds	366,359	370,023	362,695
Variable rate bonds	62,328	62,328	62,328
Total	519,262	522,926	515,598

Restated 31 March 2018	Asset Value	Impact of 1% increase	Impact of 1% decrease
	£000	£000	£000
Exposure to interest rate risk			
Cash and cash equivalents	124,881	124,881	124,881
Fixed interest bonds	292,689	295,616	289,762
Variable rate bonds	60,037	60,037	60,037
Total	477,607	480,534	474,680

Asset Type	Value	Change for the year in net assets available to pay benefits	
		1%	-1%
	£000	£000	£000
Audited Accounts as at 31 March 2018			
Cash deposits	121,408	-	-
Cash balances (not forming part of the investment assets)	3,473	-	-
Bonds	292,689	2,927	(2,927)
Total	417,570	2,927	(2,927)

The exposure to interest rate risk for 31 March 2018 has been restated to show the impact of a 1% change on the interest receivable.

2018/19	Interest receivable	Impact of 1% increase	Impact of 1% decrease
	£000	£000	£000
Exposure to interest rate risk			
Cash and cash equivalents	903	912	894
Fixed interest bonds	8,721	8,721	8,721
Variable rate bonds	5,595	5,651	5,539
Total	15,219	15,284	15,154

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Restated 2017/18	Interest receivable	Impact of 1% increase	Impact of 1% decrease
	£000	£000	£000
Exposure to interest rate risk			
Cash and cash equivalents	201	203	199
Fixed interest bonds	8,230	8,230	8,230
Variable rate bonds	5,280	5,333	5,227
Total	13,711	13,766	13,656

Income Source	Value	Change for the year on income values	
		1%	-1%
	£000	£000	£000
Audited accounts as at 31 March 2018			
Cash deposits / cash and cash equivalents	201	20	(20)
Bonds	8,230	-	-
Total	8,431	20	(20)

Changes in interest rates do not impact on the value of cash / cash equivalent balances but they will affect the interest income received on those balances. Changes to both the fair value of assets and the income received from investments impact on the net assets available to pay benefits.

Currency Risk

Currency risk represents the risk that the fair value of financial instruments will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency risk on financial instruments that are denominated in any currency other than sterling. When sterling depreciates the sterling value of foreign currency denominated investments will rise and when sterling appreciates the sterling value of foreign currency denominated investments will fall. Over the long term the differences in currencies are likely to balance out and the Fund has chosen not to hedge its currencies, with the exception of the European element of the La Salle property mandate.

Currency Risk – Sensitivity Analysis

The sensitivity of the Fund's investments to changes in foreign currency rates have been analysed using a 9.36% movement in exchange rates in either direction for 31 March 2019. This analysis assumes that all variables, in particular interest rates, remain constant. Based on the composition of the Fund's currency exposure a 9.36% fluctuation in the currency is considered reasonable. A 9.36% weakening or strengthening of Sterling against the various currencies at 31 March 2019 would have increased or decreased the net assets by the amount shown below.

Currency Exposure by Asset Type	31 March 2019	Value on increase	Value on decrease
	£000	£000	£000
		+9.36%	-9.36%
Equities – quoted	439,638	480,788	398,488
Pooled investment vehicles	151,787	165,994	137,580
Property - unit trusts	163	178	148
Cash deposits	40,181	43,942	36,420
Total	631,769	690,902	572,636

The sensitivity of the Fund's investments to changes in foreign currency rates have been analysed using a 9.79% movement in exchange rates in either direction for 31 March 2018. This analysis assumes that all variables, in particular interest rates, remain constant. Based on the composition of the Fund's currency exposure a 9.79%

fluctuation in the currency is considered reasonable. A 9.79% weakening or strengthening of Sterling against the various currencies at 31 March 2018 would have increased or decreased the net assets by the amount shown below.

Currency Exposure by Asset Type	31 March 2018	Value on increase	Value on decrease
	£000	£000	£000
		+9.79%	-9.79%
Equities – quoted	540,358	593,259	487,457
Bonds	7,020	7,707	6,333
Pooled investment vehicles	167,712	184,131	151,293
Property - unit trusts	580	637	523
Cash deposits	98,247	107,865	88,629
Total	813,917	893,599	734,235

One important point to note is that currency movements are not independent of each other. If sterling strengthened generally it may rise against all the above currencies producing losses across all the currencies.

Currency Exposure by Significant Currency

The Fund's most significant currency exposures are to US Dollars and EUROS, using data on currency risk of 9.40% for the US Dollar and 7.99% for the EURO. Weakening or strengthening of Sterling against US Dollars and EUROS at 31 March 2019 would have increased or decreased the net assets by the amounts shown in the following table.

Asset Type	31 March 2019	Percentage Change	Value on increase	Value on decrease
	£000	%	£000	£000
US Dollars	388,278	9.40	424,776	351,780
EUROS	113,438	7.99	122,502	104,374
Total	501,716		547,278	456,154

Weakening or strengthening of Sterling against US Dollars and EUROS at 31 March 2018 would have increased or decreased the net assets by the amounts shown in the following table.

Asset Type	31 March 2018	Percentage Change	Value on increase	Value on decrease
	£000	%	£000	£000
US Dollars	483,474	9.71	530,419	436,529
EUROS	179,210	9.23	195,751	162,669
Total	662,684		726,170	599,198

Credit Risk

Credit risk represents the risk that the counterparty to a transaction or financial instrument will fail to discharge an obligation and cause the Fund to incur a financial loss. The market value of investments generally reflects an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the Fund's financial assets and liabilities. In essence the Fund's entire investment portfolio is exposed to some sort of credit risk. The Fund is exposed to credit risk through its investment managers, custodian and its daily treasury management activities. Credit risk is minimised through the careful selection and monitoring of financial institutions and counterparties. Contractual credit risk is represented by the net payment or receipt that remains outstanding.

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A source of credit risk is the cash balances held internally or by managers. The Pension Fund's bank account is held at Lloyds, which holds an "A" long term credit rating. The management of the cash held in this account is managed by the Council's Treasury Management Team in line with the Council's Treasury Management Strategy which sets out the permitted counterparties and limits. The value of the Fund invested by the Treasury Management Team at 31 March 2019 was £0.691m in an instant access Lloyds account. (On 31 March 2018 £1.186m was invested in an instant access Lloyds account.) Cash held by investment managers is invested with the global custodian, State Street, in a diversified money market fund rated AAAM.

Liquidity Risk

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

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

31 March 2018		31 March 2019
£000		£000
211,284	Aviva	0
134,050	Blackstone	156,310
0	Brunel Infrastructure	5,883
0	Brunel Private Equity	1,565
0	La Salle	221,066
135,818	Pantheon Private Equity	119,040
29,761	Partners Group	24,867
567	Hg Capital	588
511,480		529,319

14. Related Parties

The Buckinghamshire County Council Pension Fund is administered by Buckinghamshire County Council and therefore there is a strong relationship between the Council and the Pension Fund.

The County Council was reimbursed £2.2m (£2.1m in the 2017/18 year) for oversight & governance costs and administration costs incurred by the County Council on behalf of the Pension Fund. The County Council is also the single largest employer of members of the Pension Fund and contributed £40.3m to the Fund in 2018/19 (£40.3m in the 2017/18 year).

The Pension Fund's surplus cash held for day to day cash flow purposes is invested on the money markets by the Buckinghamshire County Council's treasury management team, through a service level agreement. During the year to 31 March 2019, the Fund had an average investment balance of £7.7m (£7.2m in the 2017/18 year), earning interest of £55k (£30k in the 2017/18 year).

Membership of the Local Government Pension Scheme (LGPS) for Councillors closed to new members on 31 March 2014, councillors who were active members ceased to be a member at the next end of term of office. There is one member of the Pension Fund Committee who is a deferred member of the Fund. There are no members of the Pension Fund Committee who are pensioner members of the Fund on 31 March 2019 (on 31 March 2018 no

pensioner or deferred members). The Director of Finance and Procurement (s151 Officer), holds a key position in the financial management of the Fund and is an active member. He is an employee of Buckinghamshire County Council for whom a portion of his costs of employment are re-charged to the Fund. Disclosure of his pay costs can be found within the officer remuneration note in the main Buckinghamshire County Council accounts.

The Pension Fund has transactions with Brunel Pension Partnership Ltd (BPP Ltd) (Company number 10429110) which was formed on 14 October 2016 and will oversee the investment of pension fund assets for ten Funds. The founding Funds include The Environment Agency Pension Fund, and the Local Government Funds of Avon, Buckinghamshire, Cornwall, Devon, Dorset, Gloucestershire, Oxfordshire, Somerset and Wiltshire. Each of the 10 organisations, including Buckinghamshire County Council own 10% of BPP Ltd. During the year to 31 March 2019 BPP Ltd provided services costing £835k (£840k in the year to 31 March 2018).

15. Current Assets and Liabilities

31 March 2018	Current Assets and Liabilities	31 March 2019
£000		£000
	Current Assets	
7,922	Contributions due from employers 31 March	10,109
3,473	Cash balances (not forming part of the investment assets)	9,882
2,898	Other current assets	1,703
14,293	Total Current Assets	21,694
	Current Liabilities	
(2,091)	Management charges	(1,170)
(953)	HM Revenue and Customs	(1,003)
(511)	Unpaid benefits	(692)
(1,588)	Other current liabilities	(11,505)
(5,143)	Total Current Liabilities	(14,370)
9,150	Net Current Assets	7,324

16. Taxes on Income

2017/18	Taxes on Income	2018/19
£000		£000
-	Withholding tax - fixed interest securities	-
554	Withholding tax - equities	471
554	Total Taxes on Income	471

The Fund retains the following taxation status:

- VAT input tax is recoverable on all fund activities by virtue of Buckinghamshire County Council being the administering authority.
- The fund is an exempt approved fund under the Finance Act 2004 and is therefore not liable to UK income tax or capital gains tax.
- Income earned from investments overseas in certain countries is subject to withholding tax, unless an exemption is available.

17. Actuarial Position of the Fund

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

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

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

The main assumptions used in the valuation were:

Future assumed returns

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

Financial assumptions

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

The demographic assumptions are the same as those used by the Government Actuary's Department when LGPS reforms were designed and are based on analysis of incidence of death, retirement and withdrawal for Local Authority Funds.

The Fund's actuary undertook an interim valuation as at 31 March 2019 which showed that the funding level had increased to 95% and the average required employer contribution would be 21.3% of payroll assuming the deficit is to be paid by 2032. The estimated funding position is based on market movements since 31 March 2016 rather than being a full valuation with updated member data. Following the 31 March 2019 triennial valuation, an updated funding level will be available later this year.

18. Actuarial Present Value of Promised Retirement Benefits

International Financial Reporting Standards (IFRS) requires the disclosure of the actuarial present value of promised retirement benefits. The Fund's Actuary has prepared a report which rolls forward the value of the Employers' liabilities calculated for the Triennial valuation as at 31 March 2016. On an IAS 19 basis the Actuary estimates that the net liability as at 31 March 2019 is £1,792m (31 March 2018 £1,794m), but figures calculated on an IAS 19 basis are not relevant for calculations undertaken for funding purposes or for other statutory purposes undertaken under UK pensions legislation. The Fund accounts do not take account of liabilities to pay pensions and other benefits in the future.

For the Triennial Valuation the actuary asks the question – what is the value of the assets required based on existing investment strategy to be sufficient to meet future liabilities? For IAS 19 valuations, however, the actuary asks the question – how much would need to be borrowed on the corporate bond market to meet future liabilities?

The expected returns on the assets actually held will be different from borrowing costs, and so different amounts are required. This manifests itself in different discount rates being used in each type of valuation, and so different values are placed on the same liabilities.

31 March 2018		31 March 2019
£000		£000
4,605,799	Present value of funded obligation	4,791,251
(2,812,158)	Fair value of scheme assets	(2,998,856)
1,793,641	Net Liability	1,792,395

The Present Value of Funded Obligation consists of £4,628m (£4,470m at 31 March 2018) in respect of Vested Obligation and £163m (£136m at 31 March 2018) in respect of Non-Vested Obligation. Vested benefits are the benefits that employees have a right to receive even if they do not render services to the employer. In other words, the employees will receive their vested benefits even if they stop working for the employer. Thus, non-vested benefits are the benefits an employee can receive in the future if he or she continues providing services to the employer. The liabilities above are calculated on an IAS19 basis and therefore differ from the results of the triennial funding valuation (see Note 17) because IAS19 stipulates a discount rate rather than a rate that reflects market rates. The main assumptions used were:

31 March 2018		31 March 2019
3.3%	RPI increases	3.4%
2.3%	CPI increases	2.4%
3.8%	Salary increases	3.9%
2.3%	Pension increases	2.4%
2.6%	Discount rate	2.4%

These assumptions are set with reference to market conditions at 31 March. The Actuary's estimate of the duration of the Fund's past service liabilities is 20 years. An estimate of the Fund's future cashflows is made using notional cashflows based on the estimated duration above. These estimated cashflows are then used to derive a Single Equivalent Discount Rate (SEDR). The discount rate derived is such that the net present value of the notional cashflows, discounted at this single rate, equates to the net present value of the cashflows, discounted using the annualised Merrill Lynch AA rated corporate bond yield curve (where the spot curve is assumed to be flat beyond the 30 year point). This is consistent with the approach used at the previous accounting date.

Similarly to the approach used to derive the discount rate, the Retail Prices Index (RPI) increase assumption is set using a Single Equivalent Inflation Rate (SEIR) approach, using the notional cashflows described above. The single

Pension Fund Accounts

inflation rate derived is that which gives the same net present value of the cashflows, discounted using the annualised Merrill Lynch AA rated corporate bond yield curve, as applying the BoE implied inflation curve. As above, the Merrill Lynch AA rated corporate bond yield spot curve is assumed to be flat beyond the 30 year point and the BoE implied inflation spot curve is assumed to be flat beyond the 40 year point. This is consistent with the approach used at the previous accounting date. As future pension increases are expected to be based on CPI rather than RPI, the Actuary has made a further assumption about CPI which is that it will be 1.0% below RPI i.e. 2.4%.

Salaries are assumed to increase at 1.5% above CPI in addition to a promotional scale. However, the Actuary has allowed for a short term overlay from 31 March 2016 to 31 March 2020 for salaries to rise in line with CPI. **The liabilities include an allowance for the Court of Appeal judgement in relation to the McCloud & Sargeant cases which related to age discrimination within the Judicial & Fire Pension schemes respectively.**

Demographic/Statistical assumptions

The actuary has adopted a set of demographic assumptions that are consistent with those used for the most recent Fund valuation, which was carried out as at 31 March 2016. The post retirement mortality tables adopted are the S2PA tables with a multiplier of 85%. These base tables are then projected using the CMI 2015 Model, allowing for a long-term rate of improvement of 1.5% p.a. The assumed life expectations from age 65 are:

Life expectancy from age 65 (years)	31 March 2018	31 March 2019
Retiring today		
Males	24.0	22.9
Females	26.1	24.8
Retiring in 20 years		
Males	26.2	24.6
Females	28.4	26.6

The actuary also assumed that:

- Members will exchange half of their commutable pension for cash at retirement;
- Members will retire at one retirement age for all tranches of benefit, which will be the pension weighted average tranche retirement age; and
- The proportion of the membership that had taken up the 50:50 option at the previous valuation date will remain the same.

19. Contingent Liabilities and Contractual Commitments

Outstanding contractual commitments at 31 March 2019 relate to outstanding call payments due on unquoted limited partnership funds held in the private equity, resources, global real estate and infrastructure parts of the portfolio. The amounts "called" by the funds are irregular in both size and timing over several years from the date of each original commitment. The undrawn amount, the outstanding commitment, for each of these contracts is shown in the table below:

Outstanding Capital Commitments

	31 March 2018	31 March 2019
	£000	£000
Brunel Infrastructure	0	68,846
Brunel Private Equity	0	73,570
Pantheon Asia Fund V LP	1,466	715
Pantheon Asia Fund VI LP	8,352	6,369
Pantheon USA Fund VII Limited	1,148	1,244
Pantheon USA Fund VIII Feeder LP	6,024	5,803
Pantheon Global Secondary Fund IV Feeder LP	3,572	3,465

Partners Group Global Resources 2009, LP	3,020	3,271
Pantheon Europe Fund V "A" LP	999	982
Pantheon Europe Fund VI LP	4,721	3,578
Partners Group Global Real Estate 2008 SICAR	1,754	1,722
Partners Group Global Infrastructure 2009 SICAR	2,764	2,715
	33,820	172,280

On 31 March 2019 there was one group transfer to the Fund being negotiated with other Funds (3 on the 31 March 2018), the value of the transfers to the Fund is being negotiated between the Funds' actuaries. The income due to the Fund for the transfers has not been accrued since negotiations are at too early a stage for an estimate of the value to be available. On 31 March 2019 there was one group transfer from the Fund being negotiated with other Funds (one on the 31 March 2018), the value of the transfers from the Fund is being negotiated between the Funds' actuaries. The expenditure in respect of the transfers has not been accrued since negotiations are at too early a stage for an estimate of the value to be available.

20. Additional Voluntary Contributions (AVCs)

AVC providers secure additional benefits on a money purchase basis for those members electing to pay additional voluntary contributions. The AVC providers to the Fund are Prudential and Scottish Widows, Scottish Widows replaced Clerical Medical on 7 May 2017. Prudential invests in several funds including with profits accumulation, deposit and discretionary funds. Scottish Widows invests in a range of funds to suit Scheme members' changing lifestyles. These amounts are not included in the Pension Fund Net Assets Statement in accordance with regulation 5(2)c of the Pension Scheme (Management and Investment of Funds) Regulations 1998 (SI 1998 No 1831).

2017/18	Prudential	2018/19
		£000
4,035	Value of AVC fund at beginning of year	3,869
91	Correction opening value	860
570	Employees' contributions and transfers in	543
242	Investment income	79
(1,069)	Benefits paid and transfers out	(611)
3,869	Value of AVC fund at year end	4,740
07.05.2017 - 31.03.2018	Scottish Widows	2018/19
		£000
3,378	Value of AVC fund at beginning of year	3,321
0	Correction opening value	(437)
141	Employees' contributions	119
400	Investment income	(46)
(598)	Benefits paid and transfers out	(119)
3,321	Value of AVC fund	2,838

21. List of Scheduled and Admitted Bodies

Scheduled Bodies

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

Chiltern Hills Academy	Oakgrove School
Chiltern Way Academy	Olney Infant School
Cottesloe School	Olney Middle Academy
Danesfield School	Orchard Academy
Denbigh School	Ousedale School
Denham Green E-Act Academy	Overstone Combined School
Dorney School	Oxford Diocesan Bucks School Trust (MAT)
Dr Challoner's Grammar School	Oxley Park Academy
Dr Challoner's High School	Padbury CofE School
E-Act Burnham Park Academy	Portfields Combined School
EMLC Academy Trust	Princes Risborough Primary School
Fairfields Primary School	Princes Risborough School
George Grenville Academy	Rickley Park Primary School
Germander Park School	Royal Grammar School
Gerrards Cross CoE School	Royal Latin School
Glastonbury Thorn First School	St John's CofE Combined School
Great Horwood CofE Combined School	St Nicolas' CE Combined School Taplow
Great Kimble CoE School	St Paul's RC School
Great Kingshill CoE Combined School	Seer Green CofE School
Great Marlow School	Shenley Brook End School
Great Missenden CoE Combined School	Shepherdswell School
Green Park School	Sir Henry Floyd Grammar School
Green Ridge Academy	Sir Herbert Leon Academy
Hamilton Academy	Sir Thomas Fremantle Academy
Heronsgate School	Sir William Borlase's Grammar School
Heronshaw School	Sir William Ramsay School
Holmer Green Senior School	Southwood Middle School
Ickford School	Stanton School
Inspiring Futures Through Learning	Stantonbury Campus
Ivingswood Academy	Stephenson Academy
John Colet School	The Beaconsfield School
John Hampden Grammar School	The Bridge Academy
Jubilee Wood Primary School	The Hazeley Academy
Kents Hill Park School	The Highcrest Academy
Kents Hill School	The Misbourne School
Khalsa Secondary Academy	The Premier Academy
Kingsbridge Education Trust (MAT)	The Radcliffe School
Knowles Primary School	Thomas Harding Junior School
Lace Hill Academy	Two Mile Ash School
Lent Rise Combined School	Waddesdon CoE School
Longwick CofE Combined School	Walton High
Lord Grey Academy	Water Hall Primary School
Loudwater Combined School	Waterside Combined School
Loughton School	Whitehouse Primary School
Middleton Primary School	Wooburn Green Primary Academy
Milton Keynes Academy	Wycombe High School
Milton Keynes College	Wyvern School
Milton Keynes Development Partnership	
Milton Keynes Education Trust	Election Fees:
Monkston Primary Academy	Aylesbury Vale Local
New Bradwell School	South Bucks Local
New Chapter Primary School	

Admitted Bodies

Acorn Childcare
Action for Children
Action for Children (Children's Centres)
Adventure Learning Foundation (BCC)
Ambassador Theatre Group
Ashridge Security Management
Aspens Services Ltd
Avalon Cleaning Services (Langland School)
Buckinghamshire Music Trust
Bucks Association of Local Councils
Bucks County Museum Trust
Busy Bee Cleaning Services Ltd (WDC)
C-SALT (Woughton Leisure Centre)
Capita (WDC)
Caterlink Ltd (Buckingham Primary)
Caterlink Ltd (Chiltern Hills Academy)
Chartwells Ltd (Oakgrove School)
Chiltern Rangers CIC
Cleantec Services Limited (MK Academy)
Cleantec Services Limited (Oakgrove School)
Connexions Buckinghamshire
Cucina Restaurants Ltd (Denbigh School)
Cucina Restaurants Ltd (Walton High)
Derwent Facilities Management Ltd
Excelcare
Fujitsu Services Limited
Hayward Services Ltd (Downley School)
Hayward Services Ltd (John Colet)
Heritage Care
Hightown Housing Association Ltd
Innovate Ltd
Kids Play Ltd
Manpower Direct Ltd
Mears Group plc
Mercury Infrastructure Limited
NSL Services Group
Nurture Landscapes (MKC)
Oxfordshire Health NHS Foundation Trust
Paradigm Housing Association
Places for People Leisure (Newport Pagnell TC)
Places for People Leisure (WDC)
Police Superintendents Association Limited
Red Kite Community Housing Ltd
Ridge Crest Cleaning Ltd (Shenley Brook End)
Ridge Crest Cleaning Ltd (Walton High)
Ringway Infrastructure Services
Ringway Jacobs
Serco (MKC)
Serco (MKC Recreation & Maintenance)
Sports Leisure Management
Spurgeons
The Fremantle Trust
Vale of Aylesbury Housing Trust
Wolverton & Watling Way Pools Trust
Wycombe Heritage and Arts Trust

The Audit Findings for Buckinghamshire Pension Fund

Year ended 31 March 2019

July 2019



Contents



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Appendices

- A. Action plan
- B. Follow up of prior year recommendations
- C. Audit adjustments

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.

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Headlines

This table summarises the key findings and other matters 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 2019 for those charged with governance.

<p>Financial Statements</p>	<p>Under International Standards of Audit (UK) (ISAs) and 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:</p> <ul style="list-style-type: none"> • 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/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014. 	<p>We planned to complete our audit by 31 July 2019, but this may not prove to be possible. There are several reasons for this, which are as follows:</p> <ul style="list-style-type: none"> • The 'Significant findings – other issues' section of this report sets out the additional work we have had to perform in respect of the McCloud court case. The work on this matter has impacted on the progress of a number of areas of the audit, due to the additional time commitment required. This matter was outside the control of the Pension Fund and the court case was only finalised in June, after the accounts had been submitted for audit • The additional work arising from this specialist pensions work has increased our total workload. We have sought to avoid this impacting on the quality of the audit by retaining our use of specialist public sector audit individuals, rather than expanding the team to use non-specialists. Whilst we have sought to contain and absorb the additional work as much as possible, we also want to avoid untenable pressures on our auditors as well as your finance team <p>Our current findings are summarised on pages 4 to 8. We have currently identified no adjustments to the financial statements that affect the Pension Fund's reported financial position. Audit adjustments are detailed in Appendix C. We have also raised recommendations for management in Appendix A and detailed the follow up to our prior year recommendation in Appendix B. We will need to provide you with an updated version of this document when our audit is substantially complete. We will provide the Pension Fund with a draft audit report opinion in this updated version.</p> <p>There are currently no matters of which we are aware that would require modification of our audit opinion or material changes to the financial statements, subject to the following outstanding matters;</p> <ul style="list-style-type: none"> - completion of our review of the updated actuarial disclosures; - completion of testing of level 3 investments; - receipt of the management representation letter; - evaluating the existence of any subsequent events up to the date of our opinion; - review of the Pension Fund Annual Report; and - review of the final set of financial statements.
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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 management.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK) and the Code, 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 the Pension Fund's member data system; and
- Substantive testing of significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks

We have not had to alter or change our audit plan, as communicated to you in March 2019, other than to identify an additional risk in relation to the transfer of assets to the Brunel Pension Partnership during the year. Further details can be found on page 5.

Conclusion

Our audit of your financial statements is in progress. This report contains all our findings to date which we need to report to you. We will need to provide you with an updated version of this document when our audit is substantially complete. We do not anticipate issuing our audit opinion before 31 July 2019.

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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.

Materiality calculations since those communicated in our Audit Plan have been updated to reflect the increase in value of the net assets of the Pension Fund since 31 March 2018 and the updated materiality amounts are stated right.

	Amount (£m)
Materiality for the financial statements	30.1
Performance materiality	22.6
Trivial matters	1.5

Significant findings – audit risks

	Risks identified in our Audit Plan	Auditor commentary
161	<p>1 The revenue cycle includes fraudulent transactions (rebutted)</p>	<p>As communicated in our Audit Plan, we have rebutted this risk. We have made no changes to this assessment.</p>
	<p>2 Management override of controls</p>	<p>We have:</p> <ul style="list-style-type: none"> evaluated the design effectiveness of management controls over journals analysed the journals listing and determined the criteria for selecting high risk unusual journals tested unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration gained an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness with regard to corroborative evidence evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions <p>We raised one recommendation in relation to journals authorisation and further details can be found in Appendix A. Other than this recommendation, our audit work has not identified any issues in respect of management override of controls.</p>
	<p>3 Valuation of Level 3 investments</p>	<p>We have:</p> <ul style="list-style-type: none"> evaluated management's processes for valuing Level 3 investments 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; to ensure that the requirements of the Code are met for a sample of investments, tested the valuation by obtaining and reviewing the audited accounts, (where available) at the latest date for individual investments and agreed these to the fund manager reports at that date. We reconciled those values to the values at 31 March 2019 with reference to known movements in the intervening period <p>Subject to completion of our testing as set out on page 3, our audit work has not identified any issues in respect of the valuation of Level 3 investments.</p>
	<p>4 Transfer of assets to Brunel Pension Partnership (BPP) The Fund transferred £767.1m to BPP during the year. As a numerically significant and unusual transaction, there is a risk that the transfer of assets is made incompletely or inaccurately.</p>	<p>We have:</p> <ul style="list-style-type: none"> evaluated management's processes for transferring assets to BPP tested the reconciliation used by management to confirm that the assets were transferred completely and accurately <p>Our audit work has not identified any issues in respect of the transfer of assets to BPP.</p>

Significant findings - 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 concluded that the use of the going concern basis is appropriate for the Pension Fund and that they have not identified events or conditions that, individually or collectively, may cast significant doubt on the Pension Fund's ability to continue as a going concern
- Management have supported their assessment by reference to the Pension Fund engaging in new business relationships, such as the ongoing agreements with Brunel Pension Partnership.

Work performed

Auditor commentary



- We considered the appropriateness of management's use of the going concern basis in preparing the financial statements
- We assessed whether there were any events or conditions present that may cast significant doubt on the Pension Fund's ability to continue as a going concern
- We evaluated the adequacy of disclosures in the financial statements relating to going concern.

Concluding comments





Auditor commentary

- We have not identified any reasons to modify our audit opinion as a result of our procedures over going concern.

Significant findings – key judgements and estimates

	Summary of management's policy	Audit Comments	Assessment
Level 3 investments	The Pension Fund has investments in private equity and infrastructure that in total are valued in the net assets statement as at 31 March 2019 at £152.8m. These investments are not traded on an open exchange/market and the valuation of the investment is highly subjective due to a lack of observable inputs. In order to determine the value, management use fund managers to determine valuations using recognised techniques for the particular investment type (private equity and infrastructure). The value of the investment has decreased by £13.6m in 2018/19, due mainly to transfer of assets to BPP and calls and distributions on these investments during the year.	<p>Our assessment of the estimate comprised:</p> <ul style="list-style-type: none"> Evaluating the audit opinion relating to the funds within which the investments are held Testing the key assumptions used to determine the estimate The appropriateness of the underlying information and techniques used to determine the estimate Adequacy of disclosure of the estimate in the financial statements <p>We are still completing our work in this area.</p>	 TBC
Level 2 investments	The Pension Fund have investments in a range of bonds, pooled investment vehicles and property unit trusts that in total are valued in the net assets statement as at 31 March 2019 at £2,181.8m. The investments are not traded on an open exchange/market and the valuation of the investment is subjective. In order to determine the value, management use fund managers to determine valuations using recognised pricing techniques (such as for the equities and bonds held within pooled investment vehicles) and where appropriate use qualified external providers (for property unit trusts). The value of the investment has increased by £550.1m in 2018/19, predominantly due to the transfer of assets to BPP, where the assets are predominantly held as pooled investment vehicles.	<p>Our assessment of the estimate comprised:</p> <ul style="list-style-type: none"> The controls employed by the fund managers engaged by management to determine the valuation of these investments Agreeing investment unit prices or valuations to reports from the custodian and fund managers The appropriateness of the underlying information and techniques used to determine the estimate Adequacy of disclosure of the estimate in the financial statements 	 Green

Assessment

-  We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
-  We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
-  We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
-  We consider management's process and key assumptions to be reasonable

Significant findings – other issues

Issue	Commentary	Auditor view
<p>Potential impact of the McCloud judgement</p> <p>The Court of Appeal has ruled that there was age discrimination in the judges and firefighters pension schemes where transitional protections were given to scheme members.</p> <p>The Government applied to the Supreme Court for permission to appeal this ruling, but this permission to appeal was unsuccessful. The case will now be remitted back to employment tribunal for remedy.</p> <p>The legal ruling around age discrimination (McCloud - Court of Appeal) has implications not just for pension funds but also for other pension schemes where they have implemented transitional arrangements on changing benefits.</p>	<p>Discussion is ongoing in the sector regarding the potential impact of the ruling on the financial statements of Local Government bodies.</p> <p>The Pension Fund has obtained an estimate from its actuary of the potential impact of the McCloud ruling. The actuary's estimate was of a possible increase in each of pension liabilities and past service costs of £38.8m.</p> <p>Management's view is that the impact of this change is material. The Pension Fund has now received the updated IAS 26 Report from its actuary and is incorporating the revised actuarial valuation into its 2018-19 financial statements.</p>	<p>We are currently finalising our procedures to assess the approach used by the Pension Fund's actuary and the assumptions used and we will conclude in our updated report on the reasonableness of the approach taken to arrive at this estimate on completion of our work in this area.</p> <p>Given the change in liability resulting from the McCloud judgement management has agreed to process the adjustments of £38.8m based on the updated IAS 26 report. We consider this an appropriate adjustment to the Pension Fund's financial statements.</p> <p>We have included this as an adjusted item at Appendix C.</p>

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	<ul style="list-style-type: none"> We have previously discussed the risk of fraud with the Regulatory and Audit Committee. 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	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> A letter of representation has been requested from the Pension Fund, which is included in the Regulatory and Audit Committee papers.
5	Confirmation requests from third parties	<ul style="list-style-type: none"> We requested from management permission to send confirmation requests to the Pension Fund's custodian, fund managers and bank. This permission was granted and the requests were sent. All of these requests were returned with positive confirmation.
6	Disclosures	<ul style="list-style-type: none"> Our review found no material omissions in the financial statements.
7	Matters on which we report by exception	<ul style="list-style-type: none"> 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 are currently reviewing the Annual Report and will issue our 'consistency' opinion on the Pension Fund Annual Report on completing this work. As such, we have not given this separate opinion at this time and are unable to certify completion of the audit of the Pension Fund administering authority until this work has been completed.

Independence, ethics and fees

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.

Audit and Non-audit related services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Pension Fund. The following non-audit services were identified, as well as the threats to our independence and safeguards that have been applied to mitigate these threats.

	Fees £	Threats identified	Safeguards
Non-audit related			
IAS 19 procedures for other bodies admitted to the pension fund	TBC	Self interest	Fees are insignificant when compared to the audit fee.

Audit Fees

We confirm below our final fees charged for the audit and confirm there were no fees for the provision of non-audit services. The fees reconcile to the financial statements.

	Proposed fee	Final fee
Pension Fund Audit	£19,275	TBC
Total audit fees (excluding VAT)	£19,275	TBC

Action plan

We have currently identified three recommendations for the Pension Fund 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 2019/20 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	●	<ul style="list-style-type: none"> Our journals testing identified a number of journals that did not contain any evidence of authorisation before posting. It is our understanding of the Pension Fund's policy that journals of those types should be subject to separate authorisation but that as a result of the lower volume of transactions and fewer members of staff who can post journal entries as compared to the County Council, this policy is not always followed in practice. 	<ul style="list-style-type: none"> Journals for the Pension Fund should be authorised in accordance with the relevant internal policy or that policy amended for the purposes of the Pension Fund. <p>Management response</p> <ul style="list-style-type: none"> TBC
167 2	●	<ul style="list-style-type: none"> As part of our testing of investments we considered management's quarterly reconciliation of investment valuations and noted that a number of differences had been identified that were not followed up with the custodian until year end. It would be more efficient for these differences to be followed up at the time they arise so that any corrections can be made promptly. 	<ul style="list-style-type: none"> Any differences identified from the custodian's quarterly reconciliation should be followed up in a more timely way. <p>Management response</p> <ul style="list-style-type: none"> TBC
3	●	<ul style="list-style-type: none"> Management's reconciliation of the pension fund bank account contains uncleared miscellaneous items totalling approximately £354k. This balances comprises 105 transactions of which 77 relate to March 2019 and the remainder are spread across 9 months within the period March 2018 to February 2019. Whilst the uncleared transactions are individually and in aggregate not numerically significant, there are a number of aged transactions that it would be preferable to resolve as quickly as possible. 	<ul style="list-style-type: none"> Uncleared miscellaneous items in the bank account reconciliation should be resolved more promptly. <p>Management response</p> <ul style="list-style-type: none"> TBC

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 Pension Fund's 2017/18 financial statements, which resulted in one recommendation being reported in our 2017/18 Audit Findings report. We have followed up on the implementation of our recommendations as outlined below.

	Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
<p>168</p> <p>1</p>	<p>✓/X</p>	<p>In 2016/17 we reported that: 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.</p> <p>In 2017/18 we reported that: 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.</p>	<p>Our testing of the 2018-19 reconciliation determined that there were no material reconciling differences, however, the differences identified were still numerically significant. These differences represented three employers who were not included in the reconciliation, but which were included in the financial statements. There were also a number of insignificant differences noted in relation to several other employers. Whilst the accuracy and completeness of the reconciliation has been improved since this issue was first identified, we consider that there remains a need to improve further these aspects of the reconciliation.</p>

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 Pension Fund's reported financial position for the year ending 31 March 2019. **Subject to completion of our testing as set out on page 3**, our audit work has not identified any adjusted or unadjusted misstatements to report to you.

Disclosure changes

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

Disclosure	Detail	Impact
Note 12 – Financial Instruments 169	The cash deposits balance relating to investments as at 31 March 2018 was stated as £127,559k in the unaudited financial statements. To be consistent with the net assets statements, this should have been recorded as £121,408k. Management have agreed to correct for this.	The value of cash deposits as at 31 March 2018 has been reduced from £127,559k to £121,408k. We are currently confirming with management the precise change required to the other side of the transaction. There is no impact on the net assets statement.
Note 14 – Related Parties	The unaudited financial statements recorded contributions from the County Council in the current the year as £40.3m, which had not been updated from the prior year. Management have agreed to update for the current year amount.	The contributions from the County Council during 2018/19 has reduced from £40.3m to £37.8m.
Note 18 – Actuarial Present Value of Promised Retirement Benefits	Management have updated this disclosure to reflect the increased present value of defined benefit obligation and past service costs arising from the revised actuarial estimate to reflect the McCloud judgment, as detailed on page 8.	This present value of the defined benefit obligation as at 31 March 2019 has increased from £4,752.4m to £4,791.3m. The past service costs for the year to 31 March 2019 have increased from £1.9m to £40.7m.

Regulatory and Audit Committee

Title:	Annual Governance Statement
Date:	Tuesday 30 July 2019
Author:	Richard Ambrose – Director of Finance and Procurement (S151)
Contact officer:	Maggie Gibb – 01296 387327

Local members affected:

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

Summary

This report contains the final Annual Governance Statement for 2018/19.

The Annual Governance Statement (AGS) has been produced by giving due consideration to the Council's sources of assurance on internal control and is structured in accordance with CIPFA guidance. The role of the Regulatory and Audit Committee is to review the AGS to provide assurance that it reflects the evidence considered by the Committee over the year, and that the actions identified are appropriate. Once the Committee has approved the statement it will be presented to the Chief Executive and Leader of the Council for signing, and be published on the Buckinghamshire County Council website with the Statement of Accounts.

The Regulatory and Audit Committee reviewed and agreed the draft AGS in May 2019.

Recommendation

The Committee is **RECOMMENDED** to **approve** the Annual Governance Statement 2018/19.

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

Resource implications

None

Legal implications

The Accounts and Audit Regulations 2015 require an authority to conduct a review of the effectiveness of its system of internal control and to prepare an annual governance statement. A committee or full Council must consider the findings of the review and approve the statement.

Other implications/issues

None

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

None

Background Papers

BUCKINGHAMSHIRE COUNTY COUNCIL Annual Governance Statement 2018/2019

Introduction

We are responsible for making sure that our business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for and used economically and efficiently.

We also have a duty under the [Local Government Act 1999](#) to put in place proper arrangements for:

- the continuous improvement of our functions
- the governance of our affairs, including those of the Local Government Pension Scheme, which includes arrangements for the management of risk.

The Annual Governance Statement explains how the County Council has complied with the Governance Framework. It also meets the requirements of [Regulation 6 of the Accounts and Audit Regulations 2015](#) in relation to the publication of the statement of internal control.

Executive Summary

The Annual Governance Statement (AGS) provides an account of the processes, systems and records which demonstrate assurance for the effectiveness of the framework of governance of the County Council's discharge of its responsibilities. This principally covers the period April 2018 to March 2019, as well as covering the period to July 2019, when the accounts are signed.

Scope of Responsibility

The County Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards and that public money is safeguarded, properly accounted for, and used economically and efficiently.

The County Council is also responsible for putting in place proper arrangements for the governance of its affairs (including as pension fund administrator), the effective exercise of its functions and the management of risk. The Council has approved and adopted a Constitution, and has a number of internal documents, which set out the corporate governance framework for the Council consistent with the principles of the CIPFA/SOLACE Framework "Delivering Good Governance in Local Government". The Buckinghamshire County Council Constitution is on the BCC website, www.buckscc.gov.uk.

This statement explains how the County Council has complied with the Governance Framework and also meets the requirements of the Accounts and Audit Regulations 2015.

How we demonstrate good governance



The purpose of the Governance Framework

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

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of not achieving policies, aims and objectives and can therefore only provide a reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the Council of not meeting its policies, aims and objectives, to evaluate the likelihood and potential impact of those risks being realised, and to manage them efficiently, effectively and economically. BCC has the following arrangements in place regarding its key systems and processes which comprise the authority's governance framework:

Policy, Planning and Decision Making

The current (published) Strategic Plan 2017-2020 is focussed on delivery of three themes:

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

The Strategic Plan provides the focus for the improvements and changes in service delivery that are being made in all areas of the Council. Underpinning the Strategic Plan are four Business Unit Plans which act as action plans, bringing together budget, performance, and project and risk data under several objectives.

<https://www.buckscc.gov.uk/services/council-and-democracy/our-plans/our-strategic-plan/>

Policy and decision making is undertaken via a Leader and Cabinet Structure with Cabinet Member portfolios. All key policies are equality impact assessed. In addition to the Council and Cabinet, there are six standing committees and 19 established Local Area Forums/Local Community Partnerships. The local area forums/local community partnerships have a remit to discuss and propose local issues to the Cabinet through local area planning arrangements and to advise on council expenditure. Members of the public can raise issues of local concern and discuss these with their councillors. Every Committee report is subject to a review by the Director (Legal); the Council's Monitoring Officer; and, the Director of Finance and Procurement (S151), to ensure that the Council is acting lawfully and that the risk implications of reports requiring a decision have been identified. Cross-organisation joint committees are established where it is appropriate.

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

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

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

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

Monitoring of Performance and Compliance

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

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

A joint finance and performance monitoring report is discussed quarterly at Cabinet and monthly by the Corporate Management Team Budget Board. This also includes the key financial risks identified by the Heads of Finance within each of the Business Units

The CMT have executive responsibilities for overview in ensuring that services are delivered in accordance with Council policy and procedures.

The Council has a duty to manage its risks effectively. This is achieved through various mechanisms. The key corporate risks are reviewed on a quarterly basis by the CMT. Key financial risks are reviewed by the CMT Budget Board on a quarterly basis. The Risk Management Group considers significant service, contract and project risks to the authority, and reviews the consistency with which the risk management process is being applied across the Council. The Chief Executive, via the Director of Finance and Procurement and the Chief Auditor, is responsible for Officer and Member awareness and providing guidance and training to enhance understanding of how to implement risk management in accordance with responsibility.

The Business Assurance Team includes the Internal Audit Service, and provides assurance to the Council and the Director of Finance and Procurement (S151 Officer) as to the adequacy of the Council's financial and operational systems.

The Internal Audit Annual Report will be presented to the Regulatory and Audit Committee on 30 July 2019. The Chief Auditor concluded providing reasonable assurance on the system of internal control be unqualified for 2017/18. The draft opinion for the 2018/19 system of internal control is likely to be unqualified, and this will be confirmed upon issue of the Annual Report.

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

- Client Charging
- Use of Direct Payments
- Seeley's Establishment

During 2018/19, a fourth level of assurance opinion, "partial" was introduced to the internal audit reporting process. There were 11 "partial assurance" reports issued by Internal Audit during the year to the date of this draft AGS, concluding that there was an inadequate level of internal control in place and/or controls are not being operated effectively and consistently:

- CHASC Debt Recovery
- Continuing Health Care
- CS Panel Processes
- CS Financial Controls and Forecasting
- Cyber Security
- Feeder Systems
- Financial Controls
- GDPR

- Savings/Efficiency Targets
- Special Educational Needs and Disabilities
- TfB Financial Management

Actions plans are in place to address the issues raised by the audits and progress is tracked via the Audit Action Tracker for reporting to Business Unit Boards and CMT on a regular basis.

Financial Management of the Council

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

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

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

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

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

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

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

The Council's external auditors provide independent scrutiny of the control mechanisms and the accuracy and legitimacy of the Council's financial transactions. The external auditors also consider the Financial Management arrangements, and provide an opinion on value for money systems.

A Scheme of Delegation that sets out the powers delegated to officers, the Financial Regulations and Contract Standing Orders form part of the Constitution.

Financial management improved across the Council during 2018/19 albeit it is recognised that there are further improvements that can still be made, the outturn position of the revenue budget reflected a small surplus of £227k against a net budget of £338 million despite service demand pressures during the year. This position has been supported by the launch of the revised Debt Management Strategy, which has resulted in a significant reduction in the level of outstanding debts older than 60 days during the past twelve months by £2.5 million. The Financial Management Improvement Programme has also introduced a new Financial Accountabilities Framework, which provides a clear definition of roles, responsibilities and accountabilities across all management levels within the Council, underpinning a refreshed Finance Service Offer to support Business Units to maintain the delivery of internal control alongside insight to support effective strategic decision making.

Procurement and Contract Management

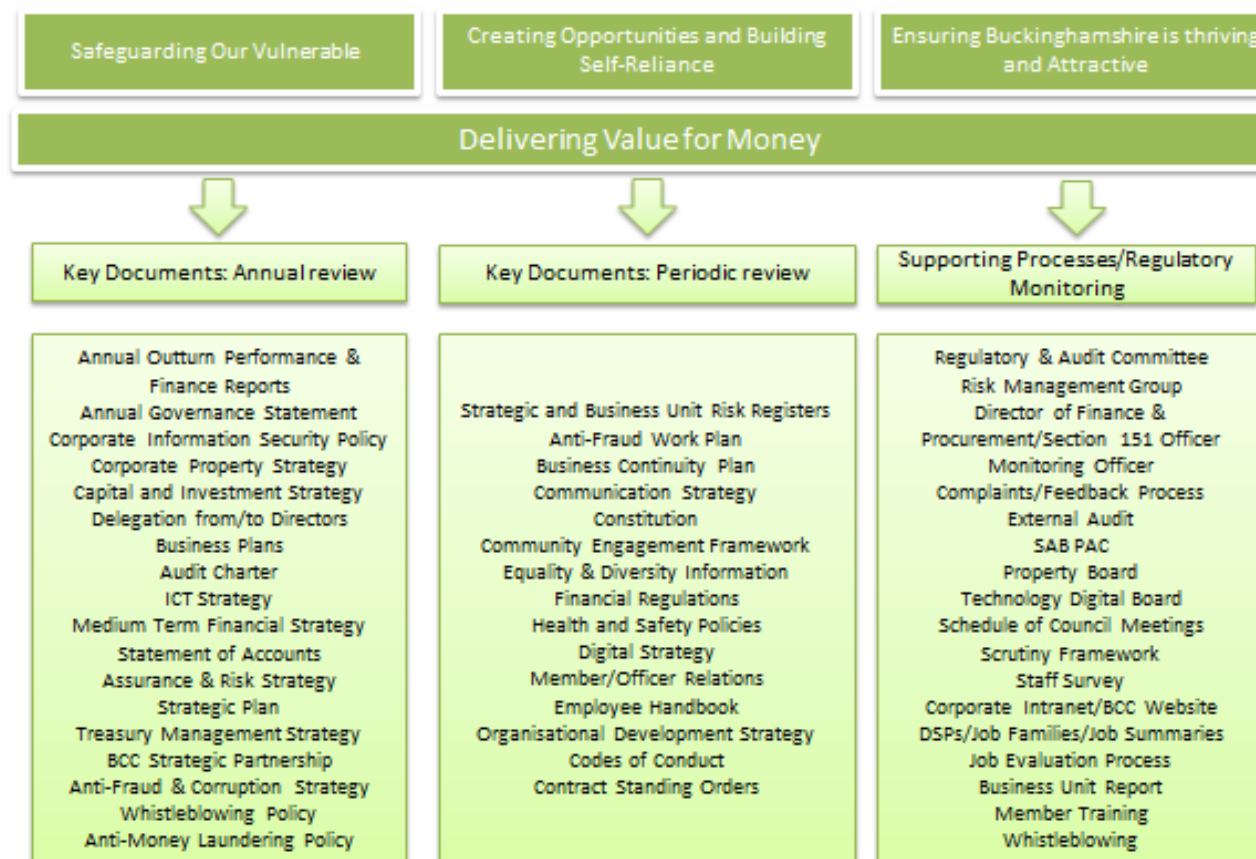
Corporate buy-in on the value of compliance on Procurement and Contract Management has increased significantly. The roll out of both basic Procurement training and Contract Management training has been well received by officers who understand the significance of following procurement law and demonstrating that value for money has been achieved. Training has highlighted and raised the profile of the Procurement and Supplier Relationship Management (SRM) Team, who will ensure continuous improvement is maintained.

Compliance of entering contract details onto the Contract Management Application (CMA) system has increased significantly, with an estimated compliance rate believed to be over 90%. Procurement and SRM have now identified key champions within the Business Units to ensure data within CMA is as up to date and accurate as possible. These champions provide a level of assurance and ownership that has not previously existed.

Economic, Effective and Efficient Use of Resources and Continuous Improvement

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

Buckinghamshire County Council Corporate Governance Framework



4. Review of effectiveness

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

The review which has been undertaken for the purposes of this statement has relied upon the work of the Chief Executive, Director of Finance and Procurement (S151 Officer), the Monitoring Officer, Professional Leads and the Business Assurance Team.

The Council:

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

The Cabinet:

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

The Regulatory and Audit Committee:

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

Select Committees:

- Oversees and scrutinises decisions made by the Cabinet.

Pension Fund Committee:

- Oversees all matters relating to the BCC Pension Fund.

Management Teams:

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

Internal Audit and Risk Management (Business Assurance Team):

- Provide objective and independent assurance to the Council on operational and financial controls via delivery of an agreed audit plan;

- Where identified as a result of audit work, significant internal control weaknesses have been reported to Executive Directors and Service Directors at the conclusion of each audit. A quarterly report of significant findings is made to the Regulatory and Audit Committee; and

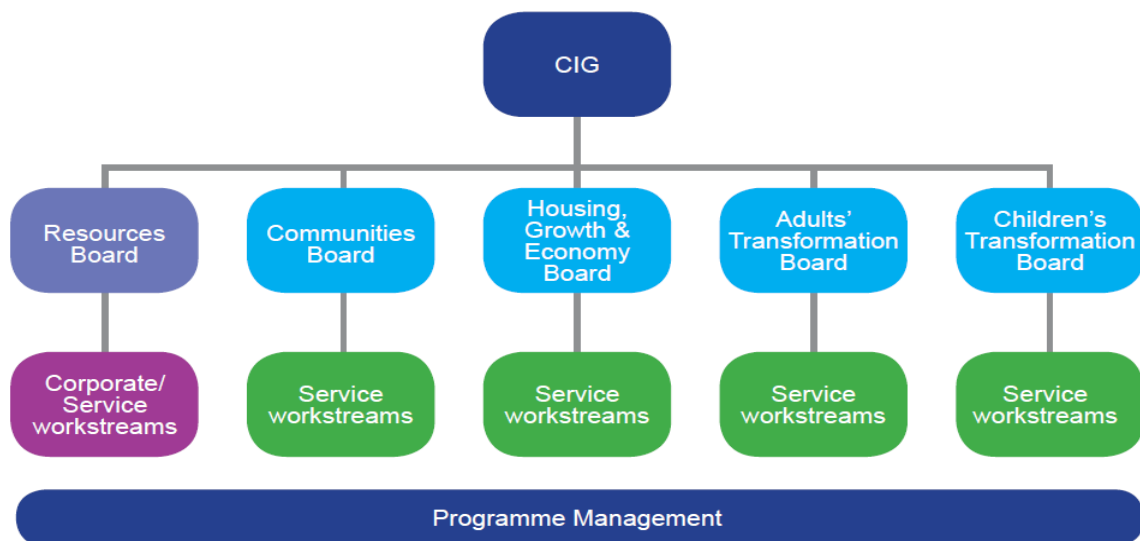
External Audit and Inspectorates:

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

5. Modernising Local Government

Following the Secretary of State’s announcement on 1 November 2018 that there would be the establishment of a single unitary council for Buckinghamshire, the Chief Executives across the five councils have agreed the unitary programme structure to oversee the creation of the new council by 1 April 2020.

This will be led by the Chief Executive’s Implementation Group (CIG) across the five councils and managed through a series of boards co-chaired by a county and district council officer.



6. Significant governance issues

It should be noted that governance issues facing the organisation are not necessarily always a result of weaknesses within the internal control framework. The following are the key matters arising from the review of 2018/19 including the outcome of the actions set out in last year's AGS. The 2018/19 AGS Action Plan is set out in appendix 1:

Procurement and Contract Management

Compliance of entering contract details onto the Contract Management Application (CMA) system has increased significantly, with an estimated compliance rate believed to be over 90%. Procurement & SRM have now identified key champions within the Business Units to ensure data within CMA is as up to date and accurate as possible. These champions provide a level of assurance and ownership that has not previously existed. A series of anti-fraud training sessions has been delivered to commissioning and contract managers to improve the awareness of key fraud indicators following an investigation into significant breaches of procurement rules.

However, the robustness of contract management across the Council remains inconsistent and is a significant risk area.

Whilst the Procurement and Supplier Relationship Manager provide the framework of compliance and best practice, they cannot force the service areas to comply and each service area has their own unique set of circumstances in which they find themselves in, such as capacity issues.

Children's Services

The OFSTED report published in January 2018 rated Children's Services as 'inadequate' overall despite acknowledging a number of improvements since the previous inspection.

During the inspection, an action plan was promptly developed and presented to Ofsted to deal with the immediate and emerging concerns raised by inspectors. This was strengthened following the publication of the report to ensure it fully incorporated the recommendations made by Ofsted. Whilst the final review against this plan showed that 97% of the actions had been progressed satisfactorily and on the whole, demonstrated an improved level of compliance with improvement actions and initiatives, it also highlighted that further work was required to embed and sustain the changes in order to improve outcomes for children, young people and their families. In delivering the initial high level plan, the Senior Management Team found that in some teams there was insufficient operational management capability to sustain and embed the improvement activity. This is an important finding as the service is now in a stronger position to make the required improvements having a much more accurate and well-informed understanding of the barriers to sustaining positive change and the areas that require further attention.

Technology Services

In September 2018 the Council commissioned a fundamental review of the council's IT environment. As part of a wider IT Improvement Programme that review identified a number of critical issues that needed to be addressed e.g. failing legacy IT platform, failing legacy telephony solutions and key network components in need of immediate upgrade. A number of projects were commissioned to first stabilise and then upgrade the council's IT infrastructure e.g. core server platform, network and telephony. Over the period December 2018 to May 2019 a number business cases were submitted to Technical Digital Board (TDB) to approve all the projects coming out of the IT Improvement Programme. Over the next 12 months the council will move its core applications onto to a new IT platform, migrate to Windows 10 and move to a single resilient corporate telephony system.

2017/18 AGS Action Plan

Significant progress has been made to address the weaknesses identified in the 2017/18 AGS. The updates are provided in Appendix 2.

Declaration

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

Signed:

Rachael Shimmin
Chief Executive

Martin Tett
Leader

Appendix 1 – 2018/19 AGS ACTION PLAN

Governance Issue	Action to be taken	Responsible Officer	Timescale
Commissioning and Contract Management	Continue to implement the Supplier Relationship Management improvement programme to improve the robustness and consistency of commissioning and contract management practices across the organisation.	Supplier Relationship Manager	Update to be provided November 2019 (specific timescales detailed in the SRM Improvement Programme Action Plan)
Children's Services	The latest version of the improvement plan presented to the Improvement Board in April 2019. The successful implementation of this plan relies on effective and competent first line managers as this tier is critical to achieving and maintaining good standards of social work practice. The Senior Management Team will provide support and guidance to managers to improve outcomes for children and young people. It is acknowledged that in order to embed and sustain change, staff will require the right balance of performance management and support. The plan will be under regular review to ensure that progress is tracked and actions are further expanded where it is necessary	Executive Director of Children's Services	Update to be provided November 2019 (specific timescales detailed in the Improvement Programme Action Plan)
Technology Services	Continue to implement the IT Improvement Programme to address the weaknesses identified during the Chief Information Officer's review.	Chief Information Officer	Update to be provided November 2019 (specific timescales detailed in the IT Improvement Programme Action Plan)

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Appendix 2 – 2017/18 AGS ACTION PLAN

Governance Issue	Action to be taken	Responsible Officer / Timescale	Update March 2019
Contract Management	Develop and implement improvement programme to deliver the lessons learnt from recent contract failures and alternative delivery vehicle governance issues	Supplier Relationship Manager March 2019	<p>On target</p> <p>The Supply Relationship Management Improvement Plan (SRM IP) established in late 2017 has continued to improve commercial transparency and build contract management skills. The SRM IP is governed at Member and Executive Director level and progress is reviewed monthly. There is a recognised community of interest to share experiences and to identify value improvement and risk reduction. All material contracts are recorded within the Contract Management Application (CMA) from which the reporting ensures contract delivery and importantly provides timely feedback on performance indicators. In addition to the SRM IP we now have an active supply financial viability assessment, this is completed for all major contract holding organisations and as required by BCC management. Three specific streams of work are currently being used to ensure the lessons learnt from recent contract failures and alternative delivery vehicle governance issues are addressed.</p> <ul style="list-style-type: none"> <input type="checkbox"/> All contract managers are being offered additional training, this is via Contract Management Development workshops, and two further Contract Management training events. <input type="checkbox"/> New and rationalised e forms and procedures for use of CMA <input type="checkbox"/> Additional financial validations conducted at audit level and on demand assessments <p>The SRM IP was presented to the Risk Management Group in December 2018</p>
Technology Services	Production of revised ICT Strategy including timescales for delivering key priorities.	Executive Director of Resources November 2018	<p>Completed.</p> <p>Cabinet approved the new Smarter Buckinghamshire Strategy (2018- 2020) in January 2019 and nominated the Technology and Digital Board to oversee and monitor the delivery of the Strategy and provide an annual update on progress. The Head of Technology Services Operations attended the Risk Management Group in December 2018 where it was confirmed that a full review had been carried out of the IT infrastructure and an IT Improvement Programme has been set up.</p>

Governance Issue	Action to be taken	Responsible Officer / Timescale	Update March 2019
Children's Services	<p>The following required improvements were noted in the July 2018 DfE report and will be embedded within the Improvement Programme:</p> <ul style="list-style-type: none"> • A revised early help offer that links much more closely with social care activity and an improved MASH and includes close attention to the content and understanding internally and externally of thresholds for intervention. • Investing specifically in leadership and management development for the SLT and, as already planned, for team managers. • Embedding a new organisational culture that will support social work practice. • This should include re-balancing a performance and audit framework in order to place an equivalent focus on the content as well as the metrics of case work performance. 	<p>Executive Director of Children's Services</p> <p>Update to be provided November 2018 (specific timescales to be detailed in the Improvement Programme Action Plan)</p>	<p>On target</p> <ul style="list-style-type: none"> □ The service has been extremely fortunate to have recruited an experienced, competent Senior Management Team (SMT) with a proven track record. □ The implementation of the Children's Social Care Workforce Strategy continues to be a key priority. The workforce continues to receive significant investment and remains a major factor in delivering the necessary practice and Service improvements that are required to deliver the right outcomes for children and families as well as achieve an improved rating from Ofsted. □ Last year, Ofsted conducted two monitoring visits in July and December. Inspectors have reviewed the progress made in the arrangements for supporting children in need and children subject to child protection plans, respectively. On both occasions, Ofsted reported that the local authority is demonstrating early signs of improvement in some parts of the service; however, the quality of assessment, planning and intervention still remains too variable. □ Ofsted's view is that the service has an accurate understanding of the extent of the challenge and a realistic improvement plan in place. Ofsted have also commented on the political and corporate support in place to assist the service's improvement journey. □ During the last three months of 2018, pressures within the service peaked and caseloads for our social workers, in some teams, were much higher than the service would like. Despite these pressures, during December's monitoring visit, Ofsted reported that morale across the workforce is positive, with most social workers reporting that they enjoy working in Buckinghamshire and feel supported by their peers and managers. The pressures have eased more recently as a significant amount of time has been invested in closing and improving the throughput of cases, where appropriate, to alleviate the pressures. In addition, the application of thresholds in the MASH has also received substantial attention which is helping ensure that the right cases are progressed through the service. Further work is required on this but the early signs are promising. □ The Service Director for Children's Social Care attended the Risk Management Group meeting on 14 March 2019 to provide Members with a detailed update on the Improvement Programme.

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| | <ul style="list-style-type: none">• To support this there needs to be a systematic approach to engagement with front line managers and practitioners to ensure they take full accountability for their own performance but also have a sense of transparency and ownership for the direction of the improvement work.• Reviewing the role and structure of the child protection conference chairs and Independent Reviewing Officers.• Developing a fully realised transformation plan that will set out a vision for how the service will deliver high quality social work and related services | | |
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