Buckinghamshire County Council

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Agenda

REGULATORY AND AUDIT COMMITTEE

Date: Thursday 27 February 2020

Time: 11.00 am

Venue: Mezzanine Room 1, County Hall, Aylesbury

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Agenda Item		Time	Page No
1	**APOLOGIES FOR ABSENCE / CHANGES IN MEMBERSHIP**	**11:00**	
2	**DECLARATIONS OF INTEREST** To disclose any Personal or Disclosable Pecuniary Interests		
3	**MINUTES** To agree the minutes of the meeting held on 20 November 2019.		**5 - 14**
4a	**BUCKINGHAMSHIRE COUNTY COUNCIL STATEMENT OF ACCOUNTS 2018/19**	**11:05**	**15 - 144**

	To be presented by Mr R Ambrose, Director of Finance and Procurement, Buckinghamshire County Council		
4b	**AUDIT FINDINGS REPORT- PENSION FUND ACCOUNTS 2018/19** Report included for information only.	**11:30**	**145 - 158**
5	**AUDIT FINDINGS REPORT- MAIN ACCOUNTS** To be presented by Mr I Murray, External Auditor, Grant Thornton	**11:40**	**159 - 204**
6	**STANDING ORDER EXEMPTIONS AND BREACHES** To be presented by Mr C Sendell-Price, Head of Procurement, Buckinghamshire County Council	**12:00**	**205 - 212**
7	**2019/20 BUSINESS ASSURANCE STRATEGY UPDATE** To be presented by Ms M Gibb, Head of Business Assurance, Buckinghamshire County Council	**12:15**	**213 - 238**
8	**EXCLUSION OF THE PRESS AND PUBLIC** **To resolve to exclude the press and public as the following item is exempt by virtue of Paragraph 3 of Part 1 of Schedule 12a of the Local Government Act 1972 because it contains information relating to the financial or business affairs of any particular person (including the authority holding that information)**	**12:25**	
9	**CONFIDENTIAL MINUTES** To agree the confidential minutes of the meeting held 20 November 2019		**239 - 242**
10	**STANDING ORDERS EXEMPTIONS AND BREACHES (PRIVATE)** To be presented by Mr C Sendell-Price, Head of Procurement, Buckinghamshire County Council	**12:30**	**243 - 254**
11	**2019/20 BUSINESS ASSURANCE STRATEGY UPDATE (INCLUDING OUTSTANDING MANAGEMENT AUDIT ACTIONS)** To be presented by Ms M Gibb, Head of Business Assurance, Buckinghamshire County Council	**12:45**	**255 - 268**
12	**DATE AND TIME OF NEXT MEETING** 25 March 2020, 9:00am, Mezzanine Room 1	**13:00**	

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For further information please contact: Alice Williams on 01296 383042, email: alicwilliams@buckscc.gov.uk

Members

Mr W Bendyshe-Brown	Mr D Martin (C)
Mr T Butcher (VC)	Mr P Martin
Mr A Christensen	Mr D Watson
Mr S Lambert	Ms A Wight

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Minutes

REGULATORY AND AUDIT COMMITTEE

MINUTES OF THE MEETING OF THE REGULATORY AND AUDIT COMMITTEE HELD ON WEDNESDAY 20 NOVEMBER 2019 IN MEZZANINE ROOM 1, COUNTY HALL, AYLESBURY, COMMENCING AT 8.36 AM AND CONCLUDING AT 11.27 AM.

MEMBERS PRESENT

Mr W Bendyshe-Brown
Mr T Butcher (Vice-Chairman)
Mr A Christensen
Mr D Martin (Chairman)
Mr D Watson
Ms A Wight

OTHERS IN ATTENDANCE

Mr R Ambrose, Director of Finance & Procurement, Service Director, Finance and Commercial Services
Ms J Edwards, Pensions and Investments Manager
Ms M Gibb, Head of Business Assurance
Mr J Hollis, Head of Legal and Compliance, Buckinghamshire County Council
Ms R Martinig, Pensions & Investments Accountant
Mrs K Mitchelmore, Corporate Complaints Manager, BCC
Mr I Murray, Manager - Assurance, Grant Thornton Auditors, Grant Thornton
Mr S Turner, Grant Thornton
Ms A Williams, Committee Assistant

1 APOLOGIES FOR ABSENCE / CHANGES IN MEMBERSHIP

Apologies were received from Ms S Ashmead, Mr L Whitehead, Ms S Harlock, Mr S Lambert and Mr P Martin.

The Chairman stated that Buckinghamshire County Council had to observe purdah requirements due to the general election on 12 December 2019 and read out the following statement:

"As this meeting is being webcast, can I remind members to observe purdah requirements as we are in the pre-election period for the forthcoming general election.

For the Council, it still remains very much business as usual, which is why our formal meetings are continuing. However can I ask members to ensure that any comments made during our discussions relate directly to our agenda items and are not seen as, or could be perceived to be, political in nature.

I hope you understand and will adhere to this requirement during this period of heightened sensitivity. If there are any questions on this issue, please raise them now before we begin the formal agenda."

2 DECLARATIONS OF INTEREST

There were none.

3 MINUTES

There were no matters arising.

RESOLVED: The minutes of the meeting held on 30 July 2019 were AGREED as an accurate record and signed by the Chairman.

4 ANNUAL ACCOUNTS- EXTERNAL AUDIT

Mr R Ambrose, Director of Finance and Procurement presented a verbal update and highlighted the following:

- The audit for the main accounts was not yet completed; however the updated accounts along with the audit findings report had been received.
- The main accounts were not complete due to asset valuations. Buckinghamshire County Council (BCC) had adopted the same approach used for previous years, but the requirements of the external auditors had increased which had caused delays in the process.
- All issues around asset valuations would not affect the bottom line but would affect the balance sheet.
- The two outstanding issues were highlighted:
    - **The valuation from Greatmoor**- The plan to value in 2021 was questioned by Grant Thornton as specialist valuers were required. An approach had since been agreed and the valuation would be completed.
    - **The five year asset revaluation programme-** The programme entailed the valuation of 20% of the assets each year meaning that all assets would be valued over a 5 year period. Grant Thornton had queried the programme due to the increase in value of 20% of the assets. Discussions took place to resolve the other 80% of assets. Grant Thornton had made the decision to employ their own valuer to test the assumptions made by BCC's valuer on the value of 100% of the assets. At the time of the meeting the valuer had not been employed by Grant Thornton and the values were not received. Upon receipt of the values the accounts could be closed.

- Lessons had been learned and internal discussions had taken place on how the overall process could be improved.

The following points were highlighted in response to questions raised by members of the committee:

- Concerns were expressed that council tax payers would be affected by the delays caused by asset values. It was clarified that while the frustration was appreciated, assurance that the statements were correct was important. The issue would have no impact on council tax.
- Recent external factors had an impact on the process this year.
- The new criteria required the use of an external reviewer, but a separate external auditor was required to ensure standards were being met.

Mr I Murray, External Auditor, Grant Thornton provided a verbal update and highlighted the following:

- Valuations were not an exact science thereforethis was a main focus for auditors who were required to approach areas with scepticism.
- The previous expectations of PSAA Ltd were that the majority of audits were required to be rated as 2b and above. Changes had been made meaning that the majority was now required to be rated as 2a and above, so expectations had increased. This had generated extra work compared with previous years.
- Clients were asked to assess the potential impact of the 80% of portfolio not valuated.
- Grant Thornton would normally rely on a management expert and examine key assumptions to use for assurances. However the changes required an internal expert to be used, which had led to the commissioning of an extra piece of work.

The following points were highlighted and discussed in response to questions raised by members of the committee:

- The Chairman asked if assurance could be given that Grant Thornton had communicated the new requirements to BCC in a timely manner to avoid delays. In response it was stated that appropriate time had been given.
- The response from BCC had been slower than other authorities, and a greater level of detail had been requested from officers, which took more time. Lessons had been learned regarding clarity of communication.
- Grant Thornton could provide support and communication but could not commission or instruct valuers.
- The Chairman highlighted that historically BCC officers had taken pride in producing accounts early and to high standards.
- Grant Thornton highlighted that the suggestions made by Mr Ambrose sounded sensible and in line with other organisations.
- Conversations needed to take place in advance and not within the accounts window.

- Independent valuers could not be jointly commissioned. It was not unusual for larger councils to employ their own valuers.

- Members asked if assurance could be given that the accounts would be signed off at the next Regulatory and Audit Committee Meeting on 20 January 2020. It was highlighted that the valuation piece would be completed before the Christmas period, and Grant Thornton would be in a position to sign off accounts at the beginning of 2020.

RESOLVED: The Committee NOTED the verbal update.

4A COUNTY COUNCIL ACCOUNTS- DRAFT AUDIT FINDINGS REPORT

The accounts would be brought to the committee in January 2020 and should not have received any significant changes.

Mr Murray, External Auditor, Grant Thornton presented the report and highlighted the following:

- The only outstanding area was work around revaluations. There were some internal processes to go through but it was most effective to complete the cash flow statement last.
- A recommendation had been made around the assurance that correct processes were consistently followed.
- Grant Thornton were satisfied that there were no major causes for concern.
- Plant equipment was a much lower risk for property client and equipment valuations.
- The McCloud case would continue to have an impact on pension fund liability until the judgement was resolved.
- The action plan had highlighted four issues which were not highly significant but were classed as medium risks. Actions had been agreed with BCC management to mitigate risks.
- The latest version of the accounts was received by Grant Thornton the day before the meeting and all suggested changes from the action plan had been applied. Further actions would be agreed following the valuations.

The following points were highlighted and discussed in response to questions raised by members of the committee:

- As a result of the McCloud judgement, changes had been made to the local government pension scheme and public service pensions. The case was a discrimination case and had gone through legal proceedings which were found in favour of the plaintive.
- Mr Ambrose would report directly to committee members if any risks were identified.

ACTION: Mr Ambrose

RESOLVED: The committee NOTED the report.

4B PENSION FUND ACCOUNTS

Ms J Edwards, Pensions & Investments Manager presented the report and highlighted the following:

- The statement was brought to the committee in July 2019. The changes applied following the meeting were highlighted in blue and further changes were highlighted in pink.

The major changes in the report were highlighted:

- Page 27- change to 31st March 2018 loans and receivables cash deposits figure. This was previously listed as £127 million but had been corrected to £121 million.
- Page 36- Contributions to the pension fund were previously listed as £40.3 million. As a result of the audit the figure had increased to £45.1 million.
- Page 39- Pension fund liability had increased from £38 million to £1.792 billion.
- Page 26- there were significant changes as a result of moving assets to the Brunel partnership. The partnership was on track to accumulate savings of £718 million across the 10 funds and was expected to break even in 2023.

The following points were highlighted and discussed in response to questions raised by members of the committee:

- Members enquired as to what other funds were not being managed by Brunel. It was highlighted that property pooled funds were required to be listed as a separate item.

RESOLVED: The Committee NOTED the report.

5 VALUE FOR MONEY STATEMENT

Mr Murray, External Auditor, Grant Thornton presented the report and highlighted the following:

- The overall conclusion would be a “qualified except for” conclusion. The basis for the conclusion was the result of the Ofsted inspection of children’s services; however the improvement journey was taken into account.
- The measures put in place were considered “adequate” and would be reflected in the value for money statement.
- There were no significant causes for concern in preparations for unitary.

RESOLVED: the Committee NOTED the report.

6 COMPLIMENTS AND COMPLAINTS ANNUAL REPORT

Ms K Mitchelmore, Legal Team Leader, Buckinghamshire County Council (BCC) presented the report and highlighted the following:

- The figures and statistics followed similar patterns from previous years based on the number of complaints received. The numbers continued to increase.
- The number of compliments had dipped, but the reason was unknown.
- The main basis of complaints was around the quality of service.
- The numbers of statutory complaints received remained steady. Within the last year all complaint response times had improved.
- Comparisons had been shared with service areas.
- There was an increase in the number of complaints, but the increase was not significant and was not related to any specific areas.

The following points were highlighted and discussed in response to questions raised by members of the committee:

- The process of stage 1 complaints being escalated to stage 2 complaints was explained; stage 1 complaints were investigated by officers within the specific service. The complaints team monitored the response from the service and if the information was unclear it would be investigated.
- The process was in line with the complaints processes used by other local authorities. A resident filing a complaint could request that it was escalated to stage 2 if they were dissatisfied with the stage 1 response.
- The expected response time for Children's Services statutory complaints was 10 days, however the complaints team could use discretion to extend the deadline to 20 days. The 10 day deadline was missed 49% of the time and work was being done to improve quality of the response and the response time. Children's Services complaints could be complex and take longer.
- There had been problems with the reporting data base for the online reporting tool Fix My Street. Members of the committee enquired as to whether complaint data was not being translated properly. There had been issues with miscommunication with customers.
- Members expressed concerns that in the unitary authority there would be a greater capacity for complaints.
- Residents were dissatisfied with having to chase an answer and would prefer to be given a clear answer sooner.
- Preparations were underway for the unitary council. The BCC complaints team was working with district council colleagues and the teams had collectively drafted a complaints policy for the new organisation. All current existing authorities within Buckinghamshire had a two stage process which simplified the formation of the unitary policy.
- BCC complaints officers had participated in training at St Mary's University. Consideration into future training methods needed to be considered for unitary.

- From 1 April 2018- 12 November 2018 there were 323 stage 1 complaints received. From 1 April 2019- 12 November 2019 there were 623 stage 1 complaints received. The majority of the complaints were received in the last quarter.
- In the previous financial year 17 stage 1 complaints had been filed for Children's Services and Client Transport. This year 144 stage 1 complaints for the business units had been received.
- In the previous financial year the Special Educational Needs (SEN) team had received 36 stage 1 complaints. This year the team had received 106.
- The stage 2 complaints trends were the same as previous years.
- Lessons had been learned to improve communication with customers going into the unitary council.

RESOLVED: The Committee NOTED the report.

7 TREASURY MANAGEMENT MID YEAR REPORT

Ms Edwards, Pensions & Investments Manager presented the report and highlighted the following:

- The mid-year position of BCC's treasury management activity was reported each year.
- The strategy was approved in February 2019. The report showed that in September 2019 the net-cash position was -£256.1 million. The total treasury cash was £26.2 million with borrowings of £282.3 million
- Arlene Close (financial advisors) anticipated that the interest rates would remain at 0.75%.
- It was expected that the organisation would pay £8.7 million interest on loans, similar to the amount paid last year.
- It was expected that the organisation would pay £489,000 in interest on cash balances.
- The Public Works Loan Board had increased the interest on loan rates by 1% which would affect loans going forward.
- Any amount required to be borrowed that exceeded the authorised limit would have to be approved by County Council for authorisation.

The following points were highlighted and discussed in response to questions raised by members of the committee:

- The policy was to try and move away from Lender Option Borrower Option (LOBO) borrowings but not at any additional cost. This would be advised by Arlene Close.
- The PWLB had increased their interest rates with no consultation as borrowing was extremely high compared to previous years and this was causing concerns from central government.
- The borrowing rate changed on a daily basis but was historically low. This would not affect existing loans.

RESOLVED: The Committee NOTED the report and AGREED to recommend the report to County Council.

8 RISK MANAGEMENT GROUP UPDATE

Ms M Gibb, Head of Business Assurance provided a verbal update and highlighted the following:

- The final Risk Management Group meeting was held on 10 October 2019. The meeting had covered business continuity management and debt management within all the business units.

RESOLVED: The committee NOTED the update.

9 2019/20 BUSINESS ASSURANCE STRATEGY UPDATE

Ms Gibb, Head of Business Assurance presented the update and highlighted the following:

- The Risk Management internal audit and anti- fraud work was presented to the audit board the previous week.
- One of the senior auditors within resources on a secondment had been offered a full time role. The role would become a vacancy.
- Members of the business assurance team were working with procurement colleagues to improve the overall robustness around processes.
- Business Assurance was working in conjunction with the Business Improvement team.
- A number of internal audits were at the draft report stage. Unitary work was having an impact on the team and workstreams.
- There had been a good response to the organisation-wide fraud awareness survey.
- Mr M Frost, Audit Manager was delivering fraud awareness sessions across the organisation.
- A number of reports were currently in draft stage. In January the final reports would be presented to the committee.
- There were plans in place to get as much audit activity presented to the Committee as possible in January 2020 to make it easier for the unitary transition.

The following points were highlighted and discussed in response to questions raised by members of the committee:

- Progress against audit plans continued to be maintained. Flexibility was necessary with regards to priorities but the key work was being delivered. Additional resources would be brought in to resolve any capacity issues.
- BCC were delivering counter fraud work to Oxfordshire County Council which would be charged for to fund any back fill resources required.
- Fraud team staff members from Wycome District Council were looking to provide audit support for BCC.

RESOLVED: The committee NOTED the report.

10 DATE AND TIME OF NEXT MEETING

20th January 2020, 9:00am, Mezzanine Room 1.

11 EXCLUSION OF THE PRESS AND PUBLIC

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

12 CONFIDENTIAL MINUTES

RESOLVED: The confidential minutes of the meeting held on 30 July 2019 were AGREED as an accurate record and signed by the Chairman.

13 STANDING ORDERS EXEMPTIONS / BREACHES

14 2019/20 BUSINESS ASSURANCE STRATEGY UPDATE- PRIVATE

15 PRIVATE SESSION WITH INTERNAL AUDITOR

CHAIRMAN

Buckinghamshire County Council

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Regulatory and Audit Committee

Title:	**Statement of Accounts for the year ended 31 March 2019**
Date:	27 February 2020
Author:	Richard Ambrose –Director of Finance & Procurement
Contact officer:	Luke Whitehead – Finance Accountancy Lead Telephone (01296) 383006
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.

At the previous meeting of this committee the Pension Fund accounts were reviewed and agreed, these are now attached at the end of the BCC accounts for information. The committee will need to formally sign off the Pension Fund accounts today.

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

INVESTOR IN PEOPLE

arrangements for challenging how it secures economy, efficiency and effectiveness in the prioritisation of resources.

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
Since the last meeting of this committee in November these are the main adjustments to the financial statements that have been made as a consequence of the audit and have been agreed with Grant Thornton:

Property, Plant & Equipment Revaluations

As discussed at the previous meeting of this committee an obligation now exists to prove that the valuation of the assets in the Council's Balance Sheet is materially correct as at the Balance Sheet Date. To meet this obligation the Council has undertaken an indexation exercise to revalue the c.80% of assets that have not been revalued during the 2018/19 financial year.

A large part of this revaluation exercise relates to prior years, therefore it has been necessary to restate the prior year (2017/18) Balance Sheet. There was a £40.254m increase in PPE and a corresponding (£40.254m) posting to Unusable Reserves.

There has also been an impact to the CIES of £40.456m, changing the Surplus on Revaluation of Non-Current Assets from £63.820m to £104.276m

This restatement has also affected note 15 Property, Plant & Equipment and note 26 Unusable Reserves.

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.

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 £17.211m to £82.024m. The overall outturn 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

Contents

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.

Authorised issue of the Financial Statements

The Director of Finance & Procurement authorised the issue of the financial statements on 27 February 2020. The financial statements may be amended following audit.

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: 27th February 2020
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

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

91 children placed with an in-house foster carer

17 children adopted into loving homes

23% more foster carers

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 theircommunities. 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

725,000 virtual visits to libraries

1.2M physical library visits

177, 684 library members

37 Apprentices hosted by Corporate Business Support services since the scheme started

5,386 Births registered

1,736 Ceremonies conducted

3,225 Deaths registered

3,922 residents are participating in Active Bucks

97% 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

£183M bid submitted for funding for highways, schools and other infrastructure in order to unlock planned housing in Aylesbury

£2M spent on 'plane and patch' scheme to fix damaged road surfaces as well as continuing individual pothole repairs

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

84 % of qualifying apprentices move into further employment with the Council

504 children were in our care on 31 March 2019

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 Councils 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 £92.595m (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.

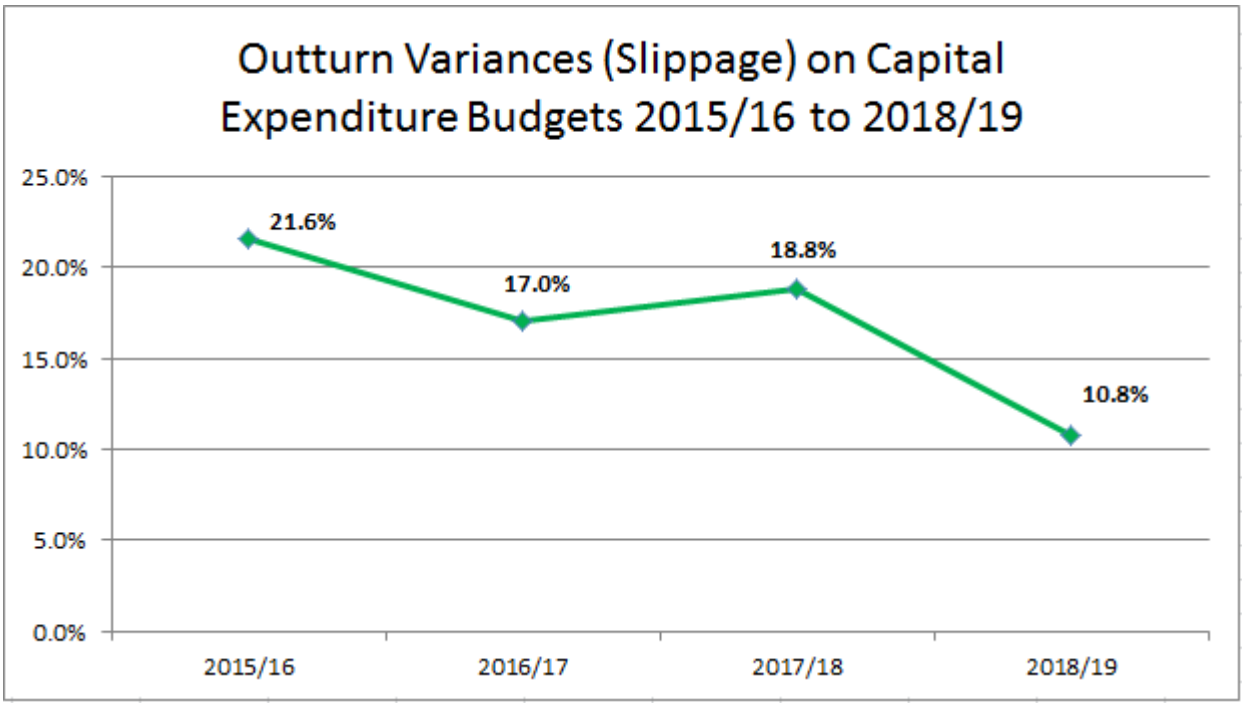
The Expenditure and Funding Analysis statement provides a direct reconciliation between the operating deficit and the overall surplus reported in outturn; the main differences being the inclusion of depreciation, revaluation gains and losses and other capital adjustments required under the accounting 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 £000	Budget £000	Variance £000	Variance %
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%)**

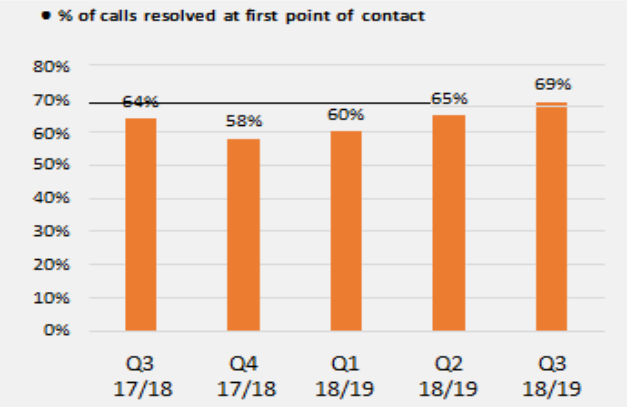
A comparison of slippage over the last 4 years is shown below.
This details slippage, including underspends brought forward from previous years. Expenditure schedule for 2018/19 slipped by 11.2%. Expenditure scheduled for 2018/19 including underspent expenditure from previous years, brought forward to spend in 2018/19 slipped by 10.8% as detailed below.

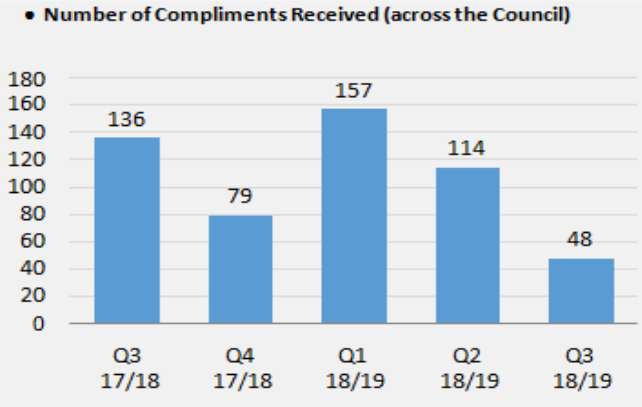


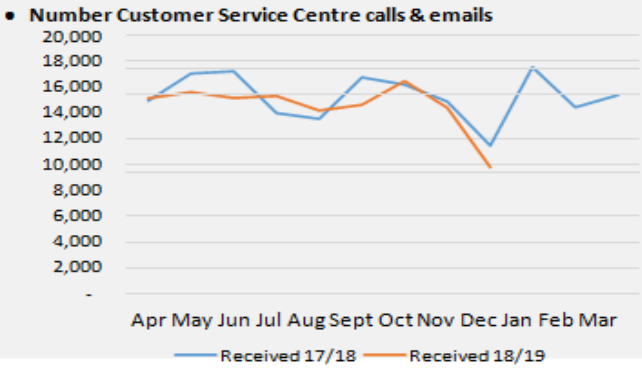
Operational performance

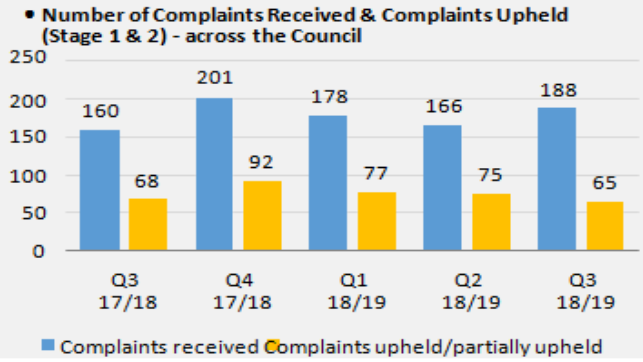
The Council's performance management framework focuses on four key elements of performance: Finance, Business Improvement, Service to Customers and Human Resources. The Business Improvement Performance Indicators provides information on the progress in achieving the Council's priorities as detailed in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

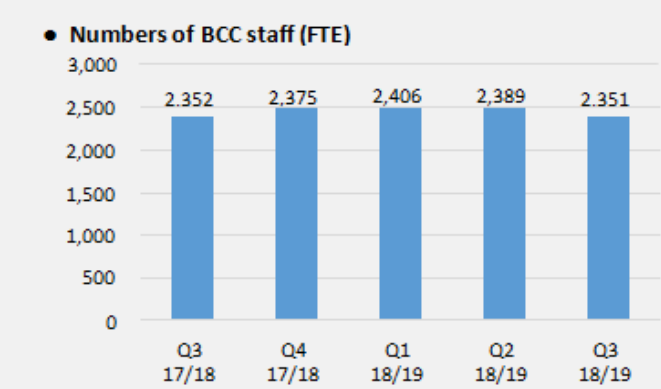
Performance as at Quarter 3 against Service to Customers and HR is shown below.

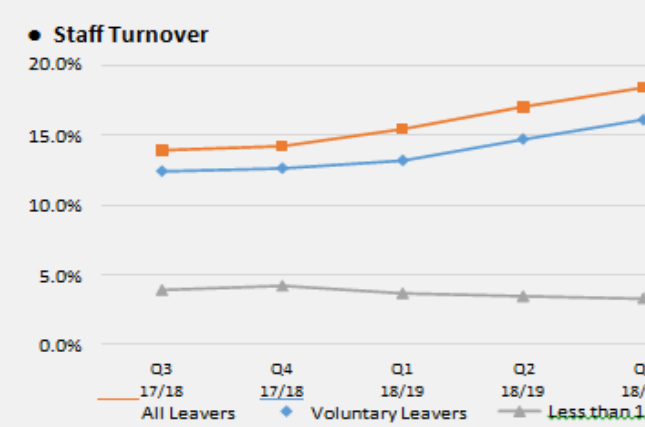


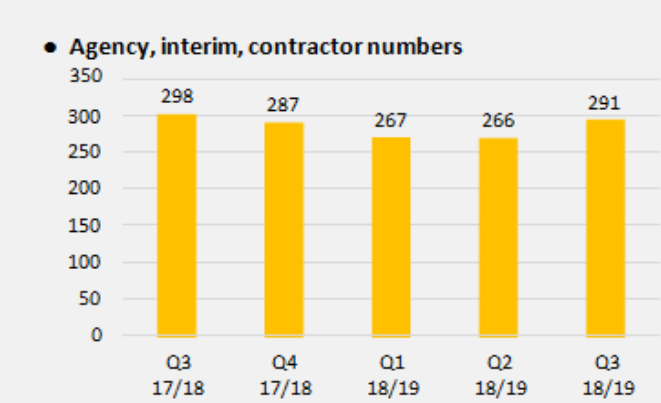


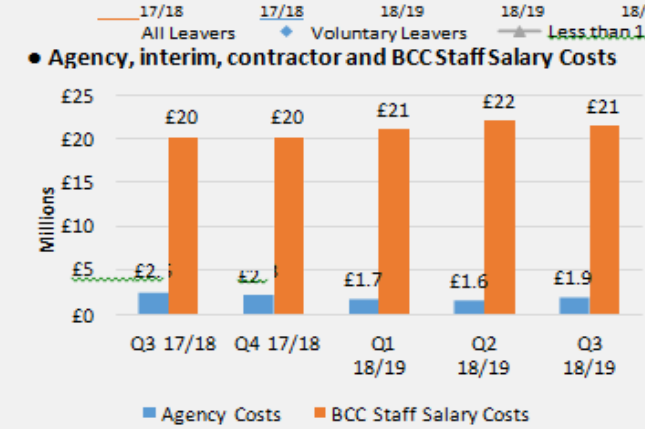












Medium Term Financial Plan (MTFP)

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.

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 £490.931m (2017/18 £458.229m) backed by usable reserves of £135.908m (2017/18 £151.737m) and unusable reserves of £355.023m (2017/18 £306.492m). 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 £15.832m (2017/18 increase of £26.141m). 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 £0.879m (2017/18 increase of £10.997m) 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	99.2	82.0
Total	**139.2**	**124.3**

Treasury Management

The Council's Treasury Management Strategy sets out the Council's aims and objectives in relation to the management of the Council's investments and cash flows, its banking, money market and capital market transactions and borrowings or loan portfolio.

Borrowing Strategy

The Council's borrowing objectives are:

- To minimise the revenue costs of debt whilst maintaining a balanced loan portfolio;
- To manage the Council's debt maturity profile, leaving no one future year with a disproportionate level of repayments;
- To maintain a view on current and possible future interest rate movements and borrow accordingly;
- To monitor and review the balance between fixed and variable rate loans against the background of interest rate levels and the Prudential Indicators.

The actual external borrowing as at 31 March 2019 was £296.5m 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.

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Capital Financing Requirement

Our Capital Financing requirement (the Council's underlying need to borrow) is £470.6m. The Council have actually borrowed £296.5m externally. 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 £1.009m (2017/18 net decrease of £1.916m).

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 contracts with service recipients is recognised in accordance with the requirements of the IFRS 15 accounting standard, using the five step model; 1) identify the contract(s) with a service recipient, 2) identify the performance obligations in the contract, 3) determine the transaction price, 4) allocate the transaction price to the performance obligations in the contract, 5) recognise revenue when (or as) the authority satisfies a performance obligation
- 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 £762.653m (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 £78.830m 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.

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

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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.

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** The County Council has made an assessment of the balance sheet treatment of schools' non-current assets in accordance with IAS 16 Property, Plant and Equipment and IAS17 Leases. Where assets are owned by the Council and used by maintained schools, the economic benefits and service potential of the asset is considered to be within the control of the Council and therefore the assets are recognised on the Council's balance sheet. Where they are owned by trustees and used by maintained schools (in most cases Voluntary Aided and Voluntary Controlled schools) the Council has assessed that the trustees permit the assets to be used for voluntary education and have not reassigned rights to the assets to the school or governing body. Therefore the asset is not recognised on the Council's 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	Any increase or decrease in component values and useful lives will affect the level of depreciation and the carrying value of the assets.

	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.	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 £1.408bn.
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 £1.128bn 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 £762.653m.
Fair Value	When the fair values of financial assets and financial liabilities cannot be measured based on quoted prices in active markets their fair value is measured using valuation techniques. Where there is no observable data judgement is required in establishing fair values. Changes in the assumptions used could affect the fair value of the Councils assets and liabilities.	The Council uses discounted cash flow (DCF) to measure the fair value of its adult social care reprovisioning. The significant unobservable inputs used in the fair value measurement include assumptions regarding rent growth and discount rates. Significant changes in any of the unobservable inputs would result in a significantly lower or higher fair value measurement for the investment properties and financial assets.

Local Government Reorganisation

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. The assets, liabilities, services and functions of Buckinghamshire County Council will transfer to the new Buckinghamshire Council on 1st April 2020.

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.

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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)**	**(306,490)**	**(458,229)**
Movement in reserves during 2018/19									
(Surplus) or deficit on the Provision of Services	92,595	-	-	**92,595**	-	-	92,595	-	92,595
Other Comprehensive Income and Expenditure	**-**	**-**	**-**	**-**	**-**	**-**	**-**	(125,296)	**(125,296)**
Total Comprehensive Income and Expenditure	**92,595**	**-**	**-**	**92,595**	**-**	**-**	**92,595**	**(125,296)**	**(32,701)**
Adjustments between accounting basis & funding basis under regulations (Note 3)	(77,641)	-	-	**(77,641)**	-	879	**(76,762)**	76,764	**1**
Net (Increase) / Decrease before Transfers to Earmarked Reserves	**14,953**	**-**	**-**	**14,953**	**-**	**879**	15,832	**(48,532)**	**(32,700)**
Transfers to/(from) Earmarked Reserves (Note 4)	(13,980)	(3,231)	17,211	**-**	-	-	**-**	-	**-**
(Increase) / Decrease in 2018/19	**973**	**(3,231)**	**17,211**	**14,954**	**-**	**879**	**15,833**	**(48,532)**	**(32,700)**
Balance at 31 March 2019	**(26,420)**	**(15,858)**	**(82,024)**	**(124,302)**		**(11,604)**	**(135,906)**	**(355,022)**	**(490,928)**

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	**-**	**-**	**-**	**-**	**-**	**-**	**-**	(158,144)	**(158,144)**
Total Comprehensive Income and Expenditure	**34,847**	**-**	**-**	**34,847**	**-**	**-**	**34,847**	**(158,144)**	**(123,297)**
Adjustments between accounting basis & funding basis under regulations (Note 3)	(49,991)	-	-	**(49,991)**		(10,997)	**(60,988)**	60,988	
Net (Increase) / Decrease before Transfers to Earmarked Reserves	**(15,144)**	**-**	**-**	**(15,144)**		**(10,997)**	**(26,141)**	**(97,156)**	**(123,297)**
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)**	**(97,156)**	**(123,297)**
Balance at 31 March 2018	**(27,393)**	**(12,627)**	**(99,235)**	**(139,256)**		**(12,749)**	**(152,005)**	**(306,424)**	**(458,429)**

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

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	194,362	(56,935)	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	413,876	(336,816)	77,060
36,519	(24,318)	12,201	Community Engagement	35,331	(24,063)	11,268
8,983	(1,976)	7,007	Leader	25,813	(3,979)	21,833
21,725	(8,153)	13,572	Planning & Environment	30,132	(9,391)	20,740
60,741	(6,591)	54,150	Resources	66,756	(6,232)	60,524
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**	**906,526**	**(452,333)**	**454,194**
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**	**984,015**	**(891,420)**	**92,595**
		(104,276)	(Surplus) or Deficit on Revaluation of Non-Current Assets (Note 26)			(66,126)
		(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)
		(158,144)	**Other Comprehensive Income and Expenditure**			**(125,296)**
		(123,297)	**Total Comprehensive Income and Expenditure**			**(32,701)**

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

Balance Sheet

The Balance Sheet shows the value as at the balance sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the council.

31 March 2018 restated * £000		Notes	31 March 2019 £000
1,343,263	Property, Plant & Equipment	15	1,407,759
7,524	Heritage Assets	17	7,524
130,812	Investment Property	19	193,050
2,264	Intangible Assets	18	2,088
761	Long Term Investments	21	2,258
13,454	Long Term Trade and Other Receivables	24	12,208
1,498,078	**Long Term Assets**		**1,624,887**
89	Short Term Investments	21	11,989
1,927	Temporary Loans	21	2,231
1,279	Assets Held for Sale	20	1,649
86	Inventories		117
41,099	Short Term Trade and Other Receivables	24	45,447
23,448	Available for Sale Financial Assets	21	-
1,927	Cash and Cash Equivalents	23	919
69,855	**Current Assets**		**62,352**
(45,333)	Short Term Borrowing	21	(35,945)
(106,802)	Short Term Trade and Other Payables	24	(124,150)
(152,135)	**Current Liabilities**		**(160,095)**
-	Long Term Trade and Other Payables	24	(3,921)
(7,011)	Provisions and Long Term Liabilities	25	(9,028)
(167,951)	Long Term Borrowing	21	(260,611)
(782,607)	Pension Liability	14	(762,653)
(957,569)	**Long Term Liabilities**		**(1,036,213)**
458,229	**Net Assets**		**490,931**
(151,737)	Usable Reserves	MiRS*	(135,908)
(306,492)	Unusable Reserves	26	(355,023)
(458,229)	**Total Reserves**		**(490,931)**

* 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 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 * £000		**2018/19 £000**
34,847	Net (surplus) or deficit on the provision of services	92,595
(135,539)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	(132,144)
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)**	**48,513**
88,791	Purchase of property, plant and equipment, investment property and intangible assets	133,747
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**	**35,768**
101,020	Cash receipts of short and long-term borrowing	163,421
(112,078)	Repayments of short and long-term borrowing	(246,693)
11,058	**Net cash flows from financing activities**	**(83,272)**
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	48,660	77,060
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	13,708	20,740
Resources	25,528	13,610	39,138	21,386	60,524
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**	**109,437**	**454,194**
Other Income and Expenditure in CIES	(303,982)	(4,322)	(308,304)	(53,295)	(361,599)
(Surplus) or Deficit on Provision of Services	**14,149**	**22,304**	**36,453**	**56,142**	**92,595**
Adjustments under Regs	(13,176)	(8,324)	(21,500)	(56,141)	(77,641)
Net (Increase) / Decrease before Transfers to Earmarked Reserves	**973**	**13,980**	**14,953**	**1**	**14,953**
Transfers to / (from) earmarked reserves	-	-	-	-	-
(Increase) / Decrease in 2018/19	**973**	**13,980**	**14,953**	**1**	**14,953**
General Fund Balance as at 31 March 2018					(139,257)
General Fund Balance as at 31 March 2019					**(124,304)**
Planned Use of General Fund	-				
Net Budget (surplus) / deficit	**973**				

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	822	133,386
Children's Services	67,326	(71)	67,255	(98)	67,157
Education & Skills	26,638	(1,427)	25,211	51,552	76,763
Community Engagement	9,509	(218)	9,291	2,911	12,202
Leader	6,937	851	7,789	(781)	7,007
Planning & Environment	9,769	(2,721)	7,048	6,524	13,572
Resources	24,735	4,135	28,870	25,279	54,150
Transportation	27,549	(475)	27,074	11,529	38,603
Corporate costs	5,703	(5,819)	(116)	(4,017)	(4,133)
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	-	-	-	-	-
(Increase) / Decrease in 2017/18	**(2,888)**	**-**	**(15,144)**	**-**	**(15,144)**
General Fund Balance as at 31 March 2017					(124,112)
General Fund Balance as at 31 March 2018					**(139,256)**
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	53,822	4,998	(10,160)	48,660
2,377	1,364	(20)	3,721	Community Engagement	1,820	588	(377)	2,030
(147)	-	(9)	(157)	Leader	(47)	-	(192)	(239)
5,178	821	632	6,631	Planning & Environment	12,442	354	912	13,708
7,663	6,667	1,342	15,672	Resources	14,817	2,873	3,697	21,386
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**	**97,347**	**19,685**	**-7,595**	**109,437**
(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**	**18,014**	**39,121**	**-4,224**	**52,911**

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

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

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

2 - Expenditure and Income analysed by Nature

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

2017/18 £000		2018/19 £000
(115,376)	Fees, charges & service income	(99,070)
(17,292)	Interest and investment income	(10,390)
(279,367)	Income from Council Tax, NDR	(301,159)
(450,740)	Government Grants and contributions	(480,801)
(862,775)	**Total Income**	**(891,420)**
339,757	Employee benefit expenses	342,587
445,506	Other Service Expenses	482,079
(2,976)	Support Service recharges	-
10,156	Interest expenses	37,613
83,375	Depreciation, amortisation and impairment	114,528
474	Precepts & Levies	481
21,330	Gain & loss on disposal of non-current assets	6,727
897,621	**Total Expenditure**	**984,015**
34,847	**Surplus or Deficit on Provision of Services**	**92,595**

* 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 £000	Revenues from external customers	2018/19 £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.

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	(23,366)	-	-	23,366
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	2,228	-	(2,228)	-
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	3,106	(3,106)
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)
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	(76,934)	-	-	76,934
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	**(77,641)**	**(1)**	**878**	**76,764**

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

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	Transfers Out 2017/18	Transfers In 2017/18	Balance at 31 March 2018	Transfers Out 2018/19	Transfers In 2018/19	Balance at 31 March 2019
	£000	£000	£000	£000	£000	£000	£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 thrid 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 assest 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.

5 - Other Operating Expenditure

2017/18 £000		2018/19 £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 £000		2018/19 £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 £000	Grants Held Centrally	2018/19 £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 £000	Non-ringfenced Government Grants	2018/19 £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 £000	Grants Credited to Services	2018/19 £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)**

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 £000		2018/19 £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

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).

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, Fees and Allowances	Pension Contrib'ns	2018/19 Total	2017/18 Total
		£	£	£	£
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	2018/19
							£000	£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 £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 estimated contribution to be paid by the Council in 2019/20 is £12.942m. 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. In prior years, the Council only accounted for discretionary benefits in respect of the Local Government Pension Scheme. The Council is now also accounting for discretionary benefits in respect of the Teachers' Pension Scheme. This has resulted in a prior period adjustment (see Note 31). The amounts recognised in the CIES are as follows:

2017/18 restated £000	Cost of Services	2018/19 £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**

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

2017/18 restated £000	Movement in Reserves Statement	2018/19 £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 £000	2015/16 £000	2016/17 £000	2017/18 £000	2018/19 £000
Present value of the defined benefit obligation	(1,211,823)	(1,168,307)	(1,511,758)	(1,546,590)	(1,577,513)
Fair value of plan assets	655,142	654,147	783,865	836,822	882,239
Net liability on Fund	**(556,681)**	**(514,160)**	**(727,893)**	**(709,768)**	**(695,274)**
Present value of unfunded obligation in respect of discretionary benefits	(77,511)	(71,823)	(76,348)	(72,839)	(67,379)
Net liability in Balance Sheet	**(634,192)**	**(585,983)**	**(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 £000		**2018/19 £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)**

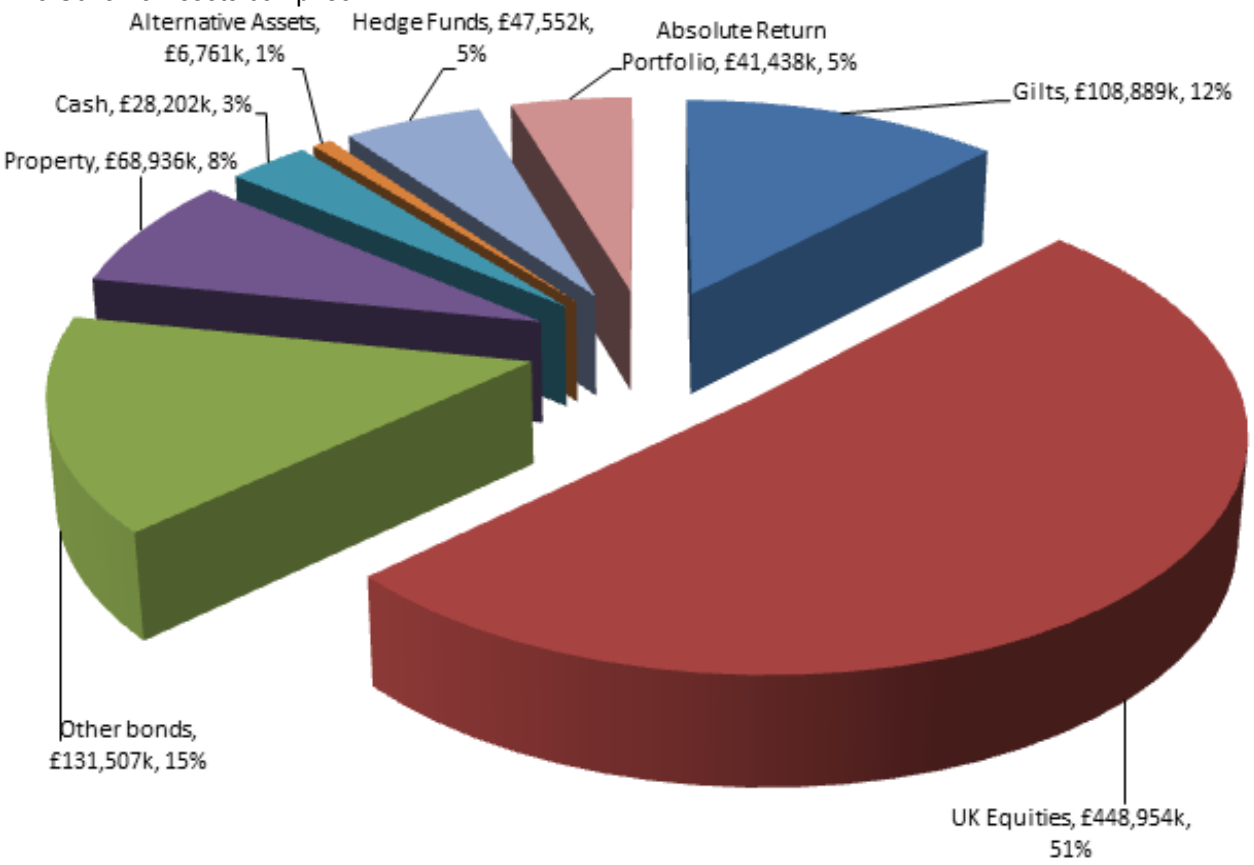
Reconciliation of the movement in the fair value of the scheme (plan) assets

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

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

2017/18 restated £000		2018/19 £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 in respect of discretionary benefits 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 £000	Mortality assumptions:	2018/19
	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:	
3.35%	RPI Increases	3.40%
2.35%	CPI Increases	2.40%
3.85%	Rate of increase in salaries*	2.40%
2.35%	Rate of increase in pensions	2.40%
2.55%	Rate for discounting scheme liabilities	2.40%
10.00%	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:-

- 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 £33.378m 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.

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;
  Table shows range of assets useful lives for valuation years:

	2018/19	2017/18	2016/17	2015/16	2014/15
Minimum	15	20	16	28	5
Maximum	55	63	51	72	70

- 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).

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	**849,228**	**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	39,361	5,569		744		45,674
Revaluation (decreases) recognised in the Revaluation Reserve	(3,026)					(3,026)
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(21,110)			(697)		(21,807)
Derecognition - disposals	(2,047)	(2,248)		(265)		(4,560)
Derecognition - Academies	(2,182)					(2,182)
Assets reclassified	(6,087)			6,085		(2)
At 31 March 2019	**869,235**	**124,247**	**525,990**	**11,644**	**2,557**	**1,533,672**
Accumulated Depreciation and Impairment						
At 1 April 2018	**(3,365)**	**(9,047)**	**(98,371)**	**(1,485)**	**-**	**(152,468)**
Prior period error	(203)					(203)
Depreciation charge	(20,608)	(4,170)	(12,907)		-	(37,685)
Depreciation written out to the Revaluation Reserve	22,808			178		22,986
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	**1,352**	**(10,988)**	**(111,278)**	**(4,999)**	**-**	**(125,913)**
Net Book Value						
as at 31 March 2019	870,586	113,259	414,712	6,646	2,557	1,407,760
as at 1 April 2018	845,862	110,588	380,655	3,953	2,407	1,343,465

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 restated

*Restated	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	44,979	-	-	193	-	44,917
Revaluation (decreases) recognised in the Revaluation Reserve	(2,684)	-	-	(97)	-	(2,781)
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(23,409)	-	-	(7)	-	(23,416)
Derecognition - disposals	(30,495)	(6,079)	-	-	-	(36,573)
Derecognition - other	(1,538) -		-	-	-	(1,538)
Assets reclassified	(2,008)	-	-	1,469	-	(539)
At 31 March 2018	**849,228**	**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	60,832			165		20,797
Derecognition - disposals	3,597	5,831	-	-	-	9,428
Derecognition - other	200					200
Assets reclassified	166	-	-	(108)	-	58
At 31 March 2018	**(3,365)**	**(9,047)**	**(98,371)**	**(1,485)**	**-**	**(152,468)**
Net Book Value						
as at 31 March 2018	845,862	110,588	380,655	3,953	2,407	1,343,465
as at 1 April 2017	803,427	113,843	359,979	2,254	648	1,280,150

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:		2,935	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	189,106	110,324		6,646
Total Cost or Valuation	**870,586**	**113,259**	**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 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 £000		2018/19 £000
362,872	Opening Capital Financing Requirement	395,323
	Capital Investment	
50,248	Property, plant and equipment	63,843
37,538	Investment properties	78,830
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**	**468,432**
	Explanation of movements in year	
32,451	Increase/(decrease) in underlying need to borrowing (unsupported by government financial assistance)	73,109
32,451	**Increase/(decrease) in Capital Financing Requirement**	**73,109**

17 - Heritage Assets

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

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

	Historic Sites and Monuments	Kederminster Library and Pew	Museum Collections and Paintings	Total
	£000	£000	£000	£000
Valuation				
1 April 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

Kederminster Library and Pew

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

County Museum Collections and Paintings

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

Centre for Buckingham Studies

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

18 - Intangible Assets

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

Intangible assets are measured initially at cost. Amounts are not revalued as their fair value cannot be determined by reference to an active market. All software is given a finite useful life, which has been assessed as between 1 and 6 years, based on the period that it is expected to be used. The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £0.773m 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 £000		2018/19 £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 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 £000		2018/19 £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 £000		2018/19 £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 Cushman & Wakefield, in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. The Council's valuation experts work closely with finance officers reporting on a regular basis regarding all valuation matters.

Fair Value Hierarchy

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

Other Significant Observable Inputs (Level 2)	Fair Value as at 31 March 2018		Other Significant Observable Inputs (Level 2)	Fair Value as at 31 March 2019
42,575	42,575	Agricultural estate	43,133	43,133
88,236	88,236	Commercial Units	149,916	149,916
130,811	**130,811**	**Total**	**193,049**	**193,049**

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 £000		2018/19 £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 held at amortised cost
- 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 table below shows the IFRS 9 reclassifications applicable from 1st April 2018:

Assets/Liabilites/Reserves	IAS 39 31 March 2018	Reclassification	Reameasurement	Impairment	IFRS 9 1st April 2018
	'£000	'£000	'£000	'£000	'£000
Investments					
Available for Sale Financial Instruments	23,448	(23,448)			-
Fair Value Through Profit and Loss(FVPL)		23,448	0	0	23,448
Total Investments	**23,448**	**0**	**0**	**0**	**23,448**
Unusable Reserves					
Available for Sale Financial Instruments Reserve	(1,122)	1,122	0	0	0
Financial Instruments Revaluation Reserve	0	(1,122)	0	0	(1,122)
Total Financial Instruments Revaluation Reserve	**(1,122)**	**-**	**-**	**-**	**(1,122)**

The Available for Sale category no longer exists, the assets previously shown under this category are now shown under Fair Value Through Profit or Loss (FVPL) and Fair Value Through Other Comprehensive income (FVOCI).

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

	31-Mar-18 Long Term £000	31-Mar-18 Short Term £000	31-Mar-19 Long Term £000	31-Mar-19 Short Term £000
Loans and Receivables				
Debtors-Temporary Loans		1,927		
Debtors-Trade and other receivables	13,454	41,100		
Debtors-Loans to Local Authority companies and other entities	185			
Cash and Cash Equivalents		1,927		
Investments	576	89		
Available for Sale Financial Assets				
Investments		23,448		
Fair Value Through Profit or Loss				
Investments*				11,989
Financial Assets at Amortised Cost				
Investments			2,258	
Debtors-Temporary Loans				2,231
Debtors-Trade and Other Receivables				45,447
Cash and Cash Equivalents				919
Total of Assets	**14,215**	**68,491**	**2,258**	**60,586**
Less items to be excluded				
Payments in Advance		**(3,752)**		**(4,522)**
Collection Fund Adjustment		**(6,126)**		**(9,281)**
Her Majesty's Revenue and Customs		**(6,394)**		**(7,127)**
Total to be Deducted from Assets		**(16,272)**		**(20,930)**
Total Financial Assets	**14,215**	**52,219**	**2,258**	**39,656**
Financial Liabilities at Amortised Cost				
Borrowings	(167,951)	(45,333)	(260,610)	(35,945)
Creditors				
Trade and other payables		(106,802)		(124,150)
Total Financial Liabilities	**(167,951)**	**(152,135)**	**(260,610)**	**(160,095)**
Less items to be excluded				
Receipts in advance and deferred income		15,715		27,578
Collection fund adjustment		4,964		3,269
Her majesty's revenue and customs		4,631		30
Total to be Deducted from Liabilities		**25,310**		**30,877**
Total Financial Liabilities at Amortised	**(167,951)**	**(126,825)**	**(260,610)**	**(129,218)**

**Investments includes Money Market Funds and accrued CCLA Interest*

	31-Mar-18 Carrying Amount £000	31-Mar-18 Fair Value £000	31-Mar-19 Carrying Amount £000	31-Mar-19 Fair Value £000
Loans and Receivables				
Debtors-Temporary Loans	1,927	1,927		
Debtors-Trade and other receivables	54,554	54,554		
Debtors-Loans to local authority companies and other entities	185	185		
Cash and Cash Equivalents	1,927	1,927		
Investments	665	665		
Available for Sale Financial Assets				
Investments	23,448	23,448		
Fair Value Through Profit or Loss				
Investments			11,989	11,989
Financial Assets at Amortised Cost				
Investments			2,258	2,258
Debtors-Temporary Loans			2,231	2,231
Debtors-Trade and Other Receivables			45,447	45,447
Cash and Cash Equivalents			919	919
Total to be Deducted from Assets	**(16,272)**	**(16,272)**	**(20,930)**	**(20,930)**
Total Financial Assets	**66,434**	**66,434**	**41,914**	**41,914**
Financial Liabilities at Amortised Cost				
Borrowings	(213,284)	(274,663)	(296,555)	(347,459)
Creditors				
Trade and other payables	(106,802)	(106,802)	(124,150)	(124,150)
Total to be Deducted from Liabilities	**25,310**	**25,310**	**30,877**	**30,877**
Total Financial Liabilities	**(294,776)**	**(356,155)**	**(389,828)**	**(440,732)**

Income, Expenditure, Gains and Losses

	2017/18				2018/19			
	Financial Liabilities measured at amortised cost	Financial Assets: Loans and receivables	Financial Assets: Available for sale	Total	Financial Liabilities measured at amortised cost	Financial Assets: Assets at amortised cost	Financial Assets: Assets at fair value through other comprehensive Income	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	5,772		11,989
Total	**6,122**	**18,239**	**-**	**24,361**	**6,217**	**5,772**	**-**	**11,989**

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

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

- The fair value of PWLB loans as at 31 March 2019 is the repayment cost calculated using the repayment interest rates at 31 March 2019. The relevant interest rates are published on the Debt Management Office website
- The fair value of the Lender Option, Borrower Option loans (LOBOs) are based on calculations using the market interest rates available for similar loans from similar lenders at 31 March 2019
- The fair values for the LOBO and PWLB loans are calculated by Arlingclose, in their role as an external valuation specialist
- No early repayment or impairment is recognised
- Where an instrument will mature in the next 12 months, carrying amount is assumed to approximate to fair value
- Other long-term debtors are valued by calculating the present value of the cash flows that will take place over the remaining life of the contracts.
- No fair value disclosures are provided for trade receivables and payables as the carrying amount is a reasonable approximation of fair value.

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

	Fair Value Level	31-Mar-18	31-Mar-18	31-Mar-19	31-Mar-19
		Carrying amount £000	Fair Value £000	Carrying amount £000	Fair Value £000
Financial Assets					
Other loans and receivables	2	665	665	2,158	2,158
Soft Loans	3	2,688	2,688	2,401	2,401
Other loans and long term debts	3	13,454	13,454		-
Total Financial Assets		**16,807**	**16,807**	**4,559**	**4,559**
Financial Liabilities					
Loans and borrowings	2	(213,284)	(274,663)	(296,555)	(347,459)
Total Financial Liabilities		**(213,284)**	**(274,663)**	**(296,555)**	**(347,459)**

Assets and liabilities at level 2 are those whose values are based on quoted market prices that are not as active as level 1 markets, or based on models whose inputs that are observable either directly or indirectly for substantially the full term of the asset or liability. Products classified as level 2 comprise bonds and loans, less liquid and restricted equity securities, absolute return funds and over the counter derivatives.

Other long-term debtors and soft loans are categorised as a Level 3 as there are no observable market inputs. The value of long-term debtors recorded in the balance sheet is based on the present value of the cash flows to the Council from access to below-market bed-spaces over the 30 year contracts in respect of a number of Care Homes as a result of Adult Social Care re-provisioning. The most significant inputs are the discount rate of 3.5% and rental inflation rate of 2.5%. Soft loans represent loans to lower-tier authorities, voluntary organisations, employees, local authority companies and related parties at less than market rates or where the credit rating of the body would make access to funding prohibitive.

22 - Nature and Extent of Risks Arising from Financial Instruments

The Council's overall treasury risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services.

Treasury risk management is carried out by a central Treasury team, under policies approved by the Council in the annual Treasury Management Strategy. The Council provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk and the investment of surplus cash.

Credit Risk

A country is assigned a sovereign rating which signifies the country's ability to provide a secure investment environment which reflects factors such as economic status, political stability and foreign currency reserves. The strongest sovereign rating that can be achieved is AAA; AA+ is the next strongest.

The Council invests in the UK or specified AAA and AA+ sovereign rated countries, the total maximum that can be invested in an individual AAA sovereign rated country is £20m and the total maximum that can be invested in an

individual AA+ sovereign rated country is £10m. Sovereign credit rating criteria and foreign country limits will not apply to investments in multilateral development banks (e.g. the European Investment Bank and the World Bank) or other supranational organisations (e.g. the European Union).

Creditworthiness

The Council follows the rating issued by the three main agencies (Fitch, Moodys and Standard and Poor) and defines the following as being of "high credit quality" for making investments, subject to the monetary and time limits shown.

Cash Limits (per counterparty)			
Credit Rating	**Banks Unsecured**	**Banks Secured**	**Government**
UK Govt	n/a	n/a	£ Unlimited 50 years
AAA	£5m 5 years	£10m 20 years	£10m 50 years
AA+	£5m 5 years	£10m 10 years	£10m 25 years
AA	£5m 4 years	£10m 5 years	£10m 15 years
AA-	£5m 3 years	£10m 4 years	£10m 10 years
A+	£5m 2 years	£10m 3 years	£5m 5 years
A	£5m 13 months	£10m 2 years	£5m 5 years
A-	£5m 6 months	£10m 13 months	£5m 5 years
BBB+	£3m 100 days	£3m 6 months	£3m 2 years
BBB	£3m next day only	£3m 100 days	n/a
None	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.

Default

The Council defines default as a customer or borrower's failure to pay amounts owed to it. A counterparty is likely to be considered in default if:
a) it is in administration, insolvency or winding up proceedings;
b) it has entered into a scheme of arrangement with its creditors;
c) it is in default on similar financial assets.

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 £15.812m balance is past its due date for payment. The past due amount can be analysed by age as follows:

31 March 2018 £000		31 March 2019 £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 £000		31 March 2019 £000
45,343	Less than one year	35,945
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		**296,556**

Market Risk

Interest Rate Risk

The Council is exposed to significant risk in terms of its exposure to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council. For instance, a rise in interest rates would have the following effects:

- Borrowings at variable rates – the interest expense charged to the CIES will rise
- Borrowings at fixed rates – the fair value of the liabilities borrowings will fall
- Investments at variable rates – the interest income credited to the CIES will rise
- Investments at fixed rates – the fair value of the assets will fall

Borrowings are not carried at fair value, so notional gains and losses on fixed rate borrowings would not impact on the CIES. However, changes in interest payable and receivable on variable rate borrowings and investments would be posted to the CIES and affect the General Fund pound for pound.

The Council has a number of strategies for managing interest rate risk. During periods of falling interest rates, and where economic circumstances make it favourable, fixed rate loans will be repaid early to limit exposure to losses. The risk of loss is ameliorated by the fact that a proportion of government grant payable on financing costs will normally move with prevailing interest rates or the Council's cost of borrowing and provide compensation for a proportion of any higher costs. If interest rates had been 1% higher with all other variables held constant, the financial effect in 2018/19 would have been:

31 March 2018 £000		31 March 2019 £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 £000		31 March 2019 £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 £000		1 April 2018* £000	31 March 2019 £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**	**42,893**	**47,181**
(1,793)	Impairment Loss Allowance	(2,279)	(1,734)
41,100	**Total Short Term Trade and Other Receivables**	**40,614**	**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 £000		31 March 2019 £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 £000		31 March 2019 £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	(27,578)
(7,340)	Capital expenditure	(9,590)
(106,802)	**Total**	**(124,150)**

Long Term Trade and Other Payables

31 March 2018 £000		31 March 2019 £000
-	Receipts in advance and deferred income	(3,921)
-		**(3,921)**

25 - Provisions

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. Provisions are charged as an expense to the appropriate service line in the CIES in the year that the Council becomes aware of the obligation, and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties. When payments are eventually made, they are charged to the provision carried in the Balance Sheet. The following provisions have been made as at 31 March 2019:

	Long Term Provisions			
	Insurance	National Non-Domestic Rates	Other	Total
	£000	£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 benefit and do not represent usable resources for the Council.

March 31 2018 Restated* £000		March 31 2019 £000
(458,999)	Revaluation Reserve	(508,801)
(622,713)	Capital Adjustment Account	(628,687)
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 Instruments Revaluation Reserve	(1,217)
(306,489)	**Total Unusable Reserves**	**(355,019)**

*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 restated £000				2018/19 £000
(363,901)		**Balance at 1 April**		**(458,999)**
	(107,566)	Upward revalution of assets	(73,934)	
	3,290	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	7,808	
(104,276)		Surplus or deficit on revaluation of non-current assets not posted to the Surplus/Deficit on the Provision of Services		**(66,126)**
	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**
(458,999)		**Balance at 31 March**		**(508,801)**

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Capital Adjustment Account is debited with the cost of acquisition,

construction or enhancement as depreciation, impairment losses and amortisations are charged to the CIES (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Capital Adjustment Account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement.

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

2017/18 restated £000		2018/19 £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	23,366
(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		**123,457**
	Adjusting amounts written out of the Revaluation Reserve:	
(9,178)	- Net written out amount of the cost of non-current assets consumed in the	(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**	**(628,687)**

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. The premium incurred in 2018/19 will be charged over 60 years.

2017/18 £000		2018/19 £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)
1,894		**28,014**
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 £000		2018/19 £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 Comprehenisve Income and Expenditure Statement	
1,501	Transfer to the Capital Receipts Reserve upon receipt of cash	1,562
(14,058)	**Balance at 31 March**	**(12,496)**

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 £000		2018/19 £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)
782,607	**Balance at 31 March**	**762,653**

Collection Fund Adjustment Account

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

2017/18 £000		2018/19 £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 Absenses Account

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

2017/18 £000		2018/19 £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**

Financial Instruments Revaluation Reserve

The Financial instruments 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 £000		2018/19 £000
(844)	**Balance at 1 April**	**(1,122)**
(278)	Movements in reserve	(95)
(1,122)	**Balance at 31 March**	**(1,217)**

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 £000		2018/19 £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 £000		2018/19 £000
34,847	Net (surplus) or deficit on the provision of services	**92,595**
	Adjustments for non-cash movements	
(62,787)	■ Depreciation, impairment and downward valuations	(61,062)
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	(11,679)
(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)		**(132,153)**
	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**	**48,504**
	The cash flows for Operating Activities includes the following items:	
(2,642)	Interest received	(2,638)
10,074	Interest paid	37,764

29 - Pooled Budgets

Better Care Fund

Since 2015, the Government's aims around integrating health, social care and housing, through the Better Care Fund (BCF), have played a key role in the journey towards person-centred integrated care. This is because these aims have provided a context in which the NHS and local authorities work together, as equal partners, with shared objectives.

The BCF is the national programme, through which local areas agree how to spend a local pooled budget in accordance with the programme's national requirements. Buckinghamshire County Council is the host for the pooled fund on behalf of the four District Councils and Milton Keynes and Buckinghamshire CCG .

The pooled budget is made up of CCG funding as well as local government grants (Disabled Facilities Grant & iBCF). iBCF was first announced in the 2015 Spending Review. The government grants and the iBCF is paid directly to Buckinghamshire County Council and the CCG funding is paid directly to CCG by NHS England and in turn BCC invoice the CCG on a quarterly basis in relation to the social care allocation.

The iBCG grant allocations were increased in the 2017 Spring Budget. The grant is to be used only for the purposes of meeting adult social care needs; reducing pressures on the NHS, including supporting more people to be discharged from hospital when they are ready; and ensuring that the local social care provider market is supported. There is no requirement to spend across the purposes, or to spend a set proportion on each.

2017/18 £000		2018/19 £000
	Expenditure	
12,847	Expenditure met by Buckinghamshire County Council	13,193
18,570	Expenditure met by Buckinghamshire CCG	18,923
3,049	Expenditure met by District Councils	3,321
34,466	**Total Expenditure**	**35,437**
	Income	
(3,489)	Contribution from Buckinghamshire County Council	(3,658)
(27,928)	Contribution from Buckinghamshire Clinical Commissioning Group	(28,458)
(826)	Contribution from Aylesbury Vale District Council	(898)
(598)	Contribution from Chiltern District Council	(651)
(539)	Contribution from South Bucks District Council	(588)
(1,086)	Contribution from Wycombe District Council	(1,184)
(34,466)	**Total Income**	**(35,437)**

Integrated Mental Health Provision for Adults of Working Age Agreement

A Partnership with Oxfordshire and Buckinghamshire Mental Health Partnership NHS Trust (OBMH) since 2013 to provide the provision of mental health services for Adults. OBMH are the hosts of the pooled budget.

2017/18 £000		2018/19 £000
	Expenditure	
8,183	Expenditure met by Oxford Health NHS Foundation Trust	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	Expenditure met by Buckinghamshire County Council	7,089
	Total Expenditure	
	Income	
(1,621)	Contribution from Buckinghamshire County Council	(1,599)
(1,914)	Contribution from Buckinghamshire Clincial Commissioning Group	(5,490)
(3,050)	Contribution from Chiltern Clinical Commissioning Group	
(6,585)	**Total Income**	**(7,089)**

Community Equipment Loan Service

Bucks County Council are the hosts for the Joint Integrated Pooled Community Equipment Service on behalf of NHS Buckinghamshire Commissioning and Buckinghamshire County Council (including Adult Social Care, Telecare and Children & Young People's Service) by way of a S75. The Joint Pooled Fund supports the procurement, storage, delivery, installation and technical demonstration and subsequent collection, cleaning, recycling, maintenance and repair of equipment for eligible client's use.

2017/18 £000		2018/19 £000
	Expenditure	
7,821	Expenditure met by Buckinghamshire County Council	8,299
	Total Expenditure	
	Income	
(2,466)	Contribution from Buckinghamshire County Council	(2,591)
(2,423)	Contribution from Buckinghamshire Clincial 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 £000		2018/19 £000
	Expenditure	
10,603	Expenditure met by Buckinghamshire County Council	15,409
10,603	**Total Expenditure**	**15,409**
	Income	
(5,726)	Contribution from Buckinghamshire County Council	(7,942)
(4,877)	Contribution from Buckinghamshire 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 £000		2018/19 £000
	Expenditure	
3,780	Expenditure met by Buckinghamshire County Council	3,764
	Total Expenditure	
	Income	
(1,726)	Contribution from Buckinghamshire County Council	(1,717)
(2,054)	Contribution from Buckinghamshire 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 £000	Other Pooled Budget Arrangements	2018/19 £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	

Integrated Mental Health Provision for Older People Agreement:
A Partnership with Oxfordshire and Buckinghamshire Mental Health Partnership NHS Trust (OBMH) since 2013 to provide the provision of mental health services for older people. OBMH are the hosts of the pooled budget.
The Council incurred expenditure of £784k, and £2,096k by Oxford Health NHS FT.

Residential Respite Short Breaks Pooled Fund:
The Council incurred expenditure of £2,179k, which was funded by a contribution of £1,642k from the Council and a contribution of £537k from Buckinghamshire CCG

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 £10.248m (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 £000		31 March 2019 £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 £000		31 March 2019 £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:

31 March 2018 £000		31 March 2019 £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 £000		31 March 2019 £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 31 March 2018 £000	Minimum Lease Payments 31 March 2019 £000		Gross Investment in the Lease 31 March 2019 £000	Minimum Lease Payments 31 March 2019 £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 £000		31 March 2019 £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 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. In prior years, the Council only accounted for discretionary benefits in respect of the Local Government Pension Scheme. The Council is now also accounting for discretionary benefits in respect of the Teachers' Pension 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 £11.054m, 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 needing to be increased by £50.298m as at 1st April 2017 and £39.244 as at 31st March 2018. Unusable Reserves were increased by the same amounts, and therefore this adjustment has 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.

Property, Plant & Equipment Restatement

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). The Council therefore has c.20% of its asset valued each year, with the remaining c.80% not being revalued in 4 out of every 5 years. An obligation exists to prove that the valuation of the assets in the Council's Balance Sheet is materially correct as at the Balance Sheet Date. To meet this obligation the Council has undertaken an indexation exercise to revalue the c.80% of assets that have not been revalued during the 2018/19 financial year. A large part of this revaluation exercise relates to prior years, therefore It has been necessary to restate the prior year balance sheet.

This has resulted in an impact to the CIES of £40.456m, changing the Surplus on Revaluation of Non-Current Assets from £63.820m to £104.276
This restatement has also affected note 15 Property, Plant & Equipment and note 26 Unusable Reserves . We have restated the 2017/18 balance sheet to reflect the situation as stated above
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	PPE	Gross Expenditure	Gross Income	Net Expenditure
£000	£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)			(40,456)			(104,276)
		(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)**					**(158,144)**
		(71,787)	**Total Comprehensive Income and Expenditure**	**(11,054)**					**(123,297)**

Effect on the Balance Sheet 2017/18

Balance Sheet per 2017/18 Statement of Accounts	2014/15 £000	2015/16 £000	2016/17 £000	2017/18 £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 in respect of discretionary benefits'	(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 £000	2015/16 £000	2016/17 £000	2017/18 £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 in respect of discretionary benefits	(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	**(51,184)**	**(47,589)**	**(50,298)**	**(39,244)**

The table above discloses a prior period restatement of the present value of the defined benefit obligation for 2017/18. This restatement arose because of the original obligation was based on the use of an incorrect pensionable payroll figure for 2017/18.

Balance Sheet Impact

	31 March 2018 £000	PPE Movement 2018	Pensions Liability Movement 2018	Other 2018	31 March 2018 restated * £000
Property, Plant & Equipment	1,303,009	40,254			1,343,263
Pensions Liability	(743,363)		(39,244)		(782,607)
Usable Reserves	(151,939)			(202)	(151,737)
Unusable Reserves	(305,280)	(40,254)	39,244	202	(306,492)

Buckinghamshire County Council Pension Fund

Statement of Accounts

For the year ended 31 March 2019

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)**

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 receivable		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 Penions 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.

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

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 *International Private Equity and Venture Capital Valuation Guidelines* (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)**

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 £000	Management Expenses	2018/19 £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 £000	Investment Income	2018/19 £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

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	Reclass-ification 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	Reclass-ification 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

11. Analysis of the Value of Investments

31 March 2018 £000	Analysis of the Value of Investments	31 March 2019 £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 receivable	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	-	-	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	-	-	Property – unit trusts	214,243	-	-
102	-	-	Derivatives	-	-	-
9,504	-	-	Investment Income receivable	10,489	-	-
-	121,408	-	Cash deposits	-	80,693	-
-	6,371	-	Current assets	-	11,585	-
2,691,591	**127,779**	**-**		**2,919,041**	**92,278**	**-**
			Financial Liabilities			
-	-	-	Derivatives	(34)	-	-
-	-	(4,190)	Current liabilities	-	-	(13,367)
-	-	**(4,190)**		-	-	**(13,367)**
2,691,591	**127,779**	**(4,190)**	**Total**	**2,919,007**	**92,278**	**(13,367)**
		2,815,180				**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)
-	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**	
	Level 1	**Level 2**	**Level 3**	**Total**
	£000	**£000**	**£000**	**£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 receivable	(10,489)
Valuation of Financial Instruments carried at fair value	2,908,518

Value at 31 March 2018	Quoted Market Price Level 1 £000	Using Observable Inputs Level 2 £000	With Significant Unobservable Outputs Level 3 £000	Total £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**

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.

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 receivable	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 2018/19 reporting period, if the market price of the Fund's investments did 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 receivable	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
Exposure to interest rate risk	**£000**	**£000**	**£000**
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
Exposure to interest rate risk	**£000**	**£000**	**£000**
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%
Audited Accounts as at 31 March 2018	**£000**	**£000**	**£000**
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
Exposure to interest rate risk	**£000**	**£000**	**£000**
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**

Restated 2017/18	Interest receivable	Impact of 1% increase	Impact of 1% decrease
Exposure to interest rate risk	**£000**	**£000**	**£000**
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%
Audited accounts as at 31 March 2018	**£000**	**£000**	**£000**
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 £000	Value on increase £000 +9.79%	Value on decrease £000 -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 £000	Percentage Change %	Value on increase £000	Value on decrease £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 £000	Percentage Change %	Value on increase £000	Value on decrease £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.

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 £45.1m to the Fund in 2018/19 (£45.1m 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 £000	Current Assets and Liabilities	31 March 2019 £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 £000	Taxes on Income	2018/19 £000
-	Witholding tax - fixed interest securities	-
554	Witholding 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 £000		31 March 2019 £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

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 £000	31 March 2019 £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 accounts in accordance with Regulation 4(1)(b) of the Local Government Pension Scheme (Management and Investment of funds) Regulations 2016.

2017/18 £000	**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 £000	**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
Buckinghamshire Fire and Rescue Service
Thames Valley Police
Aylesbury Vale District Council
Chiltern District Council
Milton Keynes Council
South Bucks District Council
Wycombe District Council

Amersham Town Council
Aston Clinton Parish Council
Aylesbury Town Council
Beaconsfield Town Council
Bletchley & Fenny Stratford Town Council
Bradwell Parish Council
Broughton & Milton Keynes Parish Council
Buckingham Town Council
Burnham Parish Council
Campbell Park Parish Council
Chalfont St Giles Parish Council
Chalfont St Peter Parish Council
Chepping Wycombe Parish Council
Chesham Bois Parish Council
Chesham Town Council
Chiltern Crematorium
Chilterns Conservation Board
Coldharbour Parish Council
Coleshill Parish Council
Gerrards Cross Parish Council
Great Missenden Parish Council
Hambleden Parish Council
Hazlemere Parish Council
Iver Parish Council
Ivinghoe Parish Council
Kents Hill & Monkston Parish Council
Lacey Green Parish Council
Lane End Parish Council
Little Marlow Parish Council
Longwick-cum-Ilmer Parish Council
Marlow Town Council
Mentmore Parish Council
New Bradwell Parish Council
Newport Pagnell Town Council
Newton Longville Parish Council
Olney Town Council
PCC for Thames Valley
Penn Parish Council
Piddington & Wheeler End Parish Council
Princes Risborough Town Council
Shenley Brook End and Tattenhoe Parish Council
Shenley Church End Parish Council
Stantonbury Parish Council
Stony Stratford Town Council
Taplow Parish Council
Waddesdon Parish Council
Wendover Parish Council
West Bletchley Town Council
West Wycombe Parish Council
Weston Turville Parish Council
Winslow Town Council
Woburn Sands Town Council
Wolverton & Greenleys Town Council
Wooburn & Bourne End Parish Council
Woughton Community Council

Alfriston School
Amersham School
Aspire Schools
Aylesbury College
Aylesbury Grammar School
Aylesbury High School
Aylesbury Vale Academy
Beaconsfield High School
Bedgrove Infant School
Bedgrove Junior School
Beechview Academy
Bourne End Academy
Bourton Meadow Academy
Bridge Academy
Brill CofE Combined School
Brookmead School
Brooksward School
Brushwood Junior School
Buckinghamshire New University
Buckinghamshire University Technical College
Burnham Grammar School
Bushfield School
Castlefield School
Chalfonts Community College
Chalfont St Peter CE Academy
Chalfont Valley E-Act Academy
Charles Warren Academy
Chepping View Primary Academy
Chesham Bois CofE Combined School
Chesham Grammar School
Chestnuts Academy

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

Election Fees:
Aylesbury Vale Local
South Bucks Local

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

Grant Thornton

The Audit Findings for Buckinghamshire Pension Fund

Year ended 31 March 2019

September 2019

Contents

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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.

Financial Statements	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: • 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.	We planned to complete our audit by 31 July 2019, but this was not possible. There are several reasons for this, which are as follows: • 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 Our findings are summarised on pages 4 to 8. We have 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. This report is an update to the version presented to the Regulatory and Audit Committee on 30 July 2019. There are 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: - receipt of the management representation letter; and - review of the final version of the Pension Fund Annual Report.

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 complete. This report contains all our findings to date which we need to report to you.

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
1	**The revenue cycle includes fraudulent transactions (rebutted)**	As communicated in our Audit Plan, we have rebutted this risk. We have made no changes to this assessment.
2	**Management override of controls**	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 • 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 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.
3	**Valuation of Level 3 investments**	We have: • 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 Our audit work has not identified any issues in respect of the valuation of Level 3 investments.
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.	We have: • 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 Our audit work has not identified any issues in respect of the transfer of assets to BPP.

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.	Our assessment of the estimate comprised: • 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	Green
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.	Our assessment of the estimate comprised: • 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
Potential impact 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 not just for pension funds but also for other 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 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. 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.	We consider that that the approach used by the Pension Fund's actuary and the assumptions used in assessing the impact of the McCloud judgement are reasonable. 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. We have included this as an adjusted item at Appendix C.

Other communication requirements

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

	Issue	Commentary
1	**Matters in relation to fraud**	• We have previously discussed the risk of fraud with the Regulatory and Audit Committee. We have not been made aware of any incidents in the period and no other issues have been identified during the course of our audit procedures.
2	**Matters in relation to related parties**	• We are not aware of any related parties or related party transactions which have not been disclosed.
3	**Matters in relation to laws and regulations**	• You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
4	**Written representations**	• 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**	• 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, except for the Pension Fund's bank. We undertook additional, alternative procedures in respect of the cash balance recorded in the Pension Fund financial statements and identified no issues.
6	**Disclosures**	• Our review found no material omissions in the financial statements.
7	**Matters on which we report by exception**	• We are required to give a separate opinion for the Pension Fund Annual Report on whether the financial statements included therein are consistent with the audited financial statements. We have concluded our review of the Annual Report and intend to issue an unqualified 'consistency' opinion on the Pension Fund Annual Report.

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	Medium	• 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.	• 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. **Management response** • The Pension Fund's journal policy will be reviewed and updated.
2	Medium	• 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.	• Any differences identified from the custodian's quarterly reconciliation should be followed up in a more timely way. **Management response** • Agreed, there were a number of inconsistencies in the accounting reports from the custodian. We now have a clearer understanding of those inconsistencies and are confident that we will be able to follow up differences identified in a more timely manner.
3	Low	• 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.	• Uncleared miscellaneous items in the bank account reconciliation should be resolved more promptly. **Management response** • 69 of the transactions were posted during the last week of March, 56 of these transactions were cleared during the first week in April. There are some 4,000 transactions processed each year with a small number that are difficult to allocate due to lack of information about the transaction.

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
1	✓/x	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. 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.	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.

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. 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	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. 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 and prior years as £40.3m, which did not include all elements of the Council's contribution. Management have agreed to update the amounts for both years.	The contributions from the County Council during 2017/18 2018/19 have been increased to £45.1m.
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.

Grant Thornton

The Audit Findings for Buckinghamshire County Council

Year ended 31 March 2019

27 February 2020

Contents

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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.

Financial Statements	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: • 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. 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.	The majority of our audit work was completed on site during June and July 2019, however further work has been required to address material issues with the valuation of the Council's property, plant and equipment. Our findings are summarised on pages 6 to 17. We have identified several adjustments to the financial statements, including a material understatement of the Council's property, plant and equipment. Significant additional further work has been required by both the Council and us in respect of this issue. Further details on this additional work are included in the 'Significant findings – audit risks' section of our report. The 'Significant findings – audit risks (valuation of the pension fund net liability)' section of this report also 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 work on property valuations, has increased our total workload. There is increased focus on what preparers of financial statements and their auditors have done to assure themselves that the carrying value of property assets are fairly stated at the balance sheet date. In our view this increased expectation has presented a significant challenge for the Council for two main reasons: • Historically the Council has adopted an approach to valuing its property assets over a five-year cycle in exact fifths. This means that as it approaches the end of that cycle there is a large proportion of assets which has not been revalued for several years • The Council uses a valuation date of 1 April which means that at the period end the values of those assets which have been subject to formal revaluation during the year are valued 12 months out-of-date. The Council has sought to remedy the potential impact this has on its financial statements by applying indices obtained from its external valuer to it property balances This work is complex and unusual taking time on the part of both officers at the Council and for us as auditors. The exercise has identified that the Council's approach to property valuations results in a material under-statement of the carrying value of the Council's property assets in the draft financial statements. The Council has therefore used the indexation work it has carried out to make adjustments to the financial statements. This approach is highly unusual and not in strict accordance with the CIPFA code of practice which does not allow for indexation and requires the valuation to be undertaken by a suitably qualified expert. In response to this unusual set of circumstances we have altered our approach to the auditing of property valuations and have employed our own valuations expert to review the work done by the Council. This work has identified some gaps in the approach taken by the Council which we are currently seeking to resolve with officers, in particular: • The potential change in value of the Council's residential properties • The potential movement for those assets where no appropriate index was provided by the Council's valuer

Headlines

Financial Statements (continued)

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 the 30 May deadline. Resolving these issues has taken time on the part of both the finance and audit teams. Appendix C to this report sets out in further detail the errors and misstatements we have identified.

Provision of adequate working papers and responses to audit queries were, on some occasions, slow in coming, particularly given the short timescale that we attempted to complete the audit in. There are a number of areas where, in our view, the working papers and evidence provided could be improved. The process of agreeing all required amendments to the financial statements has not been without difficulty. To date, we have received thirteen sets of draft financial statements for review. These challenges have been compounded by capacity challenges within the audit team and the extra work set out above.

Audit adjustments are detailed in Appendix C. We have also raised recommendations for management as a result of our audit work in Appendix A. Our follow up of recommendations from the prior year's audit are detailed in Appendix B.

Our work is substantially complete and there are no matters of which we are aware that would require modification of our audit opinion (see Appendix E) or material changes to the financial statements, subject to the following outstanding matters;

- completion of our work on the valuation of property, plant and equipment
- completion of our testing of the cash flow statement
- updating of our work on subsequent events;
- receipt of management representation letter (see appendix F); and
- review of the final set of financial statements.

We have concluded that the other information to be published with the financial statements is consistent with our knowledge of your organisation and the financial statements we have audited.

Our anticipated audit report opinion will be unqualified including an Emphasis of Matter paragraph in respect of local government reorganisation.

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 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 and have completed our work on the Whole of Government Accounts (WGA) consolidation pack

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

Summary

Overview of the scope of our audit

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

- 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

We have substantially completed our audit of your financial statements and subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion, as detailed in Appendix E. These outstanding items include:

- completion of our work on the valuation of property, plant and equipment
- completion of our testing of the cash flow statement
- updating of our work on subsequent events;
- receipt of management representation letter (see appendix F); and
- review of the final set of financial statements.

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.

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

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.

Performance materiality is used to identify and risk assess those balances and disclosures which should be subject to audit procedures. It is designed to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements in the financial statements exceeds materiality for the financial. statements as a whole.

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 testing identified several journals which were not authorised in line with the Council's procedures prior to them being posted. These covered areas such as payroll, school funding, loan transactions and acquisitions of investment properties. Whilst we are satisfied that this has not resulted in misstatements in the financial statements, action does need to be taken to ensure that the Council's authorisation procedures are followed for all journals. A recommendation has been included in the Action Plan in Appendix A in respect of this.

Significant findings – audit risks

	Risks identified in our Audit Plan	Commentary
3	**Property, plant and equipment - valuation of land and buildings (rolling revaluation)**	**Auditor commentary** We have: • 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 experts; • written to the valuers to confirm the basis on which the valuation was carried out; • challenged the information and assumptions used by the valuers 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; • 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. <u>Other land and buildings</u> The Council revalues its property, plant and equipment on a rolling basis over a five year period. This is a reasonable approach, but the Council still needs to demonstrate that the carrying value of assets which were not revalued in 2018/19 are not materially different to their fair value at 31 March 2019. In addition, those assets which were revalued in 2018/19 were valued at 1 April 2018. The Council also needs to demonstrate that the carrying value of these assets are not materially different to their fair value at 31 March 2019. Our initial audit work found that management had not provided sufficient evidence to demonstrate that that assets had not been materially misstated as a result of these issues. Management subsequently performed a detailed exercise to reconsider the valuation of these assets at the balance sheet date. This involved the use of indices, which is not an approach set out in CIPFA's Code of Practice on Local Authority Accounting for 2018/19. Management concluded that these assets were understated by **over £40.3 million** and have amended the financial statements accordingly. We appointed our own valuation expert to review the work that the Council performed which has resulted in a number of queries and challenges for management on the approach they adopted. Most of these queries have now been addressed but some are still being worked through. In addition, we are in ongoing discussions with management in respect of the disclosures that have been made in the financial statements for this prior period adjustment. As part our work, we also challenged management over the valuation of the Council's Greatmoor Energy from Waste facility. This asset was last revalued in July 2016 and the Council was not initially able to demonstrate that its fair value at 31 March 2019 was not materially different to its carrying value. The Council has subsequently obtained a revaluation of the asset at 31 March 2019 from its external valuers. This shows that the value of the asset was understated by £9.4 million. The Council have amended the financial statements to recognise this increased valuation.

Significant findings – audit risks

	Risks identified in our Audit Plan	Commentary
3	**Property, plant and equipment - valuation of land and buildings (rolling revaluation)**	**Auditor commentary** Investment properties The Council revalues its investment properties on an annual basis, which is in line with the CIPFA Code. However, they were valued at 31 December 2018 and so there is a risk that the carrying value of these assets are materially different to their fair value at 31 March 2019. We appointed own valuation expert to consider the risk of a material misstatement arising in the valuation of investment properties because they were valued three months prior to the balance sheet date. Our expert estimated that investment properties were overstated by **£7.3 million** at 31 March 2019 and we have shared this finding with the Council. Management are of the view that this understatement is not material and so have not amended the financial statements. We are satisfied that there is not a risk of material error as a result of this issue and so have included it as an unadjusted misstatement within Appendix C. Our audit work has identified weaknesses in the Council's approach to valuing its property, plant and equipment. In particular, management initially gave insufficient attention to the risk of material misstatements arising because the fair value of assets at the balance sheet date could be different to their carrying value. Management have since taken action to address this risk, which has resulted in material adjustments to the financial statements, but it has been time consuming and the completion of the audit has been delayed as a consequence. Our observation during the audit is that the Council has lacked sufficient capacity to respond promptly and adequately to audit queries. This is an area of weakness which the Council needs to address as part of the production of future financial statements. A recommendation has been included in the Action Plan in Appendix A in respect of this.

Significant findings – audit risks

	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 management 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 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 C. 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 - other issues

This section provides commentary on new issues and risks which were identified during the course of the audit that were not previously communicated in the Audit Plan and a summary of any significant control deficiencies identified during the year.

	Issue	Auditor view
1	The Council identified an immaterial error in the prior year statements in respect of the Movement in Reserves Statement. This error should have been corrected within the 2018/19 financial statements but was corrected through an adjustment to opening balances.	We are satisfied that this is not indicative of a material error in the financial statements. However, the Council should ensure that they put processes in place to correctly account for all transactions that affect the Movement in Reserves Statement. This recommendation has been included in the Action Plan at Appendix A.
2	Our testing found that there were 144 assets for which depreciation had been calculated manually. Testing found that for each of these assets the useful expected life (UEL) of the asset was incorrect by 1 year, which resulted in an incorrect depreciation charge.	The cumulative impact of this error was trivial, but it does identify a weakness in the Council's controls. The Council should ensure that manually depreciated assets are depreciated using the correct UEL by putting controls in place to ensure that the depreciation charge and UELs are checked before the charge is entered into the ledger. This recommendation has been included in the Action Plan at Appendix A.
3	Note 29 discloses transactions in respect of the Better Care Fund (BCF). This note discloses expenditure incurred in respect of the BCF by district councils of £3,231k. The Council has passed these funds on to the district councils but does not have any controls in place to ensure that the district councils have used these funds for the BCF.	The Council should put arrangements in place which enables them to obtain assurance from the district councils that funding provided in respect of the BCF has been used for that purpose. This recommendation has been included in the Action Plan at Appendix A.

Significant findings – key judgements and estimates

	Summary of management's policy	Audit comments	Assessment
Valuation of land and buildings	The Council owns a variety of land and buildings, which were initially valued at £823 million at 31 March 2019. Following further work by the Council this valuation has since increased to £870 million. In addition, the Council has investment properties valued at £193 million. The Council values its land and buildings at existing in use value, except for those which are of a specialised nature, such as schools, which are required to be valued at depreciated replacement cost. Investment properties are valued at highest and best use. The Council has engaged Carter Jonas to value its land and buildings and Cushman and Wakefield to value its investment properties. The Council requests the valuers to revalue all land and buildings over a five year period, while all investment properties are revalued annually.	Our work has not identified any issues in respect of the objectivity, capability or competence of the valuers engaged by the Council. Our testing in respect of the completeness and accuracy of source data provided to the valuer by the Council has not identified any risks of material misstatement. As noted earlier in our report, the Council has recently revisited the valuation of its other land and buildings and has concluded that a material adjustment to the financial statements is required to ensure that the carrying value of these assets is not materially different to their fair value. This exercise was required because the Council revalues its property, plant and equipment on a rolling basis over a five-year period. This is a reasonable approach but it increases the risk that, over time, a material difference arises between the fair value of the assets and their carrying value. We have appointed our own valuation expert to review the work that the Council has performed which has resulted in several queries and challenges for management on the approach they adopted. Most of these queries have now been addressed but some are still being worked through. In addition, we are in ongoing discussions with management in respect of the disclosures that have been made in the financial statements for this prior period adjustment. As part our work, we challenged management over the valuation of the Council's Greatmoor Energy from Waste facility. This asset was last revalued in July 2016 and the Council was not initially able to demonstrate that its fair value at 31 March 2019 was not materially different to its carrying value. The Council has subsequently obtained a revaluation of the asset at 31 March 2019 from its external valuers. This shows that the value of the asset was understated by **£9.4 million**. The Council have amended the financial statements to recognise this increased valuation. The Council revalues its investment properties on an annual basis, which is in line with the CIPFA Code. However, they were valued at 31 December 2018 and so there is a risk that the carrying value of these assets are materially different to their fair value at 31 March 2019. We appointed own valuation expert to consider the risk of a material misstatement arising in the valuation of investment properties because they were valued three months prior to the balance sheet date. Our expert estimated that investment properties were overstated by **£7.3 million** at 31 March 2019 and we have shared this finding with the Council. Management are of the view that this understatement is not material and so have not amended the financial statements. We are satisfied that there is not a risk of material error as a result of this issue and have included it as an unadjusted misstatement within Appendix C.	 Amber

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

Significant findings – key judgements and estimates

	Summary of management's policy	Audit comments	Assessment
Net pension liability – £753m	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.	• 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.	● 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	●

- 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.

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 will include 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**	• We have previously discussed the risk of fraud with the Regulatory and Audit Committee. We have not been made aware of any 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**	• Adjustments made in respect of related parties are detailed further in Appendix C • We are not aware of any related parties or related party transactions which have not been disclosed
3	**Matters in relation to laws and regulations**	• You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
4	**Written representations**	• A letter of representation will be requested from the Council, which is included at Appendix F. This is a draft letter and further changes may be made to it. We are not requesting that the letter be signed until close to the completion of the audit
5	**Confirmation requests from third parties**	• We requested from management permission to send confirmation requests to third parties with whom the Council has cash, loans and investments. All required confirmation requests were received.
6	**Disclosures**	• 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 C.

Other responsibilities under the Code

	Issue	Commentary
1	**Other information**	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. Inconsistencies have been identified but have been adequately rectified by management. We plan to issue an unmodified opinion in this respect
2	**Matters on which we report by exception**	We are required to report on a number of matters by exception in a numbers of areas: • 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 We have nothing to report on these matters
3	**Specified procedures for Whole of Government Accounts**	We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions. As 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.
4	**Certification of the closure of the audit**	We intend to certify the closure of the 2018/19 audit of Buckinghamshire County Council in the audit opinion, as detailed in Appendix E.

Value for Money

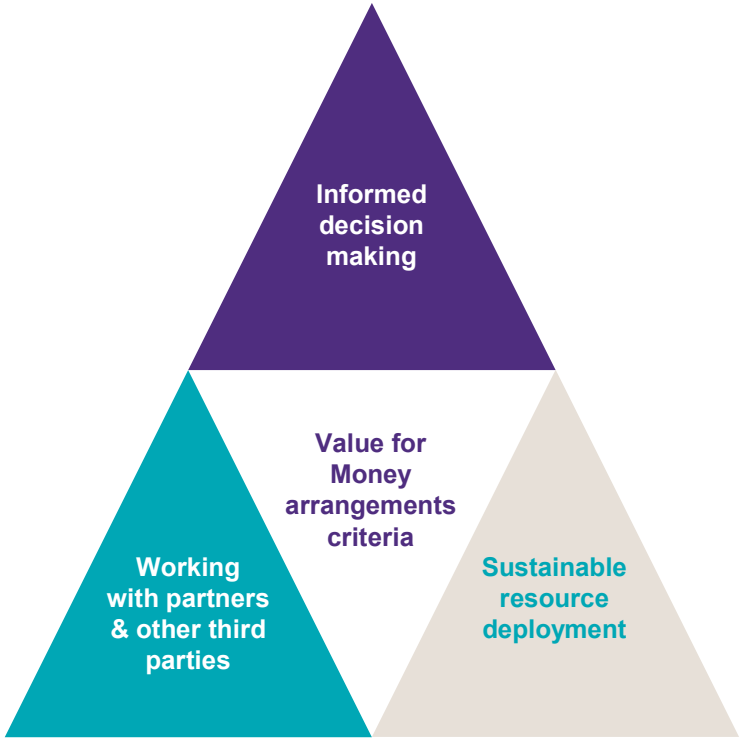
Background to our VFM approach

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 an 'except for' conclusion, which is a qualified 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.

	Significant risk	Findings and conclusion
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** 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 wholescale 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.

	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**	However, Ofsted also noted that further progress was still needed, as follows: • 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. **Conclusion** 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. 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. We have therefore concluded that the Council does not have adequate arrangements for achieving economy, efficiency and effectiveness in relation to children's services.

Key findings

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

Significant risk	Findings and conclusion
2 **Transformation of adult social care services** • 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.	**Findings** In April 2018, the Council launched its 'Better Lives Strategy' which aims to help people: • live independently • regain control of their independence • live with support but as independently as possible. 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. **Conclusion** 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.

Key findings

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

Significant risk	Findings and conclusion
Funding pressures 3 • 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** 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.

	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 D.

Audit and Non-audit services

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

Service	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.
Teachers Pensions certification (in respect of 2018/19)	£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 we have already performed sufficient work in respect of teachers pension entries in the financial statements as part of our audit. 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. Please note that the fee for this work is not disclosed in Note 27 to the financial statements ('External audit costs') as the Council did not accrue for this item of expenditure.
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.

Independence and ethics

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
Non-audit related			
Adult Social Care Insights (ASCi) platform	£0	Self-Interest Management	ASCi is a platform that brings together diverse and disparate data sets for adult social care, allowing the user to analyse the data to gain insights about their service. It enables users to understand current performance, compare performance with other similar local authorities and understand historical performance and therefore trends. The platform is designed so that local authorities understand their adult social care service better, including what factors drive demand, costs and outcomes. The Council was part of the advisory panel for the new platform and so were provided with free access for the first year to reflect their input in helping to develop it. We are not involved in the Council's decision making process and provide no advice around the outputs from the tool. The Council will make its own decisions about how to deliver adult social care services using output from the tool as only part of that process. We are therefore satisfied that the perceived self-interest and management threats have been mitigated to an acceptable level and that there is no impact on our audit.

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.

Action plan

We have identified five recommendations for the Council 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		• As a result of challenges made during the audit, further work was needed by management and its external valuers in respect of the valuation of property, plant and equipment.	• Management should:
			  • revisit its strategy for revaluing property, plant and equipment, which should involve reconsidering the intervals at which assets are revalued and the dates at which valuations are performed and considering whether different approaches are needed for different classes of assets
			  • consider approaches taken by other local authorities to this issue and identify good practice which would be suitable for application by Buckinghamshire County Council
			  • review the finance team's capacity to address the valuation issues identified and to respond promptly and adequately to future audit queries.
			Management response
			• The council is already reviewing its strategy for revaluing PPE with its external valuers. This will include revaluing all assets over a certain value on an annual basis and also looking at the valuation date.

2		• Our testing identified several journals which were not authorised in line with the Council's procedures prior to them being posted (see page 6). The risk is that erroneous journals are posted which results in material misstatement of the Council's financial statements	• Management should reissue clear guidance to all officers that post journals which sets out the Council's journal authorisation procedures. Management should then monitor application of these procedures and take appropriate action if individual officers do not act in accordance with them. **Management response** • Journals guidance to be re issued to all users, reiterating the importance of the approval process and the need to adhere to this. • Journals monthly monitoring to ensure a focus on journals approvals. Follow ups and escalation to line management and Heads of Finance to happen if the approval process has not been followed.
3		• The Council identified an immaterial error in the prior year statements in respect of the Movement in Reserves Statement. This error should have been corrected within the 2018/19 financial statements but was corrected through an adjustment to opening balances (see page 11).	• Management should should ensure that they put processes in place to correctly account for all transactions that affect the Movement in Reserves Statement. **Management response** • Journals that effect the Movement in Reserves Statement to be reviewed and approved by the Technical Accountant in advance of processing, to ensure the correct accounting treatment is being applied

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

Action plan

We have identified five recommendations for the Council 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
4	●	• Our testing found that there were 144 assets for which depreciation had been calculated manually. Testing found that for each of these assets the useful expected life (UEL) of the asset was incorrect by 1 year, which resulted in an incorrect depreciation charge (see page 11).	• Management should ensure that manually depreciated assets are depreciated using the correct UEL by putting controls in place to ensure that the depreciation charge and UELs are checked before the charge is entered into the ledger • **Management response** • Before any manual depreciation is entered into SAP a full review will be carried out by the Technical Accountant to ensure the correct useful life has been applied.
5	●	• Note 29 discloses transactions in respect of the Better Care Fund (BCF). This note discloses expenditure incurred in respect of the BCF by district councils of £3,231k. The Council has passed these funds on to the district councils but does not have any controls in place to ensure that the district councils have used these funds for the BCF (see page 11).	• The Council should put arrangements in place which enables them to obtain assurance from the district councils that funding provided in respect of the BCF has been used for that purpose. • **Management response** • We will communicate with the District Councils to detail out the information requirements in relation to the Better Care Funding spending. We will add follow up tasks in to our closing timetable to ensure this information is requested at the end of the year.

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 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.
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

Set out below are the misstatements identified during our work to date for which management have agreed to adjust the financial statements. We have not included adjustments in respect of the property, plant and equipment valuation exercise that management has performed as our work on this is currently underway.

	Detail	Comprehensive Income and Expenditure Statement £'000	Balance sheet £'000	Impact on total net expenditure £'000
1	Funds held on behalf of the LEP of £13.8m are now recorded on the balance sheet as a liability, rather than as one of the Council's usable reserves	0	13,800	0
2	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 have been 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
3	The draft financial statements reported short term borrowing of £47,945k. This figure was overstated and the financial statements have been adjusted to report short term borrowing of £35,945k	0	12,000	0
4	The financial statements have been adjusted to recognise an increase in the valuation of the Greatmoor waste to energy facility at 31 March 2019 (further detail is available in the 'Significant findings – audit risks' section of the report)	0	9,413	0
5	The financial statements have been adjusted to recognise the increased pension liability arising from the McCloud judgement (further detail is available in the 'Significant findings – audit risks' section of the report)	0	9,361	0
6	The short term creditors figure included a balance of £5,882k in respect of a debt owed to Milton Keynes Council. £3,921k of this sum is not due to be paid within 12 months of 31 March 2019 and so has been reclassified as a long term creditor	0	3,921	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	135,907	Movement in Reserves Statement	Usable reserves at 31 March 2019 are to be amended because the previous figure did not agree to the usable reserves figure on the balance sheet	✓
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	428,699	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	✓
Disclosure	Various	Note 10 – Related parties	Disclosures were made in respect of transactions with several organisations in which the Council has an interest. These disclosures have been removed from the note because the Council does not have significant influence over these organisations, as defined in the CIPFA Code of Practice. The deleted disclosures were in respect of transactions with Buckinghamshire Learning Trust, Adventure Learning Charity, Buckinghamshire County Museum Trust, Buckinghamshire Business First, Buckinghamshire Thames Valley Local Enterprise Partnership, Youth Offending Service, Trading Standards, HR and Legal Shared Service Arrangement, England's Economic Heartland and East West Rail Consortium	✓
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	33,300	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	104,775	Note 15 – Property, plant and equipment	The note includes a revaluations table which discloses vehicles, plant and equipment of £107,690k being carried at historical cost. This figure includes £104,775k in respect of the Greatmoor Energy from Waste facility which is valued at depreciated replacement cost, rather than being carried at historical cost. The note is to be amended accordingly.	✓
Disclosure	Various	Note 19 – Investment Property	The note discloses a fair value hierarchy. The category of 'Residential property' within the hierarchy is to be changed to 'Agricultural estate' to better reflect the nature of the property held. The fair value of this category of property is also to be amended from £38.6m to £43.1m. The fair value of the 'Commercial units' is to be amended from £154.4m to £149.9m. The total fair value of the investment properties remains unamended at £193m.	✓

Audit Adjustments

Adjustment type	Value (£'000)	Account balance / Note	Impact on the financial statements	Agreed adjustment?
Disclosure	Various	Note 19 – Investment Property	The note has been amended to disclose that investment properties were valued by Cushman & Wakefield rather than by Carter Jonas	✓
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	11,989	Note 21 – Financial Instruments	Investments of £11,989k were classified as 'financial asset at amortised cost' in the draft financial statements but are now to be classified as 'fair value through profit and loss'	✓
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 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	Fee 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	20,091	Note 21 – Financial Instruments	The note discloses a 'Fair value hierarchy for financial assets and financial liabilities that are not measured at fair value' table. The loans/borrowings figure in this table is to be increased by £20,091k so that it correctly includes the Council's temporary loans	✓

Audit Adjustments

Adjustment type	Value (£'000)	Account balance / Note	Impact on the financial statements	Agreed adjustment ?
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	✓
Disclosure	35,437	Note 29 – Pooled Budgets (Better Care Fund)	The note is to be amended to disclose: • the value of expenditure incurred on the Better Care Fund by the Council, Buckinghamshire CCG and the district councils, rather than the value of expenditure incurred on the Fund as a whole • contributions to the Better Care Fund of £3,658k by the Council and £3,321k by the district councils, which were originally all classified as Council contributions • that the contribution to the Better Care Fund of £28,140k was from Buckinghamshire CCG, rather than from Aylesbury Vale CCG • how the pooled budget operates in practice.	✓
Classification	8,251	Note 29 – Pooled Budgets (Integrated Mental Health Provision for Adults of Working Age Agreement)	The expenditure line in the note is to be amended to disclose that all expenditure on the pooled budget is met by Oxford Health NHS FT	✓
Disclosure	7,089	Note 29 – Pooled Budgets (Children and Adolescence Mental Health Services)	The expenditure line in the note is to be amended to disclose that all expenditure on the pooled budget is met by the Council The income line in the note is to be amended to disclose that the contribution came from Buckinghamshire CCG, rather than Aylesbury Vale CCG	✓
Disclosure	8,299	Note 29 – Pooled Budgets (Community Equipment Loan Service)	The expenditure line in the note is to be amended to disclose that all expenditure on the pooled budget is met by the Council The income line in the note is to be amended to disclose that the contribution came from Buckinghamshire CCG, rather than Aylesbury Vale CCG	✓

Audit Adjustments

Adjustment type	Value (£'000)	Account balance / Note	Impact on the financial statements	Agreed adjustment?
Disclosure	15,409	Note 29 – Pooled Budgets (Section 117 Aftercare)	The expenditure line in the note is to be amended to disclose that all expenditure on the pooled budget is met by the Council The income line in the note is to be amended to disclose that the contribution came from Buckinghamshire CCG, rather than Aylesbury Vale CCG	✓
Disclosure	3,764	Note 29 – Pooled Budgets (Integrated Therapies Contract)	The expenditure line in the note is to be amended to disclose that all expenditure on the pooled budget is met by the Council The income line in the note is to be amended to disclose that the contribution came from Buckinghamshire CCG, rather than Chiltern CCG	✓
Disclosure	2,880	Note 29 – Pooled Budgets (Integrated Mental Health Provision for Older People Agreement)	The note is to be amended to disclose that £784k of the expenditure was incurred by the Council and £2,096k by Oxford Health NHS FT	✓
Disclosure	2,179	Note 29 – Pooled Budgets (Residential Respite Short Breaks Pooled Fund)	The note is to be amended to disclose that the Council incurred expenditure of £2,179k, which was funded by a contribution of £1,642k from the Council and a contribution of £537k from Buckinghamshire CCG	✓
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 valuation of investment properties	7,310	0	Management are of the view that this overstatement is not material to the financial statements. We have satisfied ourselves that there is not a risk of material error as a result of this issue.
2	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

We confirm below our final fees charged for the audit and provision of non-audit services. Please note the final fee is still subject to approval by PSAA

Audit Fees

	Scale fee	Proposed Final fee
Council Audit	£66,066	£92,066
Total audit fees (excluding VAT)	**£66,066**	**£92,066**

Required additional audit work	Description of work required	Additional fee
PPE – use of a valuation expert	As set out in the 'Significant findings – audit risks' section of this report, we appointed our own valuation expert to consider the further work performed by the Council in respect of PPE valuation	£13,000
PPE – additional work	The Financial Reporting Council has highlighted the need for more in depth work by audit firms in respect of PPE. Accordingly, we have increased the level of scope and coverage to reflect this	£4,000
Assessing the impact of the McCloud ruling	The Government's transitional arrangements for pensions were ruled discriminatory by the Court of Appeal in December 2018. The Supreme Court refused the Government's application for permission to appeal this ruling. As part of our audit we considered the impact on the financial statements along with any audit reporting requirements	£3,000
Pensions – IAS 19	The Financial Reporting Council has highlighted the need for more in depth work by audit firms in respect of IAS 19. Accordingly, we have increased the level of scope and coverage in respect of IAS 19 this year	£3,000
Revisions to the financial statements	As set out in the 'Headlines' section of this report, the process of agreeing all required amendments to the financial statements has been time consuming. To date, we have received thirteen sets of draft financial statements for review	£3,000
Total additional audit fees (excluding VAT)		**£26,000**

Fees (continued)

Non Audit Fees

Fees for other services	Fees
Audit related services:	
• Teachers Pensions certification (in respect of 2017/18)	£7,500
• Teachers Pensions certification (in respect of 2018/19)	£7,500
• Education and Skills Funding Agency certification (in respect of 2017/18)	£4,000
	£19,000

Draft Audit opinion

We anticipate we will provide the Council with a modified audit report

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

Report on the Audit of the Financial Statements

Opinion
We have audited the financial statements of Buckinghamshire County Council (the 'Authority') for the year ended 31 March 2019 which comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, and notes to the financial statement, which include significant accounting policies. The notes to the financial statements are those included on pages 21 to 25 and pages 32 to 93 of the Statement of Accounts. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2018/19.
In our opinion, the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2019 and of its expenditure and income for the year then ended;
- have been prepared properly in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2018/19; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.
Conclusions relating to going concern
We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

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

Emphasis of matter – Local Government Reorganisation
We draw attention to the disclosures made in the note 'Assumptions made about the Future and Other Major Sources of Estimation Uncertainty' concerning local government reorganisation in Buckinghamshire. As stated in this note, a new council called Buckinghamshire Council will replace the Authority and the other existing local councils in Buckinghamshire in April 2020. The Authority's assets, liabilities, services and functions will transfer to the new Buckinghamshire Council on 1 April 2020. Our opinion is not modified in respect of this matter.

Other information
The Director of Finance & Procurement is responsible for the other information. The other information comprises the information included in the Annual Governance Statement and the Statement of Accounts other than the financial statements and our auditor's report thereon and our auditor's report on the pension fund financial statements. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.
In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge of the Authority obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.
We have nothing to report in this regard.

Other information we are required to report on by exception under the Code of Audit Practice
Under the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with the 'Delivering Good Governance in Local Government: Framework (2016)' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.
We have nothing to report in this regard.

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

Draft Audit opinion (continued)

Matters on which we are required to report by exception
Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

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

Responsibilities of the Authority, the Director of Finance & Procurement and Those Charged with Governance for the financial statements
As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on page 4, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Director of Finance & Procurement. The Director of Finance & Procurement is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2018/19, for being satisfied that they give a true and fair view, and for such internal control as the Director of Finance & Procurement determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
In preparing the financial statements, the Director of Finance & Procurement is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention by government that the services provided by the Authority will no longer be provided.
The Regulatory and Audit Committee is Those Charged with Governance. Those charged with governance are responsible for overseeing the Authority's financial reporting process.

Auditor's responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.
A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

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

Qualified conclusion
On the basis of our work, having regard to the guidance issued by the Comptroller & Auditor General in November 2017, except for the effects of the matters described in the basis for qualified conclusion section of our report we are satisfied that, in all significant respects Buckinghamshire County Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

Basis for qualified conclusion
Our review of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources identified the following matters:
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 as issued in 2014. Ofsted concluded that overall progress in improving services for children in Buckinghamshire since the last inspection in 2014 had been inconsistent and too slow, that the strategic response to change had been piecemeal and had not successfully achieved the required wholescale improvements to services for vulnerable children and that there were serious shortfalls in some parts of the service. Ofsted performed two further monitoring visits in July 2018 and December 2018 and subsequently issued letters to the Authority recognising that improvements in the service were beginning to be made but that further progress was needed if the issues raised in their 2018 report were to be fully addressed.
Having considered the findings and conclusions of Ofsted's inspections and monitoring visits, together with the results of our audit work, we have concluded that there are weaknesses in the Authority's arrangements for delivering services for children in need of help and protection, children looked after and care leavers. These matters 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; and
- planning, organising and developing the workforce effectively to deliver strategic priorities.

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

Draft Audit opinion (continued)

Auditor's responsibilities for the review of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources
We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.
We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, as to whether in all significant respects the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.
We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to be satisfied that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Report on other legal and regulatory requirements - Delay in certification of completion of the audit
We are required to give an opinion on the consistency of the pension fund financial statements of the Authority included in the Pension Fund Annual Report with the pension fund financial statements included in the Statement of Accounts. The Local Government Pension Scheme Regulations 2013 require authorities to publish the Pension Fund Annual Report by 1 December 2019. As the Authority has not prepared the Pension Fund Annual Report at the time of this report we have yet to issue our report on the consistency of the pension fund financial statements. Until we have done so, we are unable to certify that we have completed the audit of the financial statements in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

We cannot formally conclude the audit and issue an audit certificate in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have completed the work necessary to issue our Whole of Government Accounts (WGA) Component Assurance statement for the Authority for the year ended 31 March 2019. We are satisfied that this work does not have a material effect on the financial statements or on our conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

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

Iain Murray, Key Audit Partner
for and on behalf of Grant Thornton UK LLP, Local Auditor
London

[Date]

Management Letter of Representation

Grant Thornton UK LLP
110 Bishopsgate
London
EC2N 4AY

[Date]

Dear Sirs

Buckinghamshire County Council
Financial Statements for the year ended 31 March 2019

This representation letter is provided in connection with the audit of the financial statements of Buckinghamshire County Council for the year ended 31 March 2019 for the purpose of expressing an opinion as to whether the Council financial statements are presented fairly, in all material respects in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 and applicable law.
We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Financial Statements
i. We have fulfilled our responsibilities for the preparation of the Council's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.
ii. We have complied with the requirements of all statutory directions affecting the Council and these matters have been appropriately reflected and disclosed in the financial statements.
iii. The Council has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.
iv. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
v. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. There are no other material judgements that need to be disclosed.
vi. Except as disclosed in the financial statements:
a. there are no unrecorded liabilities, actual or contingent
b. none of the assets of the Council has been assigned, pledged or mortgaged
c. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.

vii. We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.
viii. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.
ix. All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.
x. We have considered the adjusted misstatements, and misclassification and disclosures changes schedules included in your Audit Findings Report. The Council financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.
xi. We have considered the unadjusted misstatements schedule included in your Audit Findings Report and attached. We have not adjusted the financial statements for these misstatements brought to our attention as they are immaterial to the results of the Council and its financial position at the year-end. The financial statements are free of material misstatements, including omissions.
xii. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.
xiii. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
xiv. We believe that the Council's financial statements should be prepared on a going concern basis on the grounds that current and future sources of funding or support will be more than adequate for the Council's needs. We believe that no further disclosures relating to the Council's ability to continue as a going concern need to be made in the financial statements.
xv. The prior period adjustments disclosed in Note 31 to the financial statements are accurate and complete. There are no other prior period errors to bring to your attention.

Information Provided
xvii. We have provided you with:
a. access to all information of which we are aware that is relevant to the preparation of the Council financial statements such as records, documentation and other matters;
b. additional information that you have requested from us for the purpose of your audit; and
c. unrestricted access to persons within the Council from whom you determined it necessary to obtain audit evidence.
xviii. We have communicated to you all deficiencies in internal control of which management is aware.
xix. All transactions have been recorded in the accounting records and are reflected in the financial statements.
xx. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

Management Letter of Representation

xxi. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the Council and involves:
a. management;
b. employees who have significant roles in internal control; or
c. others where the fraud could have a material effect on the financial statements.
xxii. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.
xxiii. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.
xxiv. We have disclosed to you the identity of the Council's related parties and all the related party relationships and transactions of which we are aware.
xxv. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

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

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

Approval
The approval of this letter of representation was minuted by the Council's Regulatory and Audit Committee at its meeting on [DATE].

Yours faithfully

Name……

Position…….

Date…….

Name……

Position…….

Date…….

Signed on behalf of the Council

Regulatory and Audit Committee

Title: Contract Standing Orders - Exemptions / Breaches

Date: 27 February 2020

Author: Cael Sendell-Price JP

Contact officer: Cael Sendell-Price JP (01296) 674841

Local members affected: N/A

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

Summary

This report provides an updated summary in relation to compliance with the Council's Standing Orders relating to Contracts (CSO) and compliance with the Public Contracts Regulations 2015

The reporting period covers the following periods:

- 1st April 2018 until 31st March 2019
- 1st April 2019 until 31st December 2019

Recommendation

Members are asked to note this report.

1. Background

The Committee have received previous reports on this subject, the last presented on 30th July 2019.

2. Standing Orders Relating to Contracts, Exemptions and Breaches

Standing Order 7 of the Contract Standing Orders states that all purchases over £25K must be subject to competition.

Standing Order 5 allows an exemption to the requirement for competition and allows a contract to be placed by direct negotiation with one or more suppliers.

Exemptions under this Order, however, cannot be granted if EU Regulations apply:

- The goods and services threshold was £181,302. From January 2020 the threshold is £189,330.

- The light touch threshold was £615,278. From January 2020 the threshold for light touch is £663,540.

- The works threshold was £4,551,413. From January 2020 the EU threshold for works is £4,733,252.

If a direct award is made which is above this threshold (if a legal alternative such as a Framework is not used) a breach has occurred and officers are obliged to report this to the S151 and monitoring officer (statutory officers). In some instances there may be legal permitted changes within the Public Contracts Regulations 2015 which fall out of scope from these reporting requirements.

3. Exemptions

Procurement carries out commercial assessments on all exemptions using a risk-based approach. Legal and financial input is requested when appropriate.

Any exemption which exceeds £50k must have a financial assessment by the Head of Finance of the particular Business Unit.

All exemptions are assessed by the S151 Officer. For an exemption below 50K this is delegated to the Procurement team.

For exemptions over £50k the final sign off is provided by the Head of Procurement, Executive Director for that Business Unit and by the Cabinet Member or Portfolio Holder.

The main factors considered in how the risk rating is arrived at include:

- The value of the contract and previous spend on the contract
- Reasons for the exemption e.g. only one supplier able to deliver, disruption to service
- Any risks associated with the particular supplier
- Whether the marketplace is prone to challenge
- The requirement is a one-time requirement
- There is an on-going requirement but a compliant procurement process is underway or substantially planned
- Possible reputational damage

Impact of the unitary decision

The procurement teams from all 5 authorities have analysed all current contracts in order to seek opportunities for harmonisation and cost savings. In order to align dates and contract options, where necessary exemptions have been allowed which is reflected in the increased numbers of exemptions processed in this period.

Exemptions summary complete F/Y 18/19

- There were 14 completed exemptions.

- The total value of exemptions approved during 18/19 is £1,141,181.

- The highest value exemption was for £388,392. This related to a social care contract and legal advised that although this was in excess of the thresholds set out by CSO it was not a breach of EU thresholds (social care services have a threshold of £615,278 and therefore this was treated as an exemption and not a breach.

- The lowest value exemption was for £15,630

Exemption summary Quarters 1-3 F/Y 19/20

- There were 25 completed exemptions which is far higher than 9 for the same period in 18/19, this is due to the work on the unitary programme.

- The total value of exemptions approved during this period is £2,996,821.

- The highest value exemption was for *£492,676. This relates to a social care contract for Home from Hospital which falls under the social care services threshold of £615,278 and therefore treated as an exemption.

- The lowest value exemption was for £20,000.

Please see Appendix one, figures 1, 2 and 3 for a breakdown of these exemptions.

4. Breaches to Public Contracts Regulations 2015

Three breaches have been reported to the Statutory Officers in the period since the last report. Please see Confidential Appendix 2 for the full report.

5. Publication of Opportunities and Award Notices

The Public Contracts Regulations 2015 require Local Authorities to publish contract opportunities and award notices on the Government website Contracts Finder where the value is above their own quotation threshold.

In addition the Government Transparency Agenda requires all contracts with a value of 5K and higher to be published.

The Crown Commercial Service (CCS) is still considering the sanctions that will apply for non-compliance with these requirements. Currently CCS is monitoring these areas via a Procurement Review Service (previously the Mystery Shopping Service).

BCC meets these 2 requirements by including a 'Contract Award' step in the e-sourcing system for all 5K contracts which then publishes the Contract Notice electronically to ensure compliance.

Other LA's have adopted a different approach e.g. publishing details of 5K + contracts on their own webpages. There is no standard approach to meeting these requirements which allows comparisons or any benchmarking with other Authorities. The different quotation thresholds that Authorities use also make comparisons difficult.

For the period 1st April 2019 – 31st December 2019 a total of 651 projects were started in ProContract and approximately 78% have a completed award notice on Contracts Finder.

Quarterly reports are issued to officers to remind them to complete this step and these reports are also sent to the Business Unit Finance Head of Procurement.

The Council have been reviewed by the Procurement Review Service for a procurement exercise carried out by IT. A bidder complained to the Procurement Review Service and the Council was investigated. The Procurement Review Service ruled in the Council's favour and held that the Council had acted fairly and legally. There were therefore no grounds for the bidder's complaint.

Fig. 1 - Data summary

Summary of all Exemption to Standing Orders registered during Complete Fiscal Year 18/19 and Q1-Q3 2019/20

Summary FY 2018/19	Qtr. 1	Qtr. 2	Qtr. 3	Qtr. 4	Total
Total number. of exemptions registered	4	3	3	5	**15**
Total number. of exemptions cancelled during process	1	0	0	0	**1**
Lowest value exemption	£43,500	£50,000	£16,250	£15,630	
Highest value exemption	£388,392*	£175,875	£100,250	£81,265	
Total no. of exemptions raised retrospectively	1	2	1	1	**5**
Total value of retrospective exemptions	£45,000	£102,950	£44,000	£15,630	
Total value of all exemptions	**£476,892**	**£278,825**	**£164,500**	**£220,964**	**£1,141,181**

*Legal advised that although this was in excess of the thresholds set out by CSO it was not a breach of EU thresholds (social care services have a threshold of £615,278 and therefore this was treated as an exemption and not a breach

Summary FY 2019/20	Qtr. 1	Qtr. 2	Qtr. 3	Qtr. 4	Total
Total number. of exemptions registered	6	12	8		**26**
Total number. of exemptions cancelled during process	0	1	0		**1**
Lowest value exemption	£41,688	£40,000	£20,000		
Highest value exemption	£378,996*	£492,676**	£150,000		
Total no. of exemptions raised retrospectively	1	2	2		**5**
Total value of retrospective exemptions	£41,688	£134,000	£166,143		**£341,831**
Total value of all exemptions	**£815,448**	**£1,525,158**	**£656,215**		**£2,996,821**

* CHILDREN'S SERVICES - Progress to Excellence falls under £615,278 threshold for Social and other specific services (Light Touch Regime)
** CHASC - Home from hospital service falls under £615,278 threshold for social care contracts

Fig. 2 - Exemptions by Risk

Exemptions are assessed by Procurement, S151 Monitoring Officer and where required Finance and Legal.

Summary of all Exemption to Standing Orders registered during Complete Fiscal Year 18/19 and Q1-Q3 2019/20

Summary Complete Fiscal Year 2018/19	Qtr. 1	Qtr. 2	Qtr. 3	Qtr. 4	Total
Total no. of exemptions registered	4	3	3	5	**15**
Total no. of exemptions cancelled during process	1	0	0	0	**1**
Total no. of exemptions categorised as Low risk (excludes cancellations)	3	3	3	2	**11**
Total no. of exemptions categorised as Medium risk (excludes cancellations)	0	0	0	3	**3**
Total no. of exemptions categorised as High risk	0	0	0	0	**0**

Summary Fiscal Year 2019/20	Qtr. 1	Qtr. 2	Qtr. 3	Qtr. 4	Total
Total no. of exemptions registered	6	12	8		**26**
Total no. of exemptions cancelled during process	0	1	0		**1**
Total no. of exemptions categorised as Low risk (excludes cancellations)	5	10	7		**22**
Total no. of exemptions categorised as Medium risk (excludes cancellations)	1	1	1		**3**
Total no. of exemptions categorised as High risk	0	0	0		**0**

Fig.3 - Exemptions by Service Area

Complete Fiscal Year 2018/19 and complete Q1 – 3 FY 2019/20 (excludes cancelled Exemptions)

Exemptions to Contract Standing Orders by Service Area (April 2018 – March 2019)	No. Low / Medium Risk	No. High Risk
CHASC - Strategic Commissioning	1	
CHASC - Transformation	1	
CHILDREN'S SERVICES - School commissioning	1	
CSCL - Children's Strategic Commissioning	1	
RESOURCES - Facilities Management	1	
RESOURCES - Finance Operations	2	
RESOURCES - Learning, Skills & Prevention	1	
RESOURCES - Procurement	1	
TEE - Client Transport	2	
TEE - Energy	1	
TEE - Environment	1	
TEE - Waste Management	1	
TOTAL	**14**	**0**

Exemptions to Contract Standing Orders by Service Area Q1-Q3 2019-20	No. Low / Medium Risk	No. High Risk
CHASC - Direct Care & Support Services	1	
CHASC - Integrated Commissioning	2	
CHASC - Quality, Standards & Performance	1	
CHASC - Strategic Commissioning	1	
CHILDREN'S SERVICES - Children in Care Commissioning	1	
CHILDREN'S SERVICES - Education	1	
RESOURCES - Business Assurance	1	
RESOURCES - Communications	1	
RESOURCES - Customer	3	
RESOURCES - HR & OD Consultancy	2	
RESOURCES - Legal Services	1	
RESOURCES - Pensions & Investments	1	
RESOURCES - Property & Assets	1	
RESOURCES - Property FM	2	
RESOURCES - Property Services	1	
RESOURCES - Technology Services	2	
TEE - Business Improvement	1	
TEE - Strategic Planning & Infrastructure	1	
TEE - Waste Management	1	
TOTAL	**25**	

Buckinghamshire County Council

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Regulatory and Audit Committee

Title: 2019/20 Business Assurance Strategy Update

Date: 27

Author: Maggie Gibb – Head of Business Assurance (& Chief Auditor)

Contact officer: Maggie Gibb – 01296 387327

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

Summary

This report provides an update on the delivery against the approved 2019/20 Business Assurance Strategy.

Recommendation

Members should **NOTE** the report.

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

Resource implications

None

Legal implications

None

Other implications/issues

None

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

N/A

Background Papers

2019/20 Business Assurance Strategy

Buckinghamshire County Council

Business Assurance Update

2019/20

Regulatory and Audit Committee

February 2020

Contents

Introduction

1. The Business Assurance Team is responsible for implementing the Council's Assurance and Risk Strategy through delivery of work programmes covering the following areas of activity:

   - Risk Management;
   - Internal Audit;
   - Counter Fraud; and
   - Assurance.

2. This report outlines the Internal Audit, Risk Management and Assurance work being undertaken by the Business Assurance Team for the year ending 31 March 2020. The Council continues to works towards a combined assurance model, with Internal Audit operating as the third line of assurance. The first line of assurance is achieved by the management controls and systems, and the second line of assurance from the Professional Leads monitoring the key governance frameworks such as finance, HR and IT. The model continues to operate the governance reporting process during 2019/20, which will include reporting to the Business Unit Boards, Corporate Management Team, Audit Board and the Regulatory and Audit Committee.

3. The 2019/20 Internal Audit, Risk Management and Assurance work plans were produced with reference to the Strategic and Business Unit Risk Registers and informed through discussion with the Senior Leadership Team for each Business Unit. Quarterly meetings with the Business Units, and the Statutory Officers Group continue to take place to ensure that the plan is kept under continuous review to reflect emerging risks and priorities across the Council.

4. Delivery of the Business Assurance work plan helps ensure that there is an appropriate governance and control framework in place and that risk management is embedded across the Council.

5. In quarter three the team continued to progress with the current year plan and any pressures/changes have been discussed and agreed at the Audit Board. The changes made to the approved plan have been due to unplanned investigations and reactive audit activity, including unitary assurance work placing constraints on the Business Assurance Team.

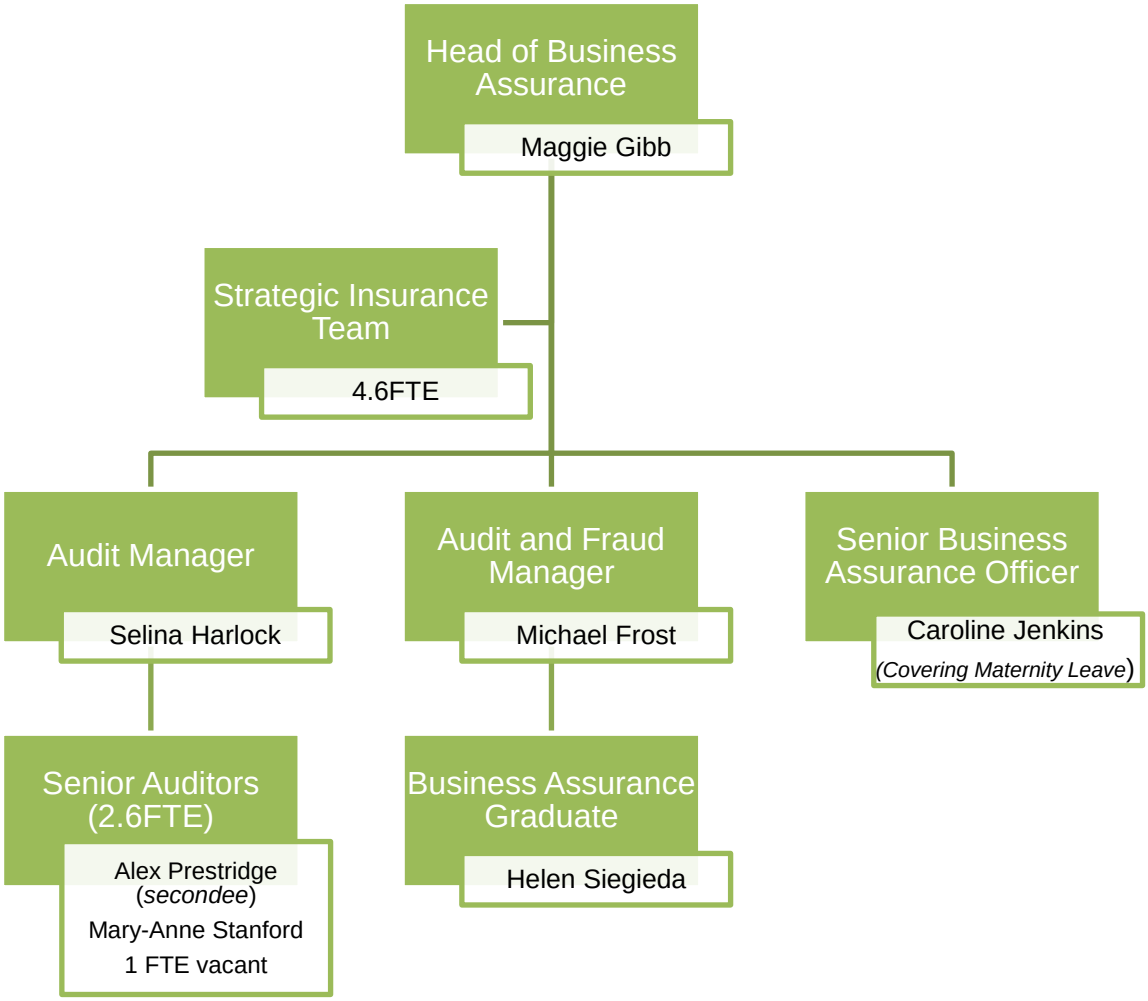
6. The risk management work plans have been progressing, as the team continues to deliver training across the services; and to co-ordinate the combined assurance reporting which includes monitoring and reviewing the completeness of the management control, (first line of assurance) and the professional lead statements, (second line of assurance). Quarterly updates are also produced for each of the Business Units.

7. Counter-fraud remains a key responsibility for the Business Assurance Team to lead on, and the focus has been on overseeing the investigation of NFI data matches, responding to referrals of suspected fraud and financial irregularity, and delivery of fraud awareness training across the Council.

Resources

8. The Business Assurance Team (BAT) is currently carrying one vacancy which is being backfilled through a secondment arrangement. The audit activity is delivered through a mixed economy approach of an in-house team and an outsourced arrangement with Mazars via the APEX London Audit Framework agreement. One Senior Auditor is seconded into the Senior Business Assurance Officer role to cover for maternity leave and this post is being backfilled through outsourcing arrangement. Mazars are also supporting the BAT in the delivery of IT and other specialist audits.

9. The Strategic Insurance Team (4.6FTE) also sits under the management of the Head of Business Assurance, however work delivered by this service is not reported as part of the Business Assurance Team and is managed and overseen separately.



Risk Management

10. Following the successful implementation a new Pentana landing page for Children's Services in July 2019, a new Pentana landing page has now been rolled out for the remaining Business Units. This new landing page will allow easier navigation to the risk / audit / performance sections in Pentana. The new landing page also has a 'My Responsibilities' section so individuals can now easily locate risks / risks actions / audit actions / performance indicators assigned to them.

11. The Business Assurance Team has continued to ensure that risk management and the use of the Corporate Risk Management system remains embedded across the organisation. With the support from the Risk Champions network, we continue to make sure that new risks are identified where appropriate, risks are regularly reviewed and risks are escalated though the appropriate channels where required and in a timely manner. Regular reporting also continues to be provided to the Corporate Management Team; Business Unit Boards and the Risk Management Group.

12. In quarter three the team has also been supporting a number of council-wide programmes. Work undertaken includes the review of the iCares Project Risk and Issues Management Strategy Plan; and supporting the Unitary Programme Boards and workstreams by reviewing the identified risks and descriptions.

Internal Audit and Counter Fraud

Internal Audit

13. The Internal Audit Function, supported by Mazars (through the APEX London Audit Framework) has been progressing with the delivery of the approved 2019/20 audit assignments. For quarters one, two and three the team have completed 15 audits (included nine which were “carried forward” audits reported as part of the Chief Internal Auditor’s Annual Report), 14 grant validation reviews (including two school grants reviews which were delivered as part of the traded service); nine audits are currently at draft report stage; and a further eight audits are in-progress.

14. Whilst we have an agreed Internal Audit plan which was approved as part of the Business Assurance Strategy, we continue to apply a fluid approach in the delivery of the plan. The Internal Audit activity is continuously reviewed and amended as required and remains flexible to react to emerging issues/ risks.

15. Unitary priorities and fraud investigations continue to have substantial impact on the Business Assurance Team; and the Internal Audit Plan is continuously being reviewed and updated to reflect the demand on the team resources as well as the services. In particular the Head of Business Assurance is heavily involved in the Risk and Assurance workstream and one Audit Manager is supporting the Finance workstream. Any changes to the audit plan that are requested by the services or are as a result of resourcing pressures within the Business Assurance Team are presented to the Audit Board for approval prior to being reflected on the plan.

16. The Audit Board, chaired by the Director of Finance and Procurement (S151), met on 22 January 2020 and reviewed progress against the Business Assurance Strategy, in particular delivery of the Internal Audit Plan. The Board considered and approved the requests for deferring some audit activity and the resulting impact on resourcing the current plan.

17. The Internal Audit Plan was reviewed with consideration of unplanned activity, and the priority was agreed for each of the remaining audits as follows:

CRITICAL	Audit activity to progress as planned
MEDIUM	Audit activity to be reviewed in Q4 in response to unitary priorities
LOW	Audit activity to be cancelled

18. Any changes to the original 2019/20 Internal Audit Plan are included in the table at Appendix 1 as follows:

Deferred/cancelled audits (as agreed by Audit Board)
New audits (as agreed by Audit Board)

Counter Fraud

19. The Statutory Officers Group met on 5th February 2020 to discuss the current investigations/whistleblowing cases. The detailed report is attached at Appendix 3 (private paper).

20. Work continues on the National Fraud Initiative (NFI). The Counter Fraud Team continues to work with various teams to facilitate and manage workloads in each work stream. The Business Assurance Graduate Project Officer has completed most of this work and has supported resource stretched departments in investigating the potential irregularities. The current NFI results are as follows (number of matches investigated in brackets):

Closed/completed

- 54 Pensions to Payroll (175)
- 55 Pensions to Payroll (242)
- 58 Pensions to Injury Benefits (1)
- 66 Payroll to Payroll (43)
- 67.1 Payroll to Payroll - Phone Number (5)
- 68.1 Payroll to Payroll - Phone Number (5)
- 78 Payroll to Pensions (10)
- 170 Blue Badge Parking Permit to Blue Badge Parking Permit (13)
- 170.1 Blue Badge Parking Permit to Blue Badge Parking Permit (1)

- 172.1 Blue Badge Parking Permit to Benefits Agency Deceased Persons (1505)
- 700 Duplicate Creditors by Creditor Reference (33)
- 701 Duplicate Creditors by Creditor Name (390)
- 703 Duplicate Creditors by Bank Account Number (372)

Open and Pending Completion/Closure

- Private Residential Care Homes;
- Personal Budgets; and
- Creditors.

21. A total of 515 Blue Badges have been cancelled through work on the NFI. This equates to a total potential saving to the council of £296,125. The NFI equate the savings of £575 per Blue Badge cancelled in lost parking revenue. The blue badge focus is ongoing and is being managed by the counter fraud team. The Business Assurance Graduate Project Officer has been shortlisted for an Annual Workplace Hero award in recognition of the outstanding work she has completed in this area.

22. Included with match number 172.1 is a prosecution case picked up by our Graduate Project Officer. This case is being run and supported as a joint working prosecution case with our colleagues at WDC. The case was originally picked up as a false Blue Badge renewal claim from a deceased person. Investigations have led to further multiple offences such as but not limited to; identity fraud, false declarations, two National Insurance Numbers and various benefit fraud offences. Discussions with the Legal Services Team are ongoing.

23. Proactive fraud awareness sessions continue to be held across the county with the team trying to reach as many departments and business units as possible. The team present fraud training focusing on the definitions of fraud, bribery and corruption and promote the Whistleblowing hotline. Requests for presentations have increased to at least five per month, reaching as far afield in the county as Black Park (more sessions requested to accommodate all staff) and other country parks. The take up and feedback has been positive with an increase in referrals and Whistleblowing. Eight members of staff have raised concerns over various issues requesting whistleblower status. These are being managed with the support of various departments and HR.

Internal Audit Activity 2019/20 Progress Update Report:

Audit Scope	Allocated Days	Status	Overall Opinion
Resources			
HR Income HR services are marketed and sold to external organisations by the Business Development team on behalf of HR. The billing process is carried out by the Business Support Team and HR income is processed by the Accounts Receivable Team. HR services that generate income for the Council include Payroll Operations, Employee Relations, Occupational Health, courses and ad hoc services including recruitment and DBS checks. For 2018/19 BCC received £2.8m of income for HR services provided to external organisations. The majority of this comes from schools for services purchased through the Council's Shop4Support portal. Other customers who buy the Council's HR services include construction/maintenance companies, social care providers and charities. The audit is reviewed the following risk areas; Policies and Procedures, Governance Arrangements, SLA with customers, Billing, Income Collection, Income Reconciliations, Monitoring and Reporting of Income and Risk Management.	12	**Final Report** (Partial)	A **Partial** level of assurance has been given because of the key issues that have been raised in this report, including five high priority and four medium priority management actions. Please refer to appendix 1.2 for a summary of key findings noted.
K2 System Application Audit (IT Audit) K2 is a Corporate Asset Management system that is used by the Property, Projects, Strategic Assets and Strategic Programmes Teams for management of corporate assets. The system manages capital and revenue asset activities including recording work orders for each asset and the associated approvals to enable payment of invoices. The system interfaces with SAP and reconciliations between the two systems are undertaken on ensure that there are no discrepancies. The audit will evaluate the effectiveness of the controls in place for the following risk areas; Application Management and Governance, System Security, Interface Controls and Processing, Data Input, Data Output, Change Controls, System Resilience and Recovery and Support Arrangements.	12	Draft Report	The audit findings are currently being discussed with process owners and management actions are being agreed to address the identified findings.
Respond System Application Audit (IT Audit) Respond is a relatively new system that was primarily procured to manage corporate complaints. The system is also used for other purposes such as; the management of FOI requests and SARS. The audit will evaluate the effectiveness of the controls in place for the following risk areas; Application Management and Governance, System Security, Interface Controls and Processing, Data Input, Data Output, Change Controls, System Resilience and Recovery and Support Arrangements.	12	Draft Report	The audit findings are currently being discussed with process owners and management actions are being agreed to address the identified findings.

Audit Scope	Allocated Days	Status	Overall Opinion
Resources			
Client Charging Follow-Up In 2018/19 a limited level of assurance was given because of the issues that were identified, including five high and two medium priority management actions. The follow-up work covered the arrangements currently in place and the areas of controls that were previously found to be weak or ineffective to provide assurance. These include; Policies and Procedures, Streams of Income and Activity Monitoring, Financial Assessments, Charging for Services and Management Information.	5	**Final Report (Reasonable)**	It should be noted that the 2019/20 assurance opinion is based on the follow-up work only as this review did not re-assess all of the control processes relating to Client Charging in the Finance Assessments Team. We have placed reliance on the 2018/19 work in respect of risk assessment and controls testing where the controls were previously judged to be operating effectively. The overall conclusion for this review is **Reasonable**. The Financial Assessments Team has made efforts to make the necessary changes to address the control weaknesses highlighted in the 2018/19 audit review. However there are a few outstanding actions that have not been fully implemented, please refer to appendix 1.2 for a summary of key findings noted.
Corporate Debt Management Prompt and full collection of monies owed is crucial to ensure that the Council has sufficient cash flow in order to carry outs its activities and duties. The profile of outstanding debt has been significantly raised throughout the organisation and progress to manage the outstanding debt is being closely monitored by the Corporate Management Team (CMT) and the Regulatory and Audit Committee. The objective of the audit is to assess the management and control processes in place, relating to the Business Units' approach to debt recovery in line with the Council's Corporate Debt Strategy.	15	Draft Report	The audit findings are currently being discussed with process owners and management actions are being agreed to address the identified findings.
TEE			
LEP Growth Hub Fund (Grant Validation Review) For the year 2018/19 a £287,000 grant was received from Business, Energy and Industrial Strategy (BEIS) to support the further development of Growth Hubs. The review verified that the amount claimed was correct to expenditure. The review also involved taking a sample of transactions to ensure that the costs claimed were eligible under the grant conditions.	3	Completed	In accordance with grant conditions we confirmed that monies were expended to cover those eligible costs as specified in the grant offer letter.
Bus Subsidy Grant The Local Authority received £464,608 ring-fenced revenue funding in May 2018 for FY 2018/19. The grant is to be used for the supporting bus services or for the provision of infrastructure supporting such services. The grant review will verify that the grant has been used for eligible expenditure under the grant conditions.	3	Completed	In accordance with grant conditions we confirmed that monies were expended to cover those eligible costs as specified in the grant offer letter.

Audit Scope	Allocated Days	Status	Overall Opinion
TEE			
Bus Subsidy Grant The Local Authority received £464,608 ring-fenced revenue funding in May 2018 for FY 2018/19. The grant is to be used for the supporting bus services or for the provision of infrastructure supporting such services. The grant review will verify that the grant has been used for eligible expenditure under the grant conditions.	3	Completed	In accordance with grant conditions we confirmed that monies were expended to cover those eligible costs as specified in the grant offer letter.
Pot Hole Action Fund and Flood Resilience Fund BCC received £593,292 capital funding to help repair potholes and to protect local roads from severe weather. The grant review will verify that the grant has been used for eligible expenditure under the grant conditions.	3	Completed	In accordance with grant conditions we confirmed that monies were expended to cover those eligible costs as specified in the grant offer letter.
Safer Roads Fund BCC received £879,000 from DfT for FY 2018/19 following a successful bid for the funds in 2017. The grant review will verify that the grant has been used for eligible expenditure under the grant conditions.	3	Completed	In accordance with grant conditions we confirmed that monies were expended to cover those eligible costs as specified in the grant offer letter.
Additional Highway Maintenance The Local Authority received £4,645,000 capital funding in November 2018 for FY 2018/19. The funding is for local highways maintenance, including the repair of potholes, to keep local bridges and structures open and safe, as well as to help aid in other minor highways works that may be needed. The grant review will verify that the grant has been used for eligible expenditure under the grant conditions.	3	Completed	In accordance with grant conditions we confirmed that monies were expended to cover those eligible costs as specified in the grant offer letter.
National Productivity Investment Fund For FY 2018/19 through Local Transport Capital Block Funding Grant Determination BCC received the first instalment payment of £1,517,760 in April 2018; and the second instalment of £890,500 was received in September 2018. The funding is for the A418 corridor improvements and for the A40 London Road improvements. The grant review will verify that the grant has been used for eligible expenditure under the grant conditions.	3	Completed	In accordance with grant conditions we confirmed that monies were expended to cover those eligible costs as specified in the grant offer letter.

Audit Scope	Allocated Days	Status	Overall Opinion
TEE			
TfB (Cost Modelling) TfB is an integrated service delivery organisation consisting of Buckinghamshire County Council (BCC) and Ringway Jacobs working collaboratively to manage maintain and improve Buckinghamshire's transport network. 2019/20 is a 10th year of this arrangement. The budget given to TfB is determined by the BCC's Medium Term Financial Plan (MTFP) and TfB works with the BCC to agree a service level, cost of the services agreed, prioritizing works, and bidding for funding. The total capital budget for 2019-20 is just over £24.6 million and the total revenue budget is over £16.4 million. The audit will review the following risk areas: Build up, Forecasting, Management of Budget Variances, Internal Sign Off, Change Control and Reporting.	15	Fieldwork In-Progress	Testing is still being undertaken.
Routewise System Application Audit (IT Audit) The Routewise system holds all Client Transport information; this includes the client details (journey details) and the contract information (taxi or bus contract with expected costs and period of transport provision). Client Transport includes home to school transport, transport for Special Educational Needs (SEN) pupils, transport required for children in the care of the Local Authority and vulnerable adults requiring transport as required by Adult Social Care. The system interfaces with SAP to enable payments to be made to the providers. The audit will evaluate the effectiveness of the controls in place for the following risk areas; Application Management and Governance, System Security, Interface Controls and Processing, Data Input, Data Output, Change Controls, System Resilience and Recovery and Support Arrangements.	12	Fieldwork In-Progress	Testing is still being undertaken.
Home to School Transport The objective of this review was to carry out an independent assessment of the control processes and arrangements in place over the aspects which are believed to have contributed to the disruption of the service.	10	Draft Report	The audit findings are currently being discussed with process owners and management actions are being agreed to address the identified findings.

Audit Scope	Allocated Days	Status	Overall Opinion
Children's Services			
Panels Audit There are five main Children's Panels held on a regular basis which are supported by a number of supplementary and ad-hoc panels. Children's Panels are tasked with making advisory decisions to support Social Care, Education and Health needs for children placed in the Council's care. The services served by the panels had a combined budget of £41 million in 2018-19, the largest of which is the Children's Care Service with a budget of £27 million. The audit review will focus on the Resources Panel as a significant proportion of the services budget is spent supporting the Children that go through this panel. The audit will evaluate the effectiveness of the controls in place for the following risk areas; Policies and Procedures, Governance, Referrals to Panel, Compliance with Panel Processes and Panel Decisions.	10	Fieldwork In-Progress	Testing is still being undertaken.
Commissioning of Residential Placements This audit work will focus on the commissioned placements (children's homes and residential schools) and exclude foster care placements and any other non-commissioned placements. It should also be noted that this work will not cover the panel process as it will be covered as part of a separate audit. For the purpose of this audit, we will assess whether the placement decisions are supported by the panel approval but we will not be examining how the panel arrives at their decisions.	20	Fieldwork In-Progress	Testing is still being undertaken.
Budget Management The objective of the audit is to assess the management and control processes in place, relating to the management of Children's Services' budget. The audit will evaluate the effectiveness of the controls in place for the following risk areas; Roles and Responsibilities, Policies and Procedures, Spend Data, Budget Monitoring and Forecasting, Management of Budget Variances and Reporting.	10	Fieldwork In-Progress	Testing is still being undertaken.
SEND EP Processes Review Educational Psychologists (EPs) are key contributors to help enable the development of an effective Education Health and Care Plan (EHCP). EPs have a statutory role on providing advice and information to the Council for children and young people with special educational needs and/or disability (SEND), and are undergoing a statutory needs assessment (Reg 6 (1) (d) SEND Regulations 2014). The SEND service currently have a recovery plan in place which identifies a number of actions that the service are implementing to make the processes compliant with statutory requirements, efficient and effective in its service provision. In order to facilitate in the identification of further process improvements, Internal Audit have been commissioned to undertake a review of the EPs processes.	10	Draft Report	The audit findings are currently being discussed with process owners and management actions are being agreed to address the identified findings.

Audit Scope	Allocated Days	Status	Overall Opinion
Children's Services			
Legal Spend During 2018/19, £3.1M (£1.9M for hours in value and £1.2M for disbursements) was spent on the legal costs for Children's Services. The objective of this audit is to examine the internal process in respect of accessing, monitoring and tracking legal advice. The scope of this audit includes, but is not limited to, the following key risk areas of legal costs for Children's Services: Policies and Procedures, Referrals, Initiation and Expectation, Monitoring and Tracking of Referred Cases, Forecasting Legal Costs on Referred Cases.	15	Fieldwork In-Progress	Testing is still being undertaken.
Schools Thematic Audit Programme – Quainton CofE Combined School Following a review of key systems and process, including an evaluation of prior school audit findings, we selected the HR and Payroll processes as the theme for our 19/20 audit review. Internal Audit carried out a risk assessment and evaluated all LA schools by the following key areas; SFVS returns, high spend on additional payroll costs (e.g. overtime), forecasting, high spend on agency and 'professional services, high % volume of starters and leavers. The outcomes of this assessment resulted in the identification of a sample of schools that will be reviewed as part of the 19/20 agreed theme. The scope of the audit includes the following risk areas; HR Governance, Recruitment and Performance, Payroll and Data Security.	6	**Final Report (Reasonable)**	The Quainton Church of England School HR Processes Audit provided a **Reasonable** level of assurance. There is a good system of internal control in place which should ensure objectives are generally achieved, but some issues were identified. Please refer to appendix 1.2 for a summary of key findings noted.
Schools Thematic Audit Programme – Grendon Underwood Combined School The scope of the audit includes the following risk areas; HR Governance, Recruitment and Performance, Payroll and Data Security.	6	**Final Report (Reasonable)**	The Grendon Underwood Combined School HR Processes Audit provided a **Reasonable** level of assurance. There is a good system of internal control in place which should ensure objectives are generally achieved, but some issues have been raised from the review undertaken. Please refer to appendix 1.2 for a summary of key findings noted.
Schools Thematic Audit Programme – St Michael CofE Combines School The scope of the audit includes the following risk areas; HR Governance, Recruitment and Performance, Payroll and Data Security.	6	Draft Report	The audit findings are currently being discussed with process owners and management actions are being agreed to address the identified findings.

Audit Scope	Allocated Days	Status	Overall Opinion
Children's Services			
Schools Thematic Audit Programme – Millbrooke Combined School The scope of the audit includes the following risk areas; HR Governance, Recruitment and Performance, Payroll and Data Security.	6	Draft Report	The audit findings are currently being discussed with process owners and management actions are being agreed to address the identified findings.
Schools Thematic Audit Programme – Iver Village Infant School The scope of the audit includes the following risk areas; HR Governance, Recruitment and Performance, Payroll and Data Security.	6	**Final Report (Reasonable)**	The Iver Village Infant School HR Processes Audit provided a **Reasonable** level of assurance. There is a good system of internal control in place which should ensure objectives are generally achieved, but eight audit issues were identified. Please refer to appendix 1.2 for a summary of key findings noted.
Schools Audit Programme – William Harding Combined School The Head Teacher was new in post September and has requested an audit review of the financial management and procedures at the school. The audit reviewed the key financial risk areas within the school including governance and data security.	8	Draft Report	N/A The audit findings are currently being discussed with process owners and management actions are being agreed to address the identified findings.
Schools Thematic Audit Programme – East Claydon School The scope of the audit includes the following risk areas; HR Governance, Recruitment and Performance, Payroll and Data Security.	6	Fieldwork In-Progress	N/A Testing is still being undertaken.
Families First Claims – Claim 1 The Troubled Families Programme is supporting families with multiple and complex problems; changing lives and services for the better. The programme uses the payments by results methodology, such that the Local Authority is able to claim funds based on the outcomes achieved. In May 2019 the claim made was for: 55 families making Significant and Sustained Progress' £44,000 19 families who have moved off benefits and into 'Continuous Employment' £15,200. Total claim of £59,200. The audit review verified that the amount claimed was correct to expenditure. The review also involved taking a sample of transactions to ensure that the costs claimed were eligible under the grant conditions.	3	Completed	Assurance Opinion is N/A In accordance with grant conditions we confirmed that monies were expended to cover those eligible costs as specified in the grant offer letter.

Audit Scope	Allocated Days	Status	Overall Opinion
Children's Services			
Families First Claims – Claim 2 The Troubled Families Programme is supporting families with multiple and complex problems; changing lives and services for the better. The programme uses the payments by results methodology, such that the Local Authority is able to claim funds based on the outcomes achieved. In June 2019 the claim made was for: 82 families making 'Significant and Sustained Progress' £65,600 9 families who have moved off benefits and into 'Continuous Employment' £7,200. Total claim of £72,800 The audit review verified that the amount claimed was correct to expenditure. The review also involved taking a sample of transactions to ensure that the costs claimed were eligible under the grant conditions.	3	Completed	In accordance with grant conditions we confirmed that monies were expended to cover those eligible costs as specified in the grant offer letter.
Families First Claims – Claim 3 Based on our verification work we can provide assurance that the families on the results based claim for September 2019 are valid and should be approved accordingly. This current claim is for: 85 families under Sustained and Significant Progress (SSP) 85 x £800 = £68,000 8 families under Continuous Employment (CE) 8 x £800 = £6,400 1 family under Subsequent Continuous Employment (CE+) = £0 (there is no payment as the family was on a previous SSP claim but these families are recorded to indicate that further progress has been made.) Total financial claim for 93 families @ £800 each = £74,400	3	Completed	In accordance with grant conditions we confirmed that monies were expended to cover those eligible costs as specified in the grant offer letter.
Families First Claims – Claim 4 Based on our verification work we can provide assurance that the families on the results based claim for September 2019 are valid and should be approved accordingly. This current claim is for: 52 families under Sustained and Significant Progress (SSP) 52 x £800 = £41,600 11 families under Continuous Employment (CE) 11 x £800 = £8,800 1 family under Subsequent Continuous Employment (CE+) = £0 (there is no payment as the family was on a previous SSP claim but these families are recorded to indicate that further progress has been made.) Total financial claim for 63 families @ £800 each = £50,400	3	Completed	In accordance with grant conditions we confirmed that monies were expended to cover those eligible costs as specified in the grant offer letter.

Audit Scope	Allocated Days	Status	Overall Opinion
Children's Services			
Families First Claims – Claim 5 Based on our verification work we can provide assurance that the families on the results based claim for December 2019 are valid and should be approved accordingly. The current claim window will include the October review and December review figures. December 2019 claim numbers are: 50 families under Sustained and Significant Progress (SSP) 50 (x £800) = £40,000 4 families under Continuous Employment (CE) 4 (x £800) = £3,200 Combined with the October 2019 figures, the totals for this claim window are: Sustained and Significant Progress (SSP) 102 (x £800) = £81,600 Continuous Employment (CE) 15 (x £800) = £12,000 Continuous Employment Plus (CE+) (there is no payment as the family was on a previous SSP claim but these families are recorded to indicate that further progress has been made) **Total Payment by Results (PbR) = £93,600**	3	Completed	In accordance with grant conditions we confirmed that monies were expended to cover those eligible costs as specified in the grant offer letter.
CHASC			
Implementation of Medications Policy (Commissioned Services) Medicines support is any support that enables a person to manage their medicines. In practical terms, this covers; prompting or reminding people to take their medicines; helping people remove medicines from packaging; and administering some or all of a person's medicines. For services that are commissioned by Buckinghamshire County Council (BCC), they should have robust medicines support processes in place; that medicines are administered safely and appropriately following the National Institute for Health and Care Excellence (NICE). The scope of the audit included the following risk areas; Medications Policy and Procedures, Recording of Medications, Training of Staff, Storage, Monitoring Compliance against the Medications Policy; and Concerns and Incidents with Medications.	12	**Final Report (Partial)**	The Medications Policy (for Commissioned Services) Audit is concerned with the Council's processes to ensure that the care providers' medications management is in accordance with the expected standards and guidance. A **Partial** level of assurance has been given because of the key issues that have been raised in this report, including three high and seven medium priority findings. Please refer to appendix 1.2 for a summary of key findings noted.
Income Processes The main source of income for CHASC include library fees, non-residential charges, residential charges, Centre for Buckinghamshire Studies and Registration Services. In 2018-19, the planned income for CHASC was £35M. In order to ensure that CHASC collects all of the income that is due from the services offered, it is important that a robust income process is maintained. The scope of the audit will include the following risk areas; Policies and Procedures, Customer Data Maintenance, Record of Income Generating Activities, Invoicing and Client Debt Management.	10	Fieldwork In-Progress	Testing is still being undertaken.

Audit Scope	Allocated Days	Status	Overall Opinion
CHASC			
Virtual Wallet Direct Payments are provided to individuals to enable them to gain independence, flexibility, choice and control over how they meet their assessed eligible care needs. There are three ways in which a Direct Payment can be paid: through transfer to a bank account set up by the service user, via a pre-paid card issued on behalf of the Council or through an online Virtual Wallet account. As of March 2019, 60% of the Council's Direct Payment service users received their Direct Payment through the Virtual Wallet system. The Virtual Wallet provider, PCG, holds the funds on behalf of Direct Payment recipients in a client bank account. The account can be managed by the client, their representative or the Virtual Wallet team. The service user's care schedule is entered onto the system showing who is providing the care, when and how much it costs. The Council has responsibility for ensuring that an individual's care needs are assessed appropriately, a Care Plan is in place and that the Virtual Wallet Direct Payment is spent to meet the identified needs.	15	Draft Report	The audit findings are currently being discussed with process owners and management actions are being agreed to address the identified findings.
Budget Management The Adult Social Care budget need is growing to reflect demographic changes. In particular there is an increased life expectancy with a linked increase in complexity of need and an increase in the numbers of people who have paid for their own care but have depleted their funds. For Adult Social Care in 2018-19 the planned spend was £132M (38.4% of the Council total). For 2019-20, this has been increased to £136M. For Community Services the planned spend was £9.04M in 2018-19 and £9M in 2019-20, a reduction was required to meet the Council's needs to prioritise spend in other areas such as adult social care. The audit work focused on the Adult Social Care budget given the high level of spend and the controls in the following risk areas were reviewed; Roles and Responsibilities, Policies and Procedures, Spend Data, Budget Monitoring and Forecasting, Management of Budget Variances and Reporting.	10	**Final Report (Partial)**	A **Partial** level of assurance had been given based on the control processes and key issues verified during the fieldwork, as well as the overall budget performance of CHASC where the service is forecasting a significant overspend at the end of 2019/20. Please refer to appendix 1.2 for a summary of key findings noted.

Audit Scope	Allocated Days	Status	Overall Opinion
CHASC			
Deprivation of Liberty Safeguard (DoLS) DoLS ensures people who cannot consent to their care arrangements in a care home or hospital are protected (i.e. kept safe from harm) if those arrangements deprive them of their liberty. Arrangements are assessed to check they are necessary and in the person's best interests. Representation and the right to challenge a deprivation are other safeguards that are part of DoLS. It was noted that prior to 2014, BCC was completing assessments and making authorisations within the required timescales. However since 2014, there has been an increase of referrals that has led to a backlog of assessments and authorisations being made. This is a national issue amongst many other local authorities. The scope of the audit included the following risk areas; DoLS Referrals, Monitoring of DoLS, DoLS Authorisations, DoLS Training and Checks for Assessors, DoLS Record Keeping.	10	**Final Report (Partial)**	The DoLS Audit examined the Council's processes to ensure that the DoLS standard authorisation requests are administered in accordance with the expected standards, guidance and legislation. A **Partial** level of assurance has been given because of the backlog of referrals and the number of referrals that are not meeting the statutory timeframe. However, this is a national issue and it is important to recognise that within the level of resource currently available, there was evidence of good practice and an adequate level of controls in respect of the process operated by the Council's DoLS team. Please refer to appendix 1.2 for a summary of key findings noted.

Note; Appendix 2.1 is included in the private papers in accordance with paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972.

Internal Audit - Management Actions

24. All of the BUs continue to engage with the audit process, and were in full agreement with the actions raised to improve the control environment. All audit actions are closely monitored through the Council's Corporate Audit Action Tracker (Pentana), and progress is reported on a quarterly basis to the BU SLT/Board meetings and CMT Budget Board. All limited and partial assurance audit areas are subject to a detailed follow-up audit during the following financial year to obtain evidence that the weaknesses have been addressed. Should there be any delays in implementing the actions, or any other concerns brought to the attention of Internal Audit, then these will be escalated to the Service Directors and Executive Directors as appropriate.

25. The current status of audit actions is as follows; a total of 481 management actions have been raised on the system, of which 422 have been completed (88%), 59 (12%) are open and are in progress.

26. The responsible officers continue to take accountability for implementing the audit actions. In quarter four the Business Assurance Team will be reviewing all open management actions to determine if they will still be relevant for the new organisation. We anticipate that the majority of the actions that are open within the Resources Business Unit will be closed as these actions relate to finance processes that are being reviewed as part of the unitary readiness. Action owners will be reminded to complete open actions prior to the end of the financial year, however for actions relating to CHASC and Children's where process will largely remain the same we will continue to monitor these and carry them forward into the new organisation. The status of **ALL** (*FY 2017/18 to date*) audit actions in the Pentana Risk, Audit and Performance System is summarised below and Appendix 2 (private paper) provides the detailed summary of all the management actions that are outstanding:

	CHASC	CS	Resources	TEE
In Progress	14	17	27	1
Completed	58	128	212	24
Total	**72**	**145**	**239**	**25**

**Status as at 5 February 2020*

Maggie Gibb,

Head of Business Assurance (and Chief Internal Auditor)

February 2020

APPENDIX 1

Regulatory & Audit Committee February 2020 - Progress against 2019/20 Internal Audit Plan

Audit	Timing	Progress as at 15 January 2020	Priority as agreed at Audit Board January 2020
Cross Cutting			
National Fraud Initiative	Q1-Q4	On-going	**CRITICAL**
Pro-Active Anti-Fraud Activity (incl. Continuous Auditing)	Q1-Q4	On-going	**CRITICAL**
Contract Audits	Q3-Q4	Fieldwork in progress	N/A
Debt Management	Q3	Draft Report	N/A
Governance	Q2	Deferred (agreed by Audit Board)	**LOW**
Unitary Transition	Q1-Q4	On-going	**CRITICAL**
Resources			
K2 System – Application Audit	Q2-Q3	Draft Report	N/A
HR Income	Q2-Q3	Final Report	N/A
Property and Capital Programme Governance	Q1	Deferred (agreed by Audit Board)	**LOW**
Procurements	Q1	Deferred (agreed by Audit Board)	**LOW**
Pensions	Q4	Planning in progress	**MEDIUM**
Key Financial Systems	Q4	Planning in progress	**MEDIUM**
Respond System – Application Audit	Q3-Q4	Draft Report	N/A
Information Management and Data Quality	Q4	Planning in progress	**CRITICAL**
Client Charging Follow-up	Q3	Final Report	N/A

Audit	Timing	Progress as at Progress as at 15 January 2020	Priority as agreed at Audit Board January 2020
TEE			
Transport for Buckinghamshire (TfB) – Cost Modelling	Q4	Planning in progress	**CRITICAL**
LEP Governance	Q4	Planning in progress	**CRITICAL**
Safer Roads Fund Grant	Q2	Grant Verification complete	N/A
LEP Growth Hub	Q1	Grant Verification complete	N/A
Pot Hole Grant Fund	Q2	Grant Verification complete	N/A
Bus Subsidy Grants	Q2	Grant Verification complete	N/A
Additional Highway Maintenance	Q2	Grant Verification complete	N/A
Local Transport Capital Funding	Q3	Grant Verification complete	N/A
National Productivity Investment Fund	Q2	Grant Verification complete	N/A
Client Transport Deep Dive Review	Q4	Deferred (agreed by Audit Board)	**CRITICAL**
Home to School Transport	Q3	Draft Report	N/A
Routewise System Audit	Q3-Q4	Fieldwork in progress	N/A
CHASC			
Implementation of Medications Policy (Commissioned Services)	Q2-Q3	Final Report	N/A
Implementation of Medications Policy (In-house Services)	Q3/4	Deferred (agreed by Audit Board)	**MEDIUM**
Quality Assurance Framework (QAF)	Q3/4	Deferred (agreed by Audit Board)	**CRITICAL**
Integrated Commissioning	Q4	Deferred (agreed by Audit Board)	**MEDIUM**
Income Processes	Q3-Q4	Draft Report	N/A
Virtual Wallet	Q3	Final Management Letter	N/A
Budget Management	Q3	Final Report	N/A

Audit	Timing	Progress as at 15 January 2020	Priority as agreed at Audit Board January 2020
CHASC			
Deprivation of Liberty Safeguard (DoLS)	Q3	Final Report	N/A
CHC Follow-Up	Q3	Final Report	N/A
Seeleys Follow-Up	Q4	Planning in progress	**CRITICAL**
Children's Services			
Budget Management	Q4	Fieldwork in progress	N/A
Legal Spend	Q3-Q4	Fieldwork in progress	N/A
Housing of Care Leavers	Q3	Deferred (agreed by Audit Board)	**MEDIUM**
Early Years 3/4yr entitlement	Q4	Deferred (agreed by Audit Board)	**LOW**
Families First – Claim 1	Q1	Grant Verification completed	N/A
Families First – Claim 2	Q2	Grant Verification completed	N/A
Families First – Claim 3	Q2	Grant Verification completed	N/A
Families First – Claim 3	Q3	Grant Verification completed	N/A
Families First – Claim 3	Q3	Grant Verification completed	N/A
Safeguarding Board	Q4	Defer to 19/20 as there is new statutory guidance that has been introduced that is currently being implemented and new chair was appointed August 2019, need to give him time to settle into the role.	**CRITICAL**
Schools – Thematic Audit Programme	Q2-Q4	Fieldwork in progress	N/A
Commissioning Residential Placements	Q3-Q4	Fieldwork in progress	N/A
Panels Audit	Q2-Q4	Fieldwork in progress	N/A
SEND EP Process – Assurance Review (Requested by Service)	Q3	Draft Management Letter	N/A

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

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