



**SOUTH BUCKS**  
District Council

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**DEMOCRATIC AND ELECTORAL SERVICES**

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Date:	20 September 2017	Direct Line:	01895 837225/837224

Dear Councillor

**AUDIT COMMITTEE (SBDC)**

The next meeting of the Audit Committee (SBDC) will be held as follows:

DATE: **THURSDAY, 28TH SEPTEMBER, 2017**

TIME: **6.00 PM**

VENUE: **ROOM 6, CAPSWOOD, OXFORD ROAD, DENHAM**

Only apologies for absence received prior to the meeting will be recorded.

Yours faithfully

Jim Burness

**Director of Resources**

To: The Audit Committee (SBDC)

D Smith  
D Anthony  
P Griffin  
L Hazell  
G Hollis  
R Sangster

**Audio/Visual Recording of Meetings**

Please note: This meeting might be filmed, photographed, audio-recorded or reported by a party other than South Bucks District Council for subsequent broadcast or publication.

If you intend to film, photograph or audio record the proceedings or if you have any questions please contact the Democratic Services Officer (members of the press please contact the Communications Officer).

## **Declarations of Interest**

Any Member attending the meeting is reminded of the requirement to declare if he/she has a personal interest in any item of business, as defined in the Code of Conduct. If that interest is a prejudicial interest as defined in the Code the Member should also withdraw from the meeting.

## **A G E N D A**

(Pages)

1. **Apologies for absence**  
To receive any apologies for absence.
2. **Minutes**  
To confirm the minutes of the meeting held on 5 July 2017. **(5 - 10)**
3. **Declarations of Interest**  
To receive any declarations of interest
4. **Annual Review of Code of Conduct and Complaints Procedure** **(11 - 16)**  
*Appendix 1: Adopted Code* **(17 - 24)**  
*Appendix 2: Member Complaints Procedure and Form* **(25 - 34)**  
*Appendix 3: Proposed Arrangements for dealing with complaints* **(35 - 70)**
5. **Committee on Standards in Public Life Annual Report** **(71 - 72)**  
*Appendix 1: Setting the Standard* **(73 - 78)**
6. **Guidance for Councillors and Officers on Outside Bodies** **(79 - 80)**  
*Appendix 1: Guidance Note for Councillors and Officers on Outside Bodies* **(81 - 94)**
7. **Standards Work Programme** **(95 - 96)**
8. **Interim Progress Report on Internal Audit** **(97 - 112)**
9. **Follow up of Internal Audit Recommendations Report** **(113 - 122)**
10. **Comparison of Assurance Levels** **(123 - 132)**
11. **Internal Audit - Assurance Review of Temporary Accommodation** **(133 - 158)**

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|-----|--|--------------------|
| 12. | <b>External Audit Results Report</b>                                 | <b>(159 - 198)</b> |
| 13. | <b>Statement of Accounts 2016/17</b>                                 | <b>(199 - 206)</b> |
|     | <i>Appendix 1 - Statement of Accounts 2016 / 17</i>                  | <b>(207 - 282)</b> |
| 14. | <b>Farnham Park Charity - Outturn &amp; Accounts 2016/17</b>         | <b>(283 - 286)</b> |
|     | <i>Appendix 1 - Charity Accounts 1617</i>                            | <b>(287 - 308)</b> |
| 15. | <b>Management Report - Farnham Park Sports Fields</b>                | <b>(309 - 326)</b> |
| 16. | <b>Any Other Business</b>  |                    |
|     | To consider any other business which the Chairman decides is urgent. |                    |
| 17. | <b>Audit Work Programme</b>  |                    |
|     | To receive the current work programme of the Audit Committee.        | <b>(327 - 328)</b> |

The next meeting is due to take place on Thursday, 18 January 2018

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## MINUTES OF THE AUDIT COMMITTEE (SBDC)

5 July 2017

Present: Mr D Smith (Chairman)  
Mr Anthony and Mr Sangster

In attendance: Mr Trevor Dobson

### 3. MINUTES

The minutes of the meetings held on 16 March 2017 and 23 May 2017 were confirmed and signed by the Chairman as a correct record.

### 4. APOLOGIES FOR ABSENCE

Apologies were received from Councillor Paul Griffin

### 5. DECLARATIONS OF INTEREST

There were no declarations of interest.

### 6. COMPLAINTS MONITORING REPORT 2016/17

Members considered a report about complaints received by the monitoring officer during the financial year 2016/17 alleging that Members have breached the code of conduct. Whilst there had been a slight increase in the number of complaints received; with 3 complaints about SBDC Members and 1 about a town/parish councillor, it was noted that none of the complainants pursued the matter further following receipt of the monitoring officer's acknowledgement letter providing details about the behaviours covered by the code of conduct and Stage 1 of the complaints procedure. Furthermore in 2 of the SBDC complaints the conduct concerned was not carried out in the councillors' official capacity and therefore fell outside the code of conduct. The table at 3.5 was corrected to record that 1 town/parish council and 3 SBDC allegations fell under the category of failure to treat others with respect.

Members queried the wording and relevance of the monitoring form included in the member complaints procedure and the monitoring officer agreed to review its inclusion having regard to development of a new joint corporate complaints procedure for Chiltern and South Bucks District Councils by the Head of Customer Services. Having noted that the monitoring officer will consider including a refresher on standards of behaviour and the principles of conduct in public life in future training for members, it was:

**RESOLVED**

**That the complaints information for 2016/17 be noted.**

**7. REVIEW OF POLICY ON GIFTS AND HOSPITALITY**

The Committee considered a report on adopting a Protocol on Gifts and Hospitality as set out in Appendix 2 to the report. The monitoring officer informed the Committee that the proposed protocol would consolidate existing sources of advice and guidance, set out general principles which members should apply when deciding whether it would be proper to accept any gift or hospitality, provide examples of low value items that may be accepted, together with a procedure for recording and obtaining specific consent for the acceptance of other gifts and hospitality. In response to a Member question on how to determine the limit of the value to declare, the Committee were reminded that the Code of Conduct set a limit of £50 for declaration of gifts or hospitality as a personal interest and the proposed Protocol also included advice on what was considered to be small value gifts/hospitality.

After consideration of the draft Protocol at Appendix 2, the Audit Committee agreed to:

**RECOMMEND** to Council the adoption of the Protocol on Gifts and Hospitality.

**8. APPOINTMENT OF AN INDEPENDENT PERSON**

Members considered a report proposing to extend the term of office of one of the Council's two Independent Persons. It was noted that Mr Dobson had been appointed since 2012 and that his term was coming to an end. In response to a question about whether Chiltern and South Bucks could combine Independent Persons, Members were informed that each authority has to approve the appointment by a majority vote at Full Council and a proposal for pooling Independent Members across the County was considered in 2012 but did not proceed. However, it was noted that the possibility of a pool of Independent Persons would be looked at again for future appointments. The Audit Committee agreed with the proposed extension and therefore,

**RECOMMENDED**

That Full Council extend the term of office of Mr Trevor Dobson as Independent Person for a further 2 years.

**9. STANDARDS WORK PROGRAMME 2017/2018**

Members received and considered the Standards Work Programme for 2017/2018. It was noted that the item, Guidance for Directors of Companies fully/partly owned by the public sector, had slipped to the next Audit Committee meeting and would include detailed guidance for both Members and officers.

## **RESOLVED**

**That the Standards Work Programme 2017/2018 as amended be noted.**

### 10. **TIAA INTERNAL AUDIT REPORTS 2016/17 AND 2017/18**

The Committee considered the three internal audit reports together; the Annual Assurance Report 2016/17 and Progress Report 2016/17 from TIAA, as well as a report on the progress against the Annual Plan 2017/18. Regarding the Annual Assurance report the Committee was pleased that TIAA were in the position to give a positive audit opinion on the Council's risk management, control and governance processes. There had been no instances of audits giving a limited assurance, and there was evidence of audit recommendations being implemented.

With regards to the Progress Report 2016/17, Members were advised that all the audit work had been completed and only a few draft reports were being finalised and these would be presented at the next meeting.

On the 2017/18 Audit Progress report members expressed very clearly the importance of the internal audit of Homelessness as Members were very concerned about this area following a recent report to the Resources PAG on the writing off of two large arrears cases. Members were assured that the audit work which would be commenced in July 2017 and reported to the next meeting would be thorough. Members were informed that for this audit the full report would be provided to the Committee, and this would include the schedule of current cases showing and housing benefit awarded, contributions from clients and arrears levels. The audit work would focus on any weaknesses in control or co-ordination between the various parts of the Council involved.

Regarding the rest of the Annual Plan for 2017/18, it was advised that for all items with the current status as 'in progress' would be considered at the next Audit Committee meeting, and the programme was on track.

## **RESOLVED**

**That the report be noted.**

### 11. **ANNUAL GOVERNANCE STATEMENT 2016/17**

The Head of Finance informed Members that there was a requirement for the Annual Governance Statement to be included in the accounts and reviewed by the Audit Committee. Members were advised of several ways they can be assured that the Council delivers what it says it is going to deliver in line with the Council's aims and objectives. This included but was not limited to, assurance from internal and external audit reports, feedback from Management Team to Members, as well as other external audits or inspections. Business Continuity Management and the Council's Information Management policy and procedures were two areas that were highlighted where more work could be done. In response to a Member question regarding what would happen in the event that the IT systems fail at one location, the Committee heard that, in this eventuality, the other site can act as the backup or failover facility, and this is one of the benefits of joint working and having a common ICT infrastructure. Members were informed that officers were recommending the draft Governance Framework, which if approved by the Audit Committee, would be signed off by the District Council Leader and Chief Executive.

Members of the Audit Committee **RESOLVED** to

- **having review the assurances provided;**
- **considered whether there were any other significant gaps in control/assurance and concluded there were none; and**
- **approved the Annual Governance Statement.**

## 12. **SOUTH BUCKS DISTRICT COUNCIL ANNUAL FRAUD REPORT**

Members considered a report of the Anti-Fraud activity undertaken in 2016/17 and the action plan for 2017/18. The Director of Resources explained that in previous years the fraud report would have outline more activity around housing benefit fraud, but that this matter is now the responsibility of the Department of Work and Pensions (DWP), and so the Council focuses on Council Tax and Council Tax support fraud. It was noted that the Council highlights any activity regarding housing benefit fraud to the DWP, and that the DWP had a limited incentive scheme for local authorities related to reducing fraud and error. Members were advised that the main report discussed corporate fraud and noted that two issues were raised with regards to whistleblowing and although the cases were not substantiated, there had been some tightening around recruitment procedures. Members enquired as to how the Council discovered the 63 cases in section 3.12 of the report where Single Persons Discount had been withdrawn; it was heard that these cases had been highlighted by the National Fraud Initiative data matching exercise managed by the Cabinet Office.

### **RESOLVED**

**That the report be noted.**



**13. ERNEST & YOUNG (EY) AUDIT FEE LETTER**

A letter had been received explaining how the audit fee would be calculated for work during 2017/18. Members were informed that the Public Sector Audit Appointments Ltd (PSAA) sets the indicative fee based on work done two years prior. In response to a Member question on PSAA contracts, it was explained that the PSAA had awarded 5 contracts nationally with audit firms to cover all local authorities; EY were pleased to inform Members that they had been awarded one of the contracts. The Committee were also informed that the Chiltern and South Bucks external audits were carried out by the same auditor as it was a more efficient way of doing so, and this would continue under the new contract. It was noted that the external audit work for 2016/17 was scheduled to be completed in July 2018. The Head of Finance enquired as to whether Members would want to receive a presentation from EY on the role of the Audit Committee or to receive the information electronically; the Committee were happy to have the information circulated electronically.

**RESOLVED**

**That the audit fee for 2017/18 be noted.**

**14. AUDIT WORK PROGRAMME**

The Audit Committee noted the work programme.

The meeting terminated at 7.29 pm

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<b>SUBJECT:</b>	Annual Review of the Code of Conduct and Complaints Procedure
<b>REPORT OF:</b>	Monitoring Officer
<b>RESPONSIBLE OFFICER</b>	Joanna Swift
<b>REPORT AUTHOR</b>	Joanna Swift
<b>WARD/S AFFECTED</b>	None

### 1. Purpose of Report

To consider if the code of conduct and complaints procedures adopted by the Council in accordance with the Localism Act in 2011, remain fit for purpose.

#### RECOMMENDATIONS

1. That the code of conduct remains fit for purpose.
2. That the arrangements for dealing with complaints be revised as set out in Appendix 3.
2. That the revised assessment criteria at Appendix 3, Annex 3 be agreed
3. That the proposed procedure for Hearing Committees at Appendix 3, Annexes 5 and 6 be agreed
4. That the Committee consider the draft Protocol with Thames Valley Police at Appendix 3, Annex 7 for reporting alleged breaches of disclosable pecuniary interests.
5. That the Monitoring Officer in consultation with the Chairman of the Committee and the Independent Person be authorised to agree the final version of the Protocol.

### 2. Reasons for Recommendations

It is good practise for the Council to review its adopted policies and procedures on a regular basis to ensure they remain relevant and effective. This annual review has been brought forward following comments made by the Local Government Ombudsman in a recent decision.

### 3. Content of Report

- 3.1 As members are aware the Council has a statutory duty under the Localism Act 2011 to promote and maintain high standards of conduct amongst its elected and co-opted members, to adopt a code governing member conduct and to have arrangements in place

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for dealing with any complaints that members may have breached the code of conduct. Any complaints that town or parish councillors have breached their council's code of conduct are covered by the District Council's arrangements.

- 3.2 Under the Act and accompanying statutory regulations members must disclose any pecuniary interests (DPI's) held by themselves or their spouse/partners in items of Council business. Failure to disclose a DPI is a criminal offence.

### **THE CODE OF CONDUCT**

- 3.3 The Act gives the Council discretion over the contents of their code of conduct provided that it accords with the following 7 principles of conduct in public life:-
- selflessness
  - integrity
  - objectivity
  - accountability
  - openness
  - honesty
  - leadership
- 3.4 The Council's current code of conduct was adopted on 24 July 2012 and is attached at Appendix 1 for reference. It is based on a lighter-touch set of general obligations than the previous national model code but retains the requirement for members to disclose non-pecuniary personal and prejudicial interests, in addition to the new statutory DPI's. This was considered vital in view of the Council's regulatory role in determining planning and licencing applications. Chiltern District Council has adopted the same form of code. It is considered that the obligations in the code of conduct are generally understood by Members and that declarations of interest are being made appropriately. No revisions are therefore recommended at this time.

### **THE COMPLAINTS PROCEDURE**

- 3.5 The Act also gives the Council discretion on the arrangements it adopts for dealing with complaints. These arrangements must however include the appointment of at least one independent person whose views are to be sought and taken into account, before the Council makes a decision on an allegation that it has decided to investigate. The independent person's view may also be sought by the authority at other stages in the investigation and by subject members.
- 3.8 The Council's current Complaints Procedure which is combined with a complaint form, is attached at Appendix 2. This adopts a 3 stage process:-
1. The complaint is sent to the subject councillor member who has an opportunity respond. If the complainant is satisfied with the councillor's explanation or proposed remedy, no further action is taken. If the complainant remains dissatisfied the complaint proceeds to Stage 2.

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2. The monitoring officer assesses whether the complaint should be referred for investigation having regard to the referral criteria, in consultation with the chairman of this Committee and an independent person. If a complaint merits investigation it will proceed to Stage 3. If the monitoring officer decides not to refer the complaint for investigation no further action is taken and no appeal is available.
  3. An investigation is carried out and the investigators report is referred to a Hearing Sub-Committee or, in certain cases, this Committee for consideration. The Independent Person's view must be taken into account when deciding what action to take.
- 3.9 Similar arrangements have been adopted by Chiltern District Council. The monitoring officer has received 9 formal complaints under the procedure. The procedure has only proceeded past stage 1 in three cases and only one of these reached stage 3 with a report to the committee in 2014.
- 3.10 Following a decision in 2016 not to refer a complaint about the conduct of a town councillor for investigation, the complainant made a formal complaint to the Local Government Ombudsman. Although the Ombudsman found no fault in the decision not to investigate, fault was found due to the length of time taken to reach the Stage 2 decision at just under a year. Having noted that the Council had already apologised for the delay, the Ombudsman found that the Council had remedied any injustice caused. The delay in question occurred partly as a result of the unavailability of the independent person due to illness and the on-going vacancy for a second independent person at the time. As a result the monitoring officer was unable to progress the Stage 2 requirement to consult and have regard to the independent person's views before deciding whether to refer the complaint for investigation. When these views were obtained the Stage 1 procedure was effectively repeated.
- 3.11 The Ombudsman did not accept that these circumstances were sufficient mitigation for the delay and considered that the monitoring officer had stuck too rigidly to the procedure without considering whether to exercise discretion to find an alternative way to deal with the complaint, by for example dispensing with the requirement to consult the independent person with the agreement of the complainant. Fortunately the Council has now been able to recruit a second independent person and the particular circumstances of this case are very unlikely to recur. However, Members are asked to consider whether some additional flexibility should be built into the current arrangements. The monitoring officer remains of the view that input from an independent person, who has no political connection with the Council, is important before the decision on whether a complaint should be investigated is taken. It is therefore suggested that the monitoring officer pursues the feasibility of calling upon a duly appointed Independent Person from another authority in Buckinghamshire in the event that both the Council's own Independent Persons are unavailable due to illness or a conflict of interest.
- 3.12 The monitoring officer has also reviewed the current complaints procedure in the light of best practice elsewhere and is recommending the following revisions as set out in the draft document at Appendix 3:-

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- a. Separating out details of the arrangements adopted from the complaints form. A model complaints form including tick box options is appended at Annex 1 rather than being incorporated into the explanation of the procedure. The model form will be available to download from the Council's website and we will also look into making it available to complete on-line.
  - b. The proposed revisions retain the current 3 stage process but also include more detail about how a complaint will be investigated at Stage 3, including the appointment of an investigating officer and the investigation procedure itself. They also explain the procedure that will normally be adopted at meetings of the Hearing Sub-Committee. Whilst the proposed revisions increase the length of the document, the benefit is that all the relevant information for the complainant and subject member are contained in one reference document.
  - c. The revised procedure also strengthens the provisions for seeking local resolution of complaints following an investigation. Paragraph 7.1 makes clear, for example, that if an apology is considered an appropriate resolution and the subject member gives such an apology, that no further action would be necessary.

3.13 As referred to above, the failure to declare disclosable pecuniary interests is an offence and under section 34 of the Localism Act is punishable on conviction by a fine of up to £5,000. Complaints that a Member may have failed to declare a DPI are investigated by the Police and not by the monitoring officer. In consultation with the Economic Crime Unit at Thames Valley Police (which deal with this type of offence) and with other monitoring officers in Buckinghamshire, the draft protocol attached at Appendix 3 Annex 7 is recommended for dealing with DPI complaints. To maintain the approach of having all relevant information about the handling of complaints in one place, it is proposed that the final protocol is annexed to the Council's arrangements document. As the draft is still in discussion with other monitoring officers and TVP, Committee is asked to authorise the monitoring officer to agree the final wording in consultation with the Chairman.

#### 4. Consultation

Not applicable at this stage

#### 5. Options

The Council has the option of proposing changes to the code of conduct which should be the subject of wider consultation with members before formal consideration by Full Council and/or alternative revisions to the complaints procedure.

#### 6. Corporate Implications

Financial - None

Legal – As set out in the report

Risks issues – None

Equalities - None

**7. Links to Council Policy Objectives**

Whilst there is no direct link to the Council's main objectives the Council has a statutory obligation to adopt a code of conduct and complaints procedure. The effective monitoring of complaints is matter of good governance and is important in preserving the confidence of local communities

**8. Next Steps**

If agreed by the Committee the proposed revisions at Appendix 3 would be recommended to Full Council for adoption.

<b>Background Papers:</b>	None except those referred to in the report
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## SOUTH BUCKS DISTRICT COUNCIL

### Code of Conduct for Members Adopted on 24 July 2012

#### Part 1 - General Provisions

##### Introduction

1. (1) The Council has adopted this Code of Conduct pursuant to section 27 of the Localism Act 2011 (the Act) to promote and maintain high standards of behaviour by its members and co-opted members whenever they conduct the business of the Council including the office to which they were elected or appointed or when they claim to act or give the impression of acting as a representative of the Council
- (2) This Code of Conduct complies with Section 28 the Act and is consistent with the principles of selflessness, integrity, objectivity, accountability, openness, honesty and leadership.

##### Scope

2. (1) This Code of Conduct applies to you whenever you are acting in your capacity as a member of South Bucks District Council, including: -
  - (a) at formal meetings of the Council, its Committees and Sub-Committees, its Cabinet and PAG's
  - (b) when acting as a representative of the authority
  - (c) in taking any decision as a Cabinet member or a Ward Councillor
  - (d) in discharging your functions as a ward Councillor
  - (e) at briefing meetings with officers
  - (f) at site visits and
  - (g) when corresponding with the authority other than in a private capacity
- (2) Where you act as a representative of the Council: -
  - (a) on another authority, you must when acting for that authority, comply with that other authority's code of conduct; or
  - (b) on any other body, you must, when acting for that other body, comply with this Code of Conduct, except and insofar as it conflicts with any other lawful obligations to which that other body may be subject

##### General obligations

3. You must -
  - (1) provide leadership to the council and communities within its area, by personal example and
  - (2) respect others and not bully any person
  - (3) recognise that officers (other than political assistants) are employed by and serve the whole council

- (4) respect the confidentiality of information which you receive as a member -
  - i. not disclosing confidential information to third parties unless required by law to do so or where there is a clear and over-riding public interest in doing so; and
  - ii. not obstructing third parties' legal rights of access to information
- (5) not misconduct yourself in a manner which is likely to bring the council into disrepute
- (6) use your position as a member in the public interest and not for personal advantage
- (7) act in accordance with the council's reasonable rules on the use of the resources of the council for private or political purposes
- (8) exercise your own independent judgement, taking decisions for good and substantial reasons -
  - i. attaching appropriate weight to all relevant considerations including, where appropriate, public opinion and the views of political groups
  - ii. paying due regard to the advice of officers, and in particular to the advice of the statutory officers, namely the Head of Paid Service, the Chief Finance Officer and the Monitoring Officer and
  - iii. stating the reasons for your decisions where those reasons are not otherwise apparent
- (9) account for your actions, particularly by supporting the council's scrutiny function
- (10) ensure that the council acts within the law.

## Part 2 - Interests

### Personal interests

4. In addition to the statutory requirements under the Act in relation to DPI's and as set out in Paragraph 10 below and save for the subject interest already having been declared as a DPI and the statutory provisions complied with, the following Paragraphs 5 to 9 shall also apply.
5. (1) You have a personal interest in any business of the council where either—
  - (a) it relates to or is likely to affect—
    - (i) any body of which you are a member or in a position of general control or management and to which you are appointed or nominated by the council;
    - (ii) any body—
      - (aa) exercising functions of a public nature;
      - (bb) directed to charitable purposes; or
      - (cc) one of whose principal purposes includes the influence of public opinion or policy (including any political party or trade union),  
of which you are a member or in a position of general control or management;
    - (iii) any person or body who employs or has appointed you;
    - (iv) the interests of any person from whom you have received a gift or hospitality with an estimated value of at least £50;

- (b) a decision in relation to that business might reasonably be regarded as affecting your well-being or financial position or the well-being or financial position of a relevant person to a greater extent than the majority of other council tax payers, ratepayers or inhabitants of the ward affected by the decision;
- (2) In sub-paragraph (1)(b), a relevant person is—
- (a) a member of your family or any person with whom you have a close association; or
  - (b) any person or body who employs or has appointed such persons, any firm in which they are a partner, or any company of which they are directors;
  - (c) any person or body in whom such persons have a beneficial interest in a class of securities exceeding the nominal value of £25,000; or
  - (d) any body of a type described in sub-paragraph (1) (a) (i) or (ii).

### Disclosure of personal interests

6. (1) Subject to sub-paragraphs (2) to (5), where you have a personal interest in any business of the council and you attend a meeting of the council at which the business is considered, you must disclose to that meeting the existence and nature of that interest at the commencement of that consideration, or when the interest becomes apparent.
- (2) Where you have a personal interest in any business of the council which solely relates to a body of which you are a member or in a position of general control or management and to which you are appointed or nominated by the council, you need only disclose to the meeting the existence and nature of that interest if that interest is prejudicial.
- (3) Where you have a personal interest in any business of the council of the type mentioned in paragraph 5(1) (a) (iv), you need not disclose the nature or existence of that interest to the meeting if the interest was registered more than three years before the date of the meeting.
- (4) Sub-paragraph (1) only applies where you are aware or ought reasonably to be aware of the existence of the personal interest.
- (5) Subject to paragraph 9(1) (b), where you have a personal interest in any business of the council and you have made an executive decision in relation to that business, you must ensure that any written statement of that decision records the existence and nature of that interest.

### Prejudicial interest generally

7. (1) Subject to sub-paragraph (2), where you have a personal interest in any business of the council you also have a prejudicial interest in that business where the interest is one which a member of the public with knowledge of the relevant facts would reasonably regard as so significant that it is likely to prejudice your judgement of the public interest.
- (2) You do not have a prejudicial interest in any business of the council where that business—
- (a) does not affect your financial position or the financial position of a person

- or body described in paragraph 5;
- (b) does not relate to the determining of any approval, consent, licence, permission or registration in relation to you or any person or body described in paragraph 5; or
- (c) relates to the functions of the council in respect of—
  - (i) an allowance, payment or indemnity given to members;
  - (ii) any ceremonial honour given to members; and
  - (iii) setting council tax or a precept under the Local Government Finance Act 1992.

### **Prejudicial interests arising in relation to overview and scrutiny committees**

8. You also have a prejudicial interest in any business before an overview and scrutiny committee of the council (or of a sub-committee of such a committee) where—
- (a) that business relates to a decision made (whether implemented or not) or action taken by the cabinet, PAG's or another of the council's committees, sub-committees, joint committees or joint sub-committees; and
  - (b) at the time the decision was made or action was taken, you were a member of the cabinet, PAG's, committee, sub-committee, joint committee or joint sub-committee mentioned in paragraph (a) and you were present when that decision was made or action was taken.

### **Effect of prejudicial interests on participation**

9. (1) Subject to sub-paragraph (2), where you have a prejudicial interest in any business of your council—
- (a) you must declare the existence and nature of your interest and withdraw from the room or chamber where a meeting considering the business is being held—
    - (i) in a case where sub-paragraph (2) applies, immediately after making representations, answering questions or giving evidence;
    - (ii) in any other case, whenever it becomes apparent that the business is being considered at that meeting;unless you have obtained a dispensation from your council's monitoring officer;
  - (b) you must not exercise executive functions in relation to that business; and
  - (c) you must not seek improperly to influence a decision about that business.
- (2) Where you have a prejudicial interest in any business of the council you may attend a meeting (including a meeting of the overview and scrutiny committee of the council or of a sub-committee of such a committee) but only for the purpose of making representations, answering questions or giving evidence relating to the business, provided that the public are also allowed to attend the meeting for the same purpose, whether under a statutory right or otherwise.

### **Disclosable Pecuniary Interest**

10. A Disclosable Pecuniary Interest (DPI) is as defined in 'The Relevant Authorities (Disclosable Pecuniary Interests) Regulations 2012' (The Regulations) and the categories of interest are set out in Appendix A.

**Note:** In addition to the statutory requirements under the Act, Council Procedure Rules require you to withdraw from the room or chamber where the meeting is being held if you have a DPI in an item of business being considered at that meeting unless a Dispensation has been granted pursuant to and in accordance with Section 33 of the Act.

### Part 3 - Registration of Members' Interests

#### Registration or Disclosure of members' interests

11. (1) Subject to paragraph 12, you must, within 28 days of—
- (a) in relation to a DPI, the Regulations coming into effect namely 1.7.12
  - (b) in relation to Personal Interests, this Code being adopted by or applied to the council; or
  - (c) otherwise your election or appointment to office (where that is later),
- register in the council's register of members' interests, maintained under Section 29 of the Act, details of any DPI which you or your spouse or civil partner (or person with whom you are living as spouse or civil partner) may have, together with your personal interests where they fall within a category mentioned in paragraph 5(1) (a), by providing written notification to the council's monitoring officer,.
- (2) Failure to register or disclose any DPI in accordance with section 30(1) or 31(2), (3) or (7) of the Act, or participating in any discussion or vote in contravention of section 31(4) of the Act, or taking any steps in contravention of section 31(8) of the Act, is a criminal offence and risks a fine not exceeding level 5 on the standard scale (currently £5,000) or disqualification as a member for a period not exceeding 5 years.
- (3) Subject to paragraph 12, you must, within 28 days of becoming aware of any new DPI and/or personal interest or change to any DPI and/or personal interest registered under paragraph (1), register details of that new DPI and/or personal interest or change by providing written notification to the council's monitoring officer.
- (4) Subject to Paragraph 12, you are required to disclose the existence and nature of any DPI when it arises at a meeting even where already registered in the Register or pending registration so the minutes can be duly noted.

#### Sensitive interest

12. (1) Where you consider that you have a sensitive interest (whether or not a DPI), and the council's monitoring officer agrees, if the interest is entered in the Council's register, copies of the register that are made available for inspection and any published version of the register, must not include details of the interest (but may state that the member has an interest the details of which are withheld under section 32 (2) of the Act) and any public declaration required need only state the fact an interest arises without further detail.
- (2) You must, within 28 days of becoming aware of any change of circumstances which means that information excluded under paragraph (1) is no longer a sensitive interest, notify the Council's monitoring officer asking that the interest be

included in the Council's register of members' interests.

- (3) In this Code, "sensitive interest" means an interest, the nature of which is such that you and the Council's monitoring officer consider that disclosure of the details of the interest could lead to you, or a person connected with you, being subject to violence or intimidation.

### Dispensations

13. On a written request made to the Council's Monitoring Officer, the Council may grant a dispensation for you to participate in a discussion and vote on a matter at a meeting even if you have a DPI or a prejudicial interest and that you be relieved of the obligation to otherwise withdraw from the room in which the matter is being considered if the Council considers that the number of members otherwise prohibited from taking part in the meeting would be so great a proportion of the body transacting the business that it would impede the transaction of the business; or the representation of different political groups on the body transacting any particular business would be so upset as to alter the likely outcome of any vote on the business; or it is in the interests of the inhabitants in the Council's area to allow you to take part or that without the dispensation the Council's Executive would be prohibited from participating in the matter or it is otherwise appropriate to grant a dispensation.

## Appendix A

### Disclosable Pecuniary Interests

The duties to register, disclose and not to participate in respect of any matter in which a member has a DPI are set out in Chapter 7 of the Act.

DPI's are defined in the Regulations 2012 as follows -

<i>Interest</i>	<i>Prescribed description</i>
Employment, office, trade, profession or vocation	Any employment, office, trade, profession or vocation carried on for profit or gain.
Sponsorship	Any payment or provision of any other financial benefit (other than from the relevant authority) made or provided within the relevant period in respect of any expenses incurred by M in carrying out duties as a member, or towards the election expenses of M. This includes any payment or financial benefit from a trade union within the meaning of the Trade Union and Labour Relations (Consolidation) Act 1992).
Contracts	Any contract which is made between the relevant person (or a body in which the relevant person has a beneficial interest) and the relevant authority— (a) under which goods or services are to be provided or works are to be executed; and (b) which has not been fully discharged.
Land	Any beneficial interest in land which is within the area of the relevant authority.
Licences	Any licence (alone or jointly with others) to occupy land in the area of the relevant authority for a month or longer.
Corporate tenancies	Any tenancy where (to M's knowledge)— (a) the landlord is the relevant authority; and (b) the tenant is a body in which the relevant person has a beneficial interest.
Securities	Any beneficial interest in securities of a body where— (a) that body (to M's knowledge) has a place of business or land in the area of the relevant authority; and (b) either—  (i) the total nominal value of the securities exceeds £25,000 or one hundredth of the total issued share capital of that body; or

- (ii) if the share capital of that body is of more than one class, the total nominal value of the shares of any one class in which the relevant person has a beneficial interest exceeds one hundredth of the total issued share capital of that class.

For this purpose -

“body in which the relevant person has a beneficial interest” means a firm in which the relevant person is a partner or a body corporate of which the relevant person is a director, or in the securities of which the relevant person has a beneficial interest;

“director” includes a member of the committee of management of an industrial and provident society;

“land” excludes an easement, servitude, interest or right in or over land which does not carry with it a right for the relevant person (alone or jointly with another) to occupy the land or to receive income;

“M” means a member of a relevant authority;

“member” includes a co-opted member;

“relevant authority” means the authority of which M is a member;

“relevant period” means the period of 12 months ending with the day on which M gives a notification for the purposes of section 30(1) or 31(7), as the case may be, of the Act;

“relevant person” means M or any other person referred to in section 30(3)(b) of the Act;

“securities” means shares, debentures, debenture stock, loan stock, bonds, units of a collective investment scheme within the meaning of the Financial Services and Markets Act 2000 and other securities of any description, other than money deposited with a building society.





## South Bucks District Council

### **Complaint procedure and form concerning Member conduct**

Use this form if you have a complaint about:

- **A member(s) that has, or may have, breached the Code of Conduct of the District or one of its Parishes in the South Bucks District.** A copy of the relevant Codes of Conduct can be accessed from the A – Z section at: [www.southbucks.gov.uk](http://www.southbucks.gov.uk)
- **Conduct that occurred while the member(s) in question was in office.** (Conduct of an individual before they were elected, co-opted or appointed, or after they have resigned or otherwise ceased to be a member, cannot be considered).
- **One or more named members of the following authorities:**
  - South Bucks District Council
  - Burnham Parish Council
  - Beaconsfield Town Council
  - Denham Parish Council
  - Dorney Parish Council
  - Fulmer Parish Council
  - Farnham Royal Parish Council
  - Gerrards Cross Town Council
  - Hedgerley Parish Council
  - Iver Parish Council
  - Stoke Poges Parish Council
  - Taplow Parish Council
  - Wexham Parish Council

**DO NOT use this form if you wish to complain about:**

- Dissatisfaction with a decision or action of the authority or one of its committees,
- A service provided by the authority
- The authority's procedures
- The actions of people employed by the authority

These do not fall within the jurisdiction of the Code of Conduct.

**Additional help and information:**

- Your complaint must be in writing – **(signed and dated please)**. This includes fax and electronic submissions. However, in line with the requirements of the Disability Discrimination Act 2000, we can make reasonable adjustments to assist you if you have a disability that prevents you from making your complaint in writing. Contact the Council's Monitoring Officer or Deputy Monitoring Officer for assistance.
- If English is not your first language we can also help.
- If your complaint is clearly **not** about member conduct then the Monitoring Officer will not consider your complaint – but where possible will refer you to the relevant procedure available.
- If you need any support in completing this form, please let us know as soon as possible.
- Your complaint will be considered in 3 stages as set out below. At each stage we will keep you informed. Not every complaint that falls under the Code will be referred for investigation. A decision will be made using the referral criteria below.

**What happens next?**

When you submit your complaint we will write to you to let you know we have received it. Your complaint will then be considered in 3 stages – the aim being to reach a satisfactory resolution.

Under Stages One and Two only the details contained on your complaint form will be considered therefore it is very important that you set your complaint out clearly and provide at the outset all the information you wish to be considered.

**Stage One**

We will tell the Member that you are complaining about that we have received a complaint and provide them with a copy – unless you have completed section 5 requesting confidentiality (in which case your details will not be disclosed unless and until your request for confidentiality has been considered – see further below).

The Member will be invited to respond within 20 working days – including in their response any suggestion to resolve the complaint.

This response will be made available to you and you will be asked if you are satisfied – if yes, no further action will be taken or the action proposed by the Member will proceed - or you will be asked if you wish your complaint to be considered further under Stage Two.

**Stage Two**

Your complaint will then be considered by the Councils Monitoring Officer and the Chairman/Vice-Chairman of the Councils Audit Committee – in consultation with a duly appointed 'Independent Person'\* whose views will be taken into account - who will decide whether your complaint should be referred for investigation. This will happen within an average of 20 working days of the date of the commencement of Stage Two.

Whilst each allegation will be considered on its individual merits, the following "Referral Criteria" will be used to decide whether accept a complaint for investigation or take no further action.

### Referral Criteria

- the public benefit in investigating the alleged complaint
- the availability and cost of resources with regard to the seriousness of the alleged matter
- is the information submitted, sufficient to make a decision as to whether to refer for investigation
- is the subject member still a serving member
- is the complaint the same as or similar to a previous complaint
- the time passed since the alleged conduct occurred
- the complaint involves conduct too trivial to warrant further action
- does the complaint appear to be malicious, politically motivated or tit for tat
- whether the matter complained of is an individual act or part of a continuous pattern of behaviour which should be cumulatively considered
- steps taken or proposed to remedy the action complained of
- the complainants view of the action taken or proposed.

When a decision has been made, you will be notified in writing whether your complaint has been referred for investigation or not. At the same time we write to you, we will also write to the member(s) you have complained about and the parish or town clerk (if applicable). We will send these letters within five working days of the decision being reached. The decision is made available for public inspection once the member the complaint is about has been given a copy of the decision.

There is no right of appeal under this complaints procedure if the decision at Stage Two is not to investigate.

### Stage Three

If the decision at Stage Two is to investigate the complaint, the matter will be investigated – in most cases by an external investigator whose report will be considered by the Hearings Sub-Committee of the Councils Audit Committee – or in some cases to the full Committee - in most cases you will be invited to attend.

The remedies available if a breach is found to have occurred is limited to the following –

Report to Council

Formal letter to subject Councillor




Formal censure by motion

Recommendation to Leader/Group Leader or Parish as applicable that member is removed from Special Responsibilities – i.e. Cabinet/Committees/Outside Bodies.

Press release or other publicity.

Please note the Council has no authority to withhold allowances or to suspend members.

**Your completed form should be submitted to:**

 The Monitoring Officer South Bucks District Council Council Offices Oxford Road Denham Buckinghamshire UB9 4LH	 Monitoring Officer – Joanna Swift Tel: 01895 837229   Deputy Monitoring Officer – Anna Dell Tel: 01895 837232
 01895 – 837200	 <a href="mailto:monitoringofficer@southbucks.gov.uk">monitoringofficer@southbucks.gov.uk</a>
 01895 – 832750	

\* **An Independent Person** is someone who has been appointed by the Council under Section 28 of the Localism Act 2011.

Independent Persons must be appointed through a process of public advertisement, application and appointment by a positive vote of a majority of all members of the District Council – i.e. by full Council.

A Person is considered not to be 'independent' if they are, or have been in the previous 5 years :-

- an elected or co-opted member or officer of the District Council or any Parish in the area
- an elected or co-opted member of any committee or sub-committee of the District Council or any Parish in the area

or they are a relative or close friend of a current elected or co-opted member or officer of the District Council or any Parish in the area – or any elected or co-opted members of any committee or sub-committee of such a Council.

**COMPLAINT FORM****1. Please provide us with your name and contact details:**

<b>Title:</b>	
<b>First name:</b>	
<b>Last name:</b>	
<b>Address:</b>	
<b>Daytime telephone:</b>	
<b>Evening telephone:</b>	
<b>Mobile telephone:</b>	
<b>Email address:</b>	
<b>Signed:</b>	
<b>Dated:</b>	

**2. Please tick the box which best describes you:**

<input type="checkbox"/>	<b>A member of the public</b>
<input type="checkbox"/>	<b>An elected or co-opted member of an authority</b>
<input type="checkbox"/>	<b>Member of Parliament</b>
<input type="checkbox"/>	<b>Local authority Monitoring Officer</b>
<input type="checkbox"/>	<b>Other council officer or authority employee</b>
<input type="checkbox"/>	<b>None of the above - please give details below:</b>

**3. Please provide the name(s) of the Member(s) that you believe have breached the Code of Conduct and the name of their authority.**

<b>Title</b>	<b>First name</b>	<b>Last name</b>	<b>Council or authority name</b>

### **IMPORTANT INFORMATION**

#### **When completing your complaint form:**

Your address and contact details will not usually be released unless necessary or to deal with your complaint.

#### **We will tell the following people that you have made this complaint:**

- the member(s) you are complaining about
- the monitoring officer of the authority
- the Independent Person
- the Chairman/ Vice-Chairman of the Audit Committee who consider your complaint
- the parish or town clerk (if applicable)

#### **We will tell them:**

- Your name
- A copy of your complaint

If you have serious concerns about your name or details of your complaint being released, please complete section 5 of this form.

#### **Nature of your complaint**

It is very important that you set your complaint out fully and clearly, and provide all the information at the outset. You should also provide any documents or other material that you wish to be considered. Although you are not required to prove your complaint at this stage of the proceedings, you do have to demonstrate that you have reasonable grounds for believing that the member(s) complained about has breached the Code of Conduct.

Please therefore explain in this section (or on separate sheets) what the member has done that you believe breaches the Code of Conduct. If you are complaining about more than one member you should clearly explain what each individual person has done that you believe breaches the Code of Conduct.

For example:

- You should be specific, wherever possible, about exactly what you are alleging the member said or did. For instance, instead of writing that the member insulted you, you should state what it was they actually said.

- You should provide the dates of the alleged incidents wherever possible. If you cannot provide exact dates it is important to give a general timeframe.
- You should confirm whether there are any witnesses to the alleged conduct and provide their names and contact details if possible.
- You should provide any relevant background information.

**4. Please provide us with the details of your complaint. Continue on a separate sheet if there is not enough space on this form**

**5. Only complete this next section if you are requesting that your identity/full details of your complaint are kept confidential**

In the interests of fairness and natural justice, we believe members who are complained about have a right to know who has made the complaint. We also believe they have a right to be provided with full details of that complaint.

We are unlikely to withhold your identity or the details of your complaint unless you have good reason to believe that to do so would be contrary to the public interest, would prejudice any subsequent investigation or you have reasonable grounds for believing you or any witness in the matter would be at risk.

The Member will still be informed that a complaint has been made - and unless to do would lead to the disclosure of your identity, will be informed the paragraphs of the Code alleged to have been breached - however your details and a full copy of the complaint will be withheld until your request has been considered.

The assessment of a request for confidentiality will be considered against the following criteria – but with the balance always being in favour of disclosure unless exceptional circumstances exist to determine otherwise:

1. The complainant has reasonable grounds for believing that they will be at risk of physical harm if their identity is disclosed.
2. The complainant is an officer who works closely with the subject member and they are afraid of the consequences to their employment or of losing their job if their identity is disclosed.
3. The complainant suffers from a serious health condition and there are medical risks associated with their identity being disclosed (medical evidence may be required to be submitted).
4. Any other very special circumstances put forward by the complainant which identify reasonable grounds for believing that disclosure of details would result in the complainant or witnesses being intimidated or lead to evidence being compromised or destroyed.

Please note that requests for confidentiality or requests for suppression of complaint details will not automatically be granted. The Monitoring Officer will consult with the Independent Person to consider your request alongside the substance of your complaint. If your request for confidentiality is not granted, please indicate if you wish the Council to continue to consider your complaint.

However, it is important to understand that in certain exceptional circumstances where the matter complained about is very serious, we can proceed with an investigation and disclose your name even if you have expressly asked us not to.



**Please provide us with details of why you believe we should withhold your name and/or the details of your complaint:**

**NOTE – If you request confidentiality – you must answer the following question by deleting YES or NO.**

Do you still wish to have your complaint

considered if your request for confidentiality

**YES**

**NO**

is denied in full or part?

**THIS PAGE TO BE REMOVED - FOR STATISTICAL PURPOSES ONLY**

Please could you provide some monitoring data? This data will not be disclosed to a third party. We will only use personal information internally for the purposes for which it has been provided.

Please tick one box.

**Are you male or female?**

**Male**

**Female**

**Which of these age groups apply to you? Please tick one box.**

Up to 16

45 – 54

16 – 18

55 – 64

19 – 24

65 – 79

25 – 44

80 plus

Please tick one box

**Do you have any long-standing illness, disability or infirmity?** (Long standing means anything that has troubled you over a period of time or that is likely to affect you over a period of time).

**Yes**

**No**

**Are you without a permanent home?**



**Do you have access to your own method of transport?**



**Are you registered as unemployed?**



**Do you provide unpaid care for another person?**



**To which of these groups do you consider you belong? Please tick one box.**

**WHITE**

British

Irish

Other White background

Roma Gypsy or Traveller

**MIXED**

White and Black Caribbean

White and Black African

White and Asian

Other mixed background

CHINESE

**BLACK OR BLACK BRITISH**

Caribbean

African

Other Black background

**ASIAN OR ASIAN BRITISH**

Indian

Pakistani

Bangladeshi

Other Asian background

OTHER ETHNIC GROUP

**SOUTH BUCKS DISTRICT COUNCIL****Arrangements for dealing with standards allegations under the Localism Act 2011****1. Context**

These "Arrangements" set out how to make a complaint that an elected or co-opted Member of South Bucks District Council or a Parish or Town Council in the area has failed to comply with the Code of Conduct, and sets out how the Council will deal with allegations of a failure to comply with the Code of Conduct.

Under Sections 28(6) and (7) of the Localism Act 2011, the Council must have "arrangements" in place under which allegations that a Member or co-opted Member of the Council or of a Parish or Town Council in the area has failed to comply with the Code of Conduct can be investigated and decisions made on such allegations.

These arrangements must provide for the Council to appoint at least one Independent Person whose views must be sought before the Council takes a decision on an allegation which it has decided shall be investigated, and whose views can be sought by the Council at any other stage, or by a Member, or co-opted Member of a Parish or Town Council in the area, against whom an allegation has been made.

**2. The Code of Conduct**

The Council has adopted a Code of Conduct for its Members, which is attached at Appendix 2 and is available for inspection on the Council's website and on request by emailing the monitoring officer at: [monitoringofficer@southbucks.gov.uk](mailto:monitoringofficer@southbucks.gov.uk).

Each Town and Parish Council is also required to adopt a Code of Conduct and copies are available either on the Parish or Town Council's website or on request from the Clerk to the relevant Council.

**3. Making a complaint**

The monitoring officer is a senior officer of the Council who has statutory responsibility for maintaining the Register of Members' Interests and administers the procedure for dealing with complaints of Member misconduct.

To ensure the monitoring officer has all the information necessary to process your complaint, please complete the Model Complaint Form at Appendix 1, which can be downloaded from the Councils website at [www.southbucks.gov.uk/contactus/commentscomplimentsandcomplaints](http://www.southbucks.gov.uk/contactus/commentscomplimentsandcomplaints) and is also available on request from the Monitoring Officer by email to [monitoringofficer@southbucks.gov.uk](mailto:monitoringofficer@southbucks.gov.uk) or by telephone to: 01494 732761.

Please provide your name and a contact address or email address your complaint can be acknowledged and we can keep you informed of its progress. If you want to keep your name and address confidential, please indicate this and the reason why, in the space provided on the Complaint Form. Please note that we will not deal with anonymous complaints.

Please send your completed Complaint Form and any relevant documents by email to:  
[monitoringofficer@southbucks.gov.uk](mailto:monitoringofficer@southbucks.gov.uk) or

By post to: Monitoring Officer  
South Bucks District Council,  
Capswood,  
Oxford Road,  
Denham UB9 4LH

#### 4. What Happens Next

The monitoring officer will acknowledge receipt of your complaint within 5 working days. If your complaint is **not** about member conduct then the Monitoring Officer will not consider it but will, where possible, refer you to any relevant procedure available.

For example the following are not covered by this complaints procedure:

- Complaints about the conduct of councillors when acting in their personal capacity i.e. not acting as an elected or co-opted member of the Council
- Dissatisfaction with a decision or action of the Council or one of its committees
- Complaints about a service provided by the Council
- Complaints about the Council's procedures
- The actions of people employed by the Council

If a complaint alleges that Members may have committed a criminal offence by breaching the "disclosable pecuniary interest" provisions under Section 34 of the Localism Act 2011, it will be referred to Thames Valley Police for consideration, in accordance with the Protocol at Appendix 8.

Your complaint will be considered in three Stages with the aim of reaching a satisfactory resolution. Under Stages One and Two only the details contained in the Complaint Form will be considered. Therefore it is important that you set out your complaint clearly and provide all the information you wish to be considered at the outset.

As a matter of fairness and natural justice we believe members who are complained about have a right to know who has made the complaint and to be provided with full details of the complaint. We are unlikely to withhold your identity or the details of your complaint unless you have good reason to believe that to do so would be contrary to the public interest, would prejudice any subsequent investigation or you have reasonable grounds for believing you or any witness in the matter would be at risk.

The Member will still be informed that a complaint has been made - and unless to do so would lead to the disclosure of your identity, will be informed of the paragraphs of the Code which are alleged to have been breached. However, your details and a full copy of the complaint will be withheld until your request has been considered.

The assessment of a request for confidentiality will be considered against the following criteria – but with the balance always being in favour of disclosure unless exceptional circumstances exist to determine otherwise:

- 1) The complainant has reasonable grounds for believing that they will be at risk of physical harm if their identity is disclosed.
- 2) The complainant is an officer who works closely with the subject member and they are

afraid of the consequences to their employment or of losing their job if their identity is disclosed.

- 3) The complainant suffers from a serious health condition and there are medical risks associated with their identity being disclosed (medical evidence may be required to be submitted).
- 4) Any other very special circumstances put forward by the complainant which identify reasonable grounds for believing that disclosure of details would result in the complainant or witnesses being intimidated or lead to evidence being compromised or destroyed.

Please note that requests for confidentiality or requests for suppression of complaint details will not be automatically be granted. The monitoring officer will consult with the Independent Person to consider your request alongside the substance of your complaint. If your request for confidentiality is not granted, you will be asked whether you wish the Council to continue to consider your complaint.

### **5. Stage One**

We will tell the Member that you are complaining about that we have received a complaint and provide them with a copy (unless your request for confidentiality has been agreed).

The Member will be invited to respond within 20 working days – including in their response any suggestion to resolve the complaint.

This response will be made available to you and you will be asked if you are satisfied – if yes, no further action will be taken or the action proposed by the Member will proceed – or you will be asked if you wish your complaint to be considered further under Stage Two.

### **6. Stage Two**

Your complaint will then be assessed by the monitoring officer having regard to the Referral Criteria at Appendix 3 and who will decide, after consultation with the Chairman/Vice-Chairman of the Councils Audit Committee and the Independent Person (whose views will be taken into account), whether your complaint should be referred for investigation. This will happen within an average of 20 working days from the commencement of Stage Two.

When a decision has been made you will be notified in writing. The monitoring officer will also write to the member(s) you have complained about and the parish or town clerk (if applicable). These letters will be sent within five working days of a decision being reached. The decision is made available for public inspection once the member concerned has been given a copy of the decision.

The decision of the monitoring officer is final and there is no right of appeal.

In appropriate cases, the monitoring officer may seek to resolve the complaint informally, without the need for a formal investigation. Such informal resolution may involve the Member accepting that his/her conduct was unacceptable and offering an apology or the complaint maybe considered suitable for mediation or such other remedial action by the Council on the recommendation of the monitoring officer. Where the Member concerned makes a reasonable offer of informal resolution such as an apology or agrees for the complaint to be mediated but you

are not willing to accept that offer, the monitoring officer will take this into account in deciding whether the complaint merits formal investigation

## **7. Stage Three**

If the decision at Stage Two is to investigate the complaint the monitoring officer will appoint an Investigating Officer, who may be another senior officer of the Council, an officer of another Council or an external investigator. The investigator's report will be considered by the Hearings Sub-Committee of the Council's Audit Committee. The Council has adopted a model procedure for the investigation of complaints, which is attached at Appendix 4 together with an explanatory flowchart. Details of the both the investigation procedure and the procedure if the matter proceeds to a hearing are explained further below.

## **8. How is the investigation conducted?**

Ordinarily the Council would hope that investigations will take no more than 6 months to complete from the date the decision to investigate is taken. This will very much depend on the facts of each complaint and some investigations may be concluded earlier and others may take longer.

It is vital to the timely completion of investigations that you, as the complainant, and the subject Member under investigation, comply with the reasonable requirements of the Investigating Officer in terms of interview attendance and supplying relevant documents. If you, as the complainant, do not co-operate the Investigating Officer monitoring officer for direction as to whether the investigation should be terminated. Similarly if the subject Member does not comply, the Investigating Officer will proceed to determine the investigation in the absence of their contribution and may draw an adverse inference from their non-cooperation.

The Investigating Officer will normally carry out the investigation in accordance with the model procedure detailed at Appendix 4 although may decide to depart from this if the circumstances of the complaint warrant it.

As an initial step, and subject to any ruling on disclosure, the Investigating Officer may write to the subject Member at the beginning of the investigation to see if the subject Member still wishes to contest the complaint. Subject to this the investigation will normally follow the model procedure at Appendix 4.

At the end of the investigation, the Investigating Officer will produce a draft report and will send copies of the draft report, in confidence, to you and to the Member concerned to give you both an opportunity to identify any matter in that draft report which you disagree with or which you consider requires more consideration.

Having received and taken account of any comments which you may make on the draft report, the Investigating Officer will send his/her final report to the Monitoring Officer.

It should be noted that at any time during an investigation, the Investigating Officer may, following consultation with the Independent Person, refer the matter back to the monitoring officer for re-consideration as to whether the investigation should proceed if the Investigating Officer considers that the Re-consideration Criteria in Appendix 3 are satisfied.

**9. What happens if the Investigating Officer concludes that there is no evidence of a failure to comply with the Code of Conduct?**

The monitoring officer will review the Investigating Officer's report and consult with the Independent Person thereon. If having done so the monitoring officer is satisfied that the Investigating Officer's report is sufficient, the monitoring officer will write to you and to the Member concerned and to the Parish or Town Council on which the Member serves, notifying you that he is satisfied that no further action is required, and give you both a copy of the Investigating Officer's final report. If the monitoring officer is not satisfied that the investigation has been conducted properly, the Investigating Officer may be asked to re-consider his/her report.

**10. What happens if the Investigating Officer concludes that there is evidence of a failure to comply with the Code of Conduct?**

The Monitoring Officer will review the Investigating Officer's report and after consulting the Independent Person will consider whether Local Resolution should be attempted or the matter should proceed direct to hearing before the Hearings Sub-Committee.

- Local Resolution

The monitoring officer will consult with the Independent Person and with you as complainant and seek to resolve the complaint in a way that helps to ensure higher standards of conduct for the future. Such resolution may include the Member accepting that his/her conduct was unacceptable and offering an apology or the complaint being referred for mediation or such other remedial action as is considered appropriate in the circumstances. If the Member complies with the suggested resolution, the monitoring officer will report the matter to the Audit Committee and for complaint about Town/Parish councillors, the relevant Parish or Town Council, but will take no further action. However, if the Member concerned does not accept that the matter should be resolved in such a manner, the monitoring officer will refer the matter for a hearing before the Hearings Sub-Committee.

- Hearings Sub-Committee

If the monitoring officer considers that Local Resolution is not appropriate or the Member concerned does not accept that the matter should be resolved in such a manner, then the monitoring officer will submit the Investigating Officers report to the Hearings Sub-Committee which will conduct a Hearing before deciding whether the Member has failed to comply with the Code of Conduct and, if so, whether to take any action in respect of the failure.

In readiness for convening a meeting of the Hearings Sub-Committee, the monitoring officer will conduct a written "pre-hearing process", requiring the Member concerned to give their response to the Investigating Officer's report in order to identify what is likely to be agreed and what is likely to be in contention at the Hearing.

If, through the "pre-hearing process", the Member concerned accepts the Investigating Officer's report, they will be given the opportunity to provide a statement of mitigation which they may invite the Hearings Sub-Committee to consider in their absence. Alternatively, the Member may elect to attend a Hearings Sub-Committee to present their mitigation. In either case, the

“uncontested” hearing procedure will be followed as set out at Appendix 5.

Where, following the “pre-hearing process”, the Investigating Officer’s report remains in contention, the matter will be set down for a “contested” hearing before the Hearings Sub-Committee and the hearing procedure set out at Appendix 6 will be followed.

At the hearing, the Investigating Officer will present his/her report, call such witnesses as considered necessary and make representations to substantiate the conclusion that the Member has failed to comply with the Code of Conduct. For this purpose, the Investigating Officer may ask you, as the complainant, to attend and give evidence. Unless called to do so by the Investigating Officer, you do not have the right to address the Hearings Sub-Committee of your own volition.

The Member will then have an opportunity to give evidence, to call witnesses and to make representations about why they consider they did not fail to comply with the Code of Conduct. The Member may be represented legally or otherwise.

The Hearings Sub-Committee, with the benefit of any advice from the Independent Person, may conclude that the Member did not fail to comply with the Code of Conduct and so dismiss the complaint. If the Hearings Sub-Committee concludes that the Member did fail to comply with the Code of Conduct, the Chairman will inform the Member of this finding and the Hearings Sub-Committee will then consider what action, if any, should be taken. In doing this, the Hearings Sub-Committee will give the Member an opportunity to make representations to them and will consult the Independent Person before deciding what action, if any, to take in respect of the matter.

**11. What action can the Hearings Sub-Committee take where a Member has failed to comply with the Code of Conduct?**

The Council has delegated to the Hearings Sub-Committee such of its powers to take action in respect of individual Members as may be necessary to promote and maintain high standards of conduct. Accordingly, the Sub-Committee may -

- Write to the Member over their conduct;
- Publish its findings in the local media in respect of the Member’s conduct;
- Report its findings to the Council or to the Parish or Town Council concerned;
- Recommend to the Member’s Group Leader (or in the case of un-grouped Members, recommend to the Council or to Committees) that he/she be removed from any or all Committees or Sub-Committees of the Council;
- Recommend to the Leader of the Council that the Member be removed from the Cabinet or removed from particular Portfolio responsibilities;
- Instruct the monitoring officer to, or recommend to the Parish or Town Council concerned that it, arrange training for the Member;
- Recommend removal, or recommend to the Parish or Town Council concerned removal,



of the Member from all outside appointments to which he/she has been appointed or nominated by the Council or the Parish or Town Council;

- Withdraw, or recommend to the Parish or Town Council concerned that it withdraws, facilities provided to the Member by the Council, such as a computer, website and/or email and Internet access; or
- Recommend that any aspects of the complaint that are considered suitable be referred for mediation between the parties; or
- Exclude, or recommend to the Parish or Town Council concerned that it excludes, the Member from the Council's offices or other premises with the exception of meeting rooms as necessary for attending Council, Committee and Sub-Committee Meetings.

The Hearings Sub-Committee has no power to suspend or disqualify the Member or to withdraw a Member's basic allowance or any special responsibility allowances.

### **12. What happens at the end of the Hearing?**

At the end of the hearing, the Chairman will announce the Sub-Committee's decision as to whether the Member has failed to comply with the Code of Conduct and as to any action which the Sub-Committee resolves to take.

As soon as reasonably practicable thereafter, the monitoring officer will prepare a formal decision notice in consultation with the Chairman of the Sub-Committee and send a copy to you, to the Member concerned and to any relevant Parish and Town Council, make such decision notice available for public inspection and report the decision to the next convenient meeting of the Audit Committee.

The decision of the Hearings Sub-Committee is final and is not subject to a right of appeal.

### **13. What is the Hearings Sub-Committee?**

The Hearings Sub-Committee is made up of 3 elected Members of the Council's Audit Committee.

An Independent Person is invited to attend all meetings of the Hearings Sub-Committee and their views are sought and taken into consideration on whether a Member's conduct constitutes a failure to comply with the Code of Conduct and as to any action to be taken following a finding of failure to comply with the Code of Conduct.

### **14. Who is the Independent Person?**

An Independent Person is someone who has been appointed by the Council under Section 28 of the Localism Act 2011.

Independent Persons must be appointed through a process of public advertisement, application and appointment by a positive vote of a majority of all members of the District Council – i.e. by full Council.

A Person is considered not to be 'independent' if they are, or have been in the previous 5 years:

- an elected or co-opted member or officer of the District Council or any Parish in the area
- an elected or co-opted member of any committee or sub-committee of the District Council or any Parish in the area

or they are a relative or close friend of a current elected or co-opted member or officer of the District Council or any Parish or Town Council the area – or any elected or co-opted members of any committee or sub-committee of such a Council.

### **15. Revision of these arrangements**

The Audit Committee may amend these arrangements.

The Chairman of any Hearings Sub-Committee may, following consultation with the Independent Person, depart from the procedures detailed above where he/she considers it is expedient to do so in order to secure the effective and fair consideration of any matter.

If the monitoring officer considers that he/she may be conflicted in the discharge of these arrangements, he may delegate such matters to a Deputy monitoring officer to discharge.

### **16. Appeals**

There is no right of appeal for you as complainant or for the Member against a decision of the monitoring officer or the Hearings Sub-Committee.

If you feel that the Council has failed to deal with your complaint in accordance with these arrangements, you may make a complaint to the Local Government Ombudsman.

Appendix 1	Model Complaint Form
Appendix 2	SBDC Code of Conduct
Appendix 3	Assessment Criteria
Appendix 4	Procedure for Investigations
Appendix 5	Uncontested hearing procedure
Appendix 6	Contested hearing procedure
Appendix 7	Protocol with Thames Valley Police on reporting potential criminal offences



## South Bucks District Council

### COMPLAINT FORM MEMBER(S) CONDUCT

#### Your details

1. Please provide us with your name and contact details:

<b>Title:</b>	
<b>First name:</b>	
<b>Last name:</b>	
<b>Address:</b>	
<b>Daytime telephone:</b>	
<b>Evening telephone:</b>	
<b>Mobile telephone:</b>	
<b>Email address:</b>	

Your address and contact details will not usually be released unless necessary or to deal with your complaint.

However, we will tell the following people that you have made this complaint:

- the member(s) you are complaining about
- the monitoring officer of the authority
- the parish or town clerk (if applicable)
- the council's Independent Person (if required)
- members of the Hearings Sub- Committee convened to consider your complaint
- officers involved in mediation (if applicable)

We will tell them your name and give them a summary of your complaint. We will give them full details of your complaint where necessary or appropriate to be able to deal with it. If you have serious concerns about your name and a summary, or details of your complaint being released, please complete section 5 of this form.

**2.** Please tell us which complainant type best describes you:

- Member of the public
- An elected or co-opted member of an authority
- Member of Parliament
- Local authority monitoring officer
- Other council officer or authority employee
- Other

**Making your complaint**

Once your complaint has been received a decision will be taken in accordance with the council’s published arrangements as to what action, if any, should be taken on it. (insert link to arrangements ). You will not have the opportunity to attend a meeting at this stage. It is important that you provide all the information that you want taken into account as part of your complaint.

Please refer to the council’s published arrangements under the heading “Making a complaint” which explains the Three Stage process for dealing with your complaint.

**3.** Please provide us with the name of the member(s) you believe have breached the Code of Conduct and the name of their authority:

Title	First name	Last name	Council or authority name

It is important that you provide a summary of the information you wish to have taken into account (within the space provided below) so a decision can be made, in accordance with the published arrangements, whether to take any action on your complaint.

For example:

- You should be specific, wherever possible, about exactly what you are alleging the member said or did. For instance, instead of stating that the member insulted you, you should give the exact words used.
- You should provide the dates of the alleged incidents wherever possible. If you cannot provide exact dates it is important to give a general timeframe.
- You should confirm whether there are any witnesses to the alleged conduct and provide their names and contact details if possible.
- You should provide any relevant background information.

Please indicate which paragraphs of the Code of Conduct you consider the member(s) to have breached by ticking the appropriate box(es).

- 3.1 " You must provide leadership to the council and communities within its areas by personal example"
- 3.2 "You must respect others and not bully any person".
- 3.3 "You must recognize that officers (other than political assistants) are employed by and serve the whole council."
- 3.4 "You must respect the confidentiality of information which you received as a member."  
"
- 3.5 "You must not misconduct yourself in a manner which is likely to bring the council into disrepute".
- 3.6 "You must use your position as a member in the public interest and not for personal advantage. "
- 3.7 "You must act in accordance with the council's reasonable rules on the use of the resources of the council for private or political purposes."
- 3.8 "You must exercise your own independent judgment, taking decisions for good and substantial reasons."
- 3.9 "You must account for your actions, particularly by supporting the council's scrutiny functions."
- 3.10 "You must ensure the council acts within the law."
- 6, 9 or 10 (Interest requirements re: Personal, Prejudicial or Disclosable Pecuniary Interests)

4. Please explain in this section (or on separate sheets) what the member has done that you believe breaches the Code of Conduct. If you are complaining about more than one member you should clearly explain what each individual person has done that you believe breaches the Code of Conduct.

**Please provide us with details of your complaint (within the space provided)**

**Please explain what steps, if any, you have taken to resolve this complaint directly with the member concerned?**

**Would you be prepared to engage in mediation with the member concerned, if considered appropriate, to try and resolve the complaint?**

**Yes**

**No**

***If you answered no please state reason why below:***

***Mediation is a way of resolving disputes with the assistance of an independent mediator who will try and help the parties reach a solution to the dispute that both parties are agreeable to. The independent mediator will avoid taking sides, making judgements or giving guidance. They are simply responsible for developing effective communications between the parties with a view to a common sense settlement being arrived at. Mediation is a voluntary process and will only take place if the parties agree and remains confidential to the parties involved.***

***Only complete this next section if you are requesting that your identity is kept confidential***

- 5.** In the interests of fairness and natural justice, we believe members who are complained about have a right to know who has made the complaint. We also believe they have a right to be provided with a summary of the complaint. We are unlikely to withhold your identity or the details of your complaint unless you have good reasons.

Please note that requests for confidentiality or requests for suppression of complaint details will not automatically be granted. If your request for confidentiality is not granted, we will usually allow you the option of withdrawing your complaint.

However, it is important to understand that in certain exceptional circumstances where the matter complained about is very serious, we can proceed with an investigation or other action and disclose your name even if you have expressly asked us not to.

**Please provide us with details of why you believe we should withhold your name and/or the details of your complaint:**

**6. Additional Help**

Complaints must be submitted in writing. This includes fax and electronic submissions. However, in line with the requirements of the Disability Discrimination Act 2000, we can make reasonable adjustments to assist you if you have a disability that prevents you from making your complaint in writing.

If you need any support in completing this form, please let us know as soon as possible.

**SOUTH BUCKS DISTRICT COUNCIL  
CODE OF CONDUCT FOR MEMBERS  
ADOPTED ON 24 JULY 2012**

## **Part 1 – General Provisions**

### **Introduction**

1. (1) The Council has adopted this Code of Conduct pursuant to section 27 of the Localism Act 2011 (the Act) to promote and maintain high standards of behaviour by its members and co-opted members whenever they conduct the business of the Council including the office to which they were elected or appointed or when they claim to act or give the impression of acting as a representative of the Council
- (2) This Code of Conduct complies with Section 28 the Act and is consistent with the principles of selflessness, integrity, objectivity, accountability, openness, honesty and leadership.

### **Scope**

2. (1) This Code of Conduct applies to you whenever you are acting in your capacity as a member of South Bucks District Council, including:
  - (a) at formal meetings of the Council, its Committees and Sub-Committees, its Cabinet and PAG's
  - (b) when acting as a representative of the authority
  - (c) in taking any decision as a Cabinet member or a Ward Councillor
  - (d) in discharging your functions as a ward Councillor
  - (e) at briefing meetings with officers
  - (f) at site visits and
  - (g) when corresponding with the authority other than in a private capacity
- (2) Where you act as a representative of the Council:
  - (a) on another authority, you must when acting for that authority, comply with that other authority's code of conduct; or
  - (b) on any other body, you must, when acting for that other body, comply with this Code of Conduct, except and insofar as it conflicts with any other lawful obligations to which that other body may be subject

### **General obligations**

3. You must:
  - (1) provide leadership to the council and communities within its area, by personal example and



- (2) respect others and not bully any person
- (3) recognise that officers (other than political assistants) are employed by and serve the whole council
- (4) respect the confidentiality of information which you receive as a member:
  - i. not disclosing confidential information to third parties unless required by law to do so or where there is a clear and over-riding public interest in doing so; and
  - ii. not obstructing third parties' legal rights of access to information
- (5) not misconduct yourself in a manner which is likely to bring the council into disrepute
- (6) use your position as a member in the public interest and not for personal advantage
- (7) act in accordance with the council's reasonable rules on the use of the resources of the council for private or political purposes
- (8) exercise your own independent judgement, taking decisions for good and substantial reasons:
  - i. attaching appropriate weight to all relevant considerations including, where appropriate, public opinion and the views of political groups
  - ii. paying due regard to the advice of officers, and in particular to the advice of the statutory officers, namely the Head of Paid Service, the Chief Finance Officer and the Monitoring Officer and
  - iii. stating the reasons for your decisions where those reasons are not otherwise apparent
- (9) account for your actions, particularly by supporting the council's scrutiny function
- (10) ensure that the council acts within the law.

**Part 2 – Interests****Personal interests**

4. In addition to the statutory requirements under the Act in relation to DPI's and as set out in Paragraph 10 below and save for the subject interest already having been declared as a DPI and the statutory provisions complied with, the following Paragraphs 5 to 9 shall also apply.
5. (1) You have a personal interest in any business of the council where either:
- (a) it relates to or is likely to affect:
    - (i) any body of which you are a member or in a position of general control or management and to which you are appointed or nominated by the council;
    - (ii) any body:
      - (aa) exercising functions of a public nature;
      - (bb) directed to charitable purposes; or
      - (cc) one of whose principal purposes includes the influence of public opinion or policy (including any political party or trade union),
 of which you are a member or in a position of general control or management;
    - (iii) any person or body who employs or has appointed you;
    - (iv) the interests of any person from whom you have received a gift or hospitality with an estimated value of at least £50;
  - (b) a decision in relation to that business might reasonably be regarded as affecting your well-being or financial position or the well-being or financial position of a relevant person to a greater extent than the majority of other council tax payers, ratepayers or inhabitants of the ward affected by the decision;
- (2) In sub-paragraph (1)(b), a relevant person is:
- (a) a member of your family or any person with whom you have a close association; or
  - (b) any person or body who employs or has appointed such persons, any firm in which they are a partner, or any company of which they are directors;
  - (c) any person or body in whom such persons have a beneficial interest in a class of securities exceeding the nominal value of £25,000; or
  - (d) any body of a type described in sub-paragraph (1) (a) (i) or (ii).

**Disclosure of personal interests**

6. (1) Subject to sub-paragraphs (2) to (5), where you have a personal interest in any business of the council and you attend a meeting of the council at which the business is considered, you must disclose to that meeting the existence and nature of that interest at the commencement of that consideration, or when the interest becomes apparent.

- (2) Where you have a personal interest in any business of the council which solely relates to a body of which you are a member or in a position of general control or management and to which you are appointed or nominated by the council, you need only disclose to the meeting the existence and nature of that interest if that interest is prejudicial.
- (3) Where you have a personal interest in any business of the council of the type mentioned in paragraph 5(1) (a) (iv), you need not disclose the nature or existence of that interest to the meeting if the interest was registered more than three years before the date of the meeting.
- (4) Sub-paragraph (1) only applies where you are aware or ought reasonably to be aware of the existence of the personal interest.
- (5) Subject to paragraph 9(1) (b), where you have a personal interest in any business of the council and you have made an executive decision in relation to that business, you must ensure that any written statement of that decision records the existence and nature of that interest.

### **Prejudicial interest generally**

7. (1) Subject to sub-paragraph (2), where you have a personal interest in any business of the council you also have a prejudicial interest in that business where the interest is one which a member of the public with knowledge of the relevant facts would reasonably regard as so significant that it is likely to prejudice your judgement of the public interest.
- (2) You do not have a prejudicial interest in any business of the council where that business:
  - (a) does not affect your financial position or the financial position of a person or body described in paragraph 5;
  - (b) does not relate to the determining of any approval, consent, licence, permission or registration in relation to you or any person or body described in paragraph 5; or
  - (c) relates to the functions of the council in respect of:
    - (i) an allowance, payment or indemnity given to members;
    - (ii) any ceremonial honour given to members; and
    - (iii) setting council tax or a precept under the Local Government Finance Act 1992.

### **Prejudicial interests arising in relation to overview and scrutiny committees**

8. You also have a prejudicial interest in any business before an overview and scrutiny committee of the council (or of a sub-committee of such a committee) where:
  - (a) that business relates to a decision made (whether implemented or not) or action taken by the cabinet, PAG's or another of the council's committees, sub-

committees, joint committees or joint sub-committees; and

- (b) at the time the decision was made or action was taken, you were a member of the cabinet, PAG's, committee, sub-committee, joint committee or joint sub-committee mentioned in paragraph (a) and you were present when that decision was made or action was taken.

### **Effect of prejudicial interests on participation**

- 9. (1) Subject to sub-paragraph (2), where you have a prejudicial interest in any business of your council:
  - (a) you must declare the existence and nature of your interest and withdraw from the room or chamber where a meeting considering the business is being held:
    - (i) in a case where sub-paragraph (2) applies, immediately after making representations, answering questions or giving evidence;
    - (ii) in any other case, whenever it becomes apparent that the business is being considered at that meeting;unless you have obtained a dispensation from your council's monitoring officer;
  - (b) you must not exercise executive functions in relation to that business; and
  - (c) you must not seek improperly to influence a decision about that business.
- (2) Where you have a prejudicial interest in any business of the council you may attend a meeting (including a meeting of the overview and scrutiny committee of the council or of a sub-committee of such a committee) but only for the purpose of making representations, answering questions or giving evidence relating to the business, provided that the public are also allowed to attend the meeting for the same purpose, whether under a statutory right or otherwise.

### **10. Disclosable Pecuniary Interest**

A Disclosable Pecuniary Interest (DPI) is as defined in 'The Relevant Authorities (Disclosable Pecuniary Interests) Regulations 2012' (The Regulations) and the categories of interest are set out in Appendix A.

Note: In addition to the statutory requirements under the Act, Council Procedure Rules require you to withdraw from the room or chamber where the meeting is being held if you have a DPI in an item of business being considered at that meeting unless a Dispensation has been granted pursuant to and in accordance with Section 33 of the Act.

### Part 3 - Registration of Members' Interests

#### Registration or Disclosure of members' interests

11. (1) Subject to paragraph 12, you must, within 28 days of:
- (a) in relation to a DPI, the Regulations coming into effect namely 1.7.12
  - (b) in relation to Personal Interests, this Code being adopted by or applied to the council; or
  - (c) otherwise your election or appointment to office (where that is later),
- register in the council's register of members' interests, maintained under Section 29 of the Act, details of any DPI which you or your spouse or civil partner (or person with whom you are living as spouse or civil partner) may have, together with your personal interests where they fall within a category mentioned in paragraph 5(1) (a), by providing written notification to the council's monitoring officer.
- (2) Failure to register or disclose any DPI in accordance with section 30(1) or 31(2), (3) or (7) of the Act, or participating in any discussion or vote in contravention of section 31(4) of the Act, or taking any steps in contravention of section 31(8) of the Act, is a criminal offence and risks a fine not exceeding level 5 on the standard scale (currently £5,000) or disqualification as a member for a period not exceeding 5 years.
- (3) Subject to paragraph 12, you must, within 28 days of becoming aware of any new DPI and/or personal interest or change to any DPI and/or personal interest registered under paragraph (1), register details of that new DPI and/or personal interest or change by providing written notification to the council's monitoring officer.
- (4) Subject to Paragraph 12, you are required to disclose the existence and nature of any DPI when it arises at a meeting even where already registered in the Register or pending registration so the minutes can be duly noted.

#### Sensitive interest

12. (1) Where you consider that you have a sensitive interest (whether or not a DPI), and the council's monitoring officer agrees, if the interest is entered in the Council's register, copies of the register that are made available for inspection and any published version of the register, must not include details of the interest (but may state that the member has an interest the details of which are withheld under section 32 (2) of the Act) and any public declaration required need only state the fact an interest arises without further detail.
- (2) You must, within 28 days of becoming aware of any change of circumstances which means that information excluded under paragraph (1) is no longer a sensitive interest, notify the Council's monitoring officer asking that the interest be included in the Council's register of members' interests.

- (3) In this Code, "sensitive interest" means an interest, the nature of which is such that you and the Council's monitoring officer consider that disclosure of the details of the interest could lead to you, or a person connected with you, being subject to violence or intimidation.

### **Dispensations**

13. On a written request made to the Council's Monitoring Officer, the Council may grant a dispensation for you to participate in a discussion and vote on a matter at a meeting even if you have a DPI or a prejudicial interest and that you be relieved of the obligation to otherwise withdraw from the room in which the matter is being considered if the Council considers that the number of members otherwise prohibited from taking part in the meeting would be so great a proportion of the body transacting the business that it would impede the transaction of the business; or the representation of different political groups on the body transacting any particular business would be so upset as to alter the likely outcome of any vote on the business; or it is in the interests of the inhabitants in the Council's area to allow you to take part or that without the dispensation the Council's Executive would be prohibited from participating in the matter or it is otherwise appropriate to grant a dispensation.

### Disclosable Pecuniary Interests

The duties to register, disclose and not to participate in respect of any matter in which a member has a DPI are set out in Chapter 7 of the Act.

DPI's are defined in the Regulations 2012 as follows:

Interest	Prescribed description
Employment, office, trade, profession or vocation	Any employment, office, trade, profession or vocation carried on for profit or gain.
Sponsorship	<p>Any payment or provision of any other financial benefit (other than from the relevant authority) made or provided within the relevant period in respect of any expenses incurred by M in carrying out duties as a member, or towards the election expenses of M.</p> <p>This includes any payment or financial benefit from a trade union within the meaning of the Trade Union and Labour Relations (Consolidation) Act 1992).</p>
Contracts	<p>Any contract which is made between the relevant person (or a body in which the relevant person has a beneficial interest) and the relevant authority:</p> <p>(a) under which goods or services are to be provided or works are to be executed; and</p> <p>(b) which has not been fully discharged.</p>
Land	Any beneficial interest in land which is within the area of the relevant authority.
Licences	Any licence (alone or jointly with others) to occupy land in the area of the relevant authority for a month or longer.
Corporate tenancies	<p>Any tenancy where (to M's knowledge):</p> <p>(a) the landlord is the relevant authority; and</p> <p>(b) the tenant is a body in which the relevant person has a beneficial interest.</p>
Securities	<p>Any beneficial interest in securities of a body where:</p> <p>(a) that body (to M's knowledge) has a place of business or land in the area of the relevant authority; and</p> <p>(b) either:</p> <p>(i) the total nominal value of the securities exceeds £25,000 or one hundredth of the total issued share</p>

	<p>capital of that body; or</p> <p>(ii) if the share capital of that body is more than one class, the total nominal value of the shares of any one class in which the relevant person has a beneficial interest exceeds one hundredth of the total issued share capital of that class.</p>
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For this purpose:

“body in which the relevant person has a beneficial interest” means a firm in which the relevant person is a partner or a body corporate of which the relevant person is a director, or in the securities of which the relevant person has a beneficial interest;

“director” includes a member of the committee of management of an industrial and provident society;

“land” excludes an easement, servitude, interest or right in or over land which does not carry with it a right for the relevant person (alone or jointly with another) to occupy the land or to receive income;

“M” means a member of a relevant authority; “member” includes a co-opted member;  
“relevant authority” means the authority of which M is a member;

“relevant period” means the period of 12 months ending with the day on which M gives a notification for the purposes of section 30(1) or 31(7), as the case may be, of the Act;

“relevant person” means M or any other person referred to in section 30(3)(b) of the Act;

“securities” means shares, debentures, debenture stock, loan stock, bonds, units of a collective investment scheme within the meaning of the Financial Services and Markets Act 2000 and other securities of any description, other than money deposited with a building society.



## ASSESSMENT CRITERIA

### ***Stage 1 Criteria***

Before the assessment of a complaint begins, the monitoring officer must be satisfied that the complaint meets the following requirements:

- (i) It is a complaint against one or more named Members of the Council or a Parish or Town Council within the area;
- (ii) The named Member or Members were in Office at the time of the alleged conduct and acting in their official capacity; and
- (iii) The complaint, if proven, would be a breach of the Council's Code of Conduct in force at the relevant time.

If the complaint fails any one of these tests, it cannot be investigated as a breach of the Council's Code of Conduct and the complainant must be informed that no further action can be taken in relation to the complaint. If it passes all three tests then it can be assessed according to the criteria set out below.

### ***Stage 2 Criteria***

The monitoring officer is/are unlikely to refer a complaint for investigation where it falls into any of the following categories:-

- (a) The complaint appears to be vexatious, malicious, politically motivated, relatively minor, insufficiently serious, tit-for-tat, or there are other reasons why an investigation may not be in the public interest.
- (b) The same, or substantially similar, complaint has already been the subject of assessment or investigation and there is nothing more to be gained by further action being taken.
- (c) It appears that the complaint concerns or is really about dissatisfaction with a Council decision or policy rather than a breach of the Code of Conduct.
- (d) There is not enough information currently available to justify a decision to refer the matter for investigation.
- (e) The complaint is about someone who has died, resigned, is seriously ill or is no longer a Member of the Council concerned and therefore it is not in the public interest to pursue.
- (f) Where the allegation is anonymous, unless it includes documentary or photographic evidence indicating an exceptionally serious or significant matter and it is considered in the public interest that it be investigated.

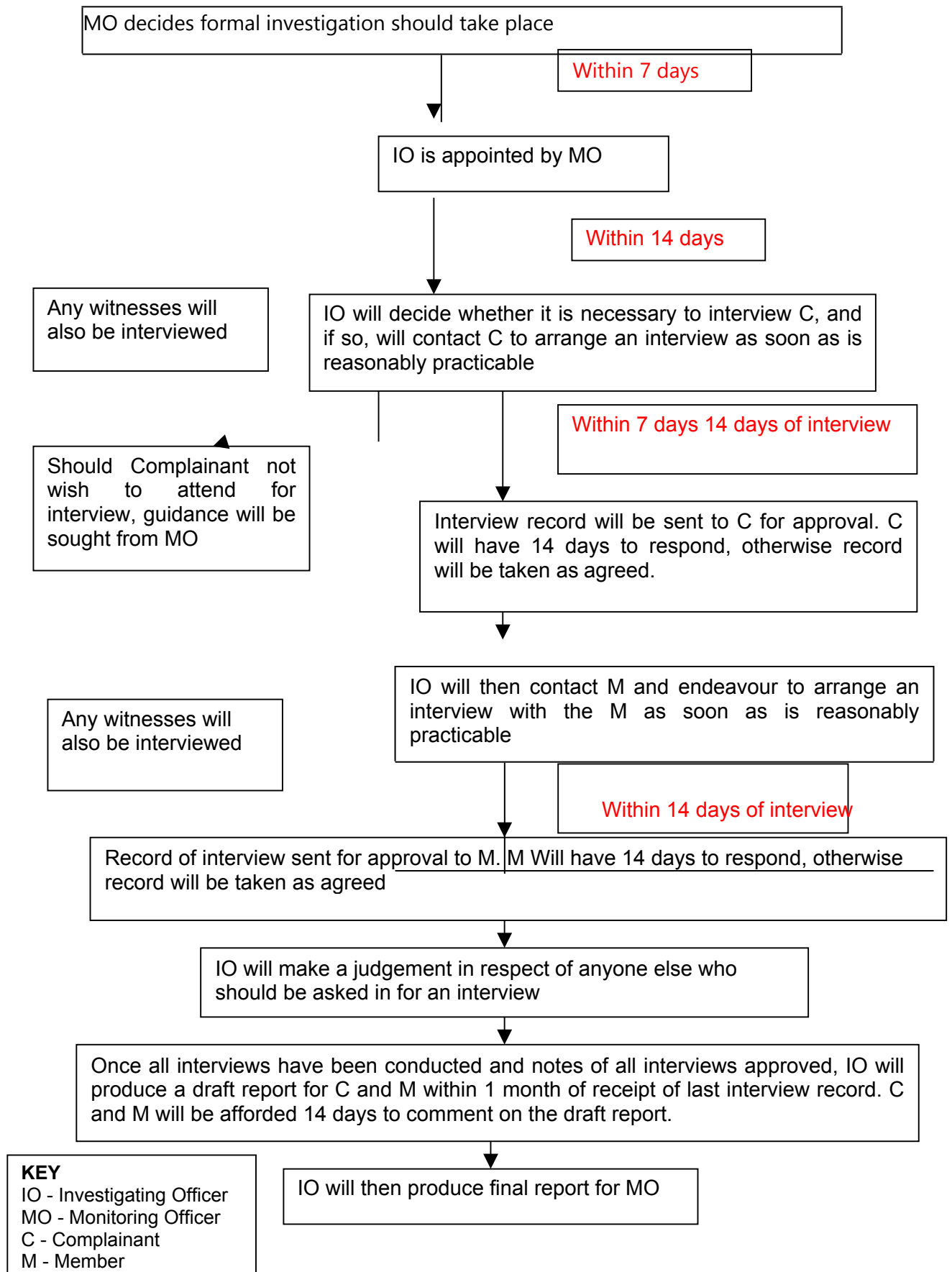
- (g) Where the event/s or incident/s took place more than 6 months prior to the date of complaint being received or where those involved are unlikely to remember the event/s or incident/s clearly enough to provide credible evidence.
- (h) The complaint is such that it is unlikely that an investigation will be able to come to a firm conclusion on the matter and where independent evidence is likely to be difficult or impossible to obtain.
- (i) If it is considered that the subject Member has **offered** a satisfactory remedy to the complainant (for example by apologising) or the complaint is capable of other informal resolution **such as mediation** and the Member complained of is amenable to such approach.
- (j) If it is satisfied that having regard to the nature of the complaint and the level of its potential seriousness, the public interest in conducting an investigation does not justify the cost of such an investigation.
- (k) Where the allegation discloses a potential breach of the Code of Conduct but it is considered that the complaint is not serious enough to warrant any further action and:
  - the Member and Officer resource needed to investigate and determine the complaint is wholly disproportionate to the matter complained about; or
  - **in** all the circumstances there is no overriding public benefit or interest in carrying out an investigation.

### ***Re-consideration Criteria***

The Investigating Officer may, following consultation with the Independent Person, refer an investigation to the monitoring officer for re-consideration as to whether the investigation should proceed where:

- As a result of new evidence or information, the Investigating Officer is of the opinion that the matter is materially less serious than may have seemed apparent to the monitoring officer when the decision was made to refer the complaint for investigation, and a different decision may have been made had the monitoring officer been aware of the new evidence or information;
- The Member who is the subject of the allegation has died, is seriously ill or has resigned from the Council concerned and in the circumstances the Investigating Officer is of the opinion that it is no longer appropriate to proceed with the investigation; or
- Other circumstances arise, which in the reasonable opinion of the Investigating Officer, render it appropriate for the investigation to be referred to the monitoring officer for re-consideration.

**PROCEDURE FOR INVESTIGATIONS**



**AUDIT COMMITTEE  
OUTLINE PROCEDURE FOR HEARINGS SUB-COMMITTEE (UNCONTESTED)**

**Preliminary Procedural Issues**

1. Introductions.
2. Declarations of Interest (if any).
3. To consider any request for the exclusion of Press and Public.

**Breach of the Code of Conduct**

4. Monitoring officer (or his/her representative) to present summary report, including the findings of fact made by the Investigating Officer, and refer to outcome of pre-hearing process.
5. Views of the Independent Person sought.
6. Members of the Sub-Committee to raise/clarify issues.
7. The Sub-Committee will retire, along with the monitoring officer, to determine whether there has been a breach of the Code of Conduct. The Sub-Committee's decision will be reported back to the meeting by the Democratic Services Officer.

**Action to be taken**

8. Monitoring officer (or his/her representative) to outline possible sanctions.
9. Investigating officer to make submissions on appropriate sanction, if any.
10. Member or (his/her representative) to present statement of, or provide oral, mitigation, including on what sanction, if any, should be imposed.
11. Views of the Independent Person sought.
12. Members of the Sub-Committee to raise/clarify issues.
13. The Sub-Committee will retire, along with the monitoring officer, to consider what sanction, if any, should be imposed. The Sub-Committee's decision will be reported back to the meeting by the Democratic Services Officer.

Close of Hearing

**AUDIT COMMITTEE  
OUTLINE PROCEDURE FOR HEARINGS SUB-COMMITTEE (CONTESTED)**

**Preliminary Procedural Issues**

1. Introductions.
2. Declarations of Interest (if any).
3. To consider any request for the exclusion of Press and Public.

**Findings of Fact**

4. Monitoring officer (or his/her representative) to present summary report and refer to outcome of pre-hearing process.
5. Investigating Officer to present report and call such witnesses as he/she considers necessary to substantiate his/her conclusion(s) within the report.
6. Member (or his/her representative) to raise/clarify issues with the Investigating Officer, including the questioning of the Investigating Officer's witnesses.
7. Members of the Sub-Committee to raise/clarify issues with the Investigating Officer, including the questioning of the Investigating Officer's witnesses.
8. Member (or his/her representative) to present their case and call such witnesses as he/she considers necessary.
9. Investigating Officer to raise/clarify issues with the Member (or his/her representative), including the questioning of the Member's witnesses.
10. Members of the Sub-Committee to raise/clarify issues with the Member (or his/her representative), including the questioning of the Member's witnesses.
11. Views of the Independent Person sought.
12. Members of the Sub-Committee to raise/clarify issues with the Independent Person.
13. The Sub-Committee will retire, along with the monitoring officer, to determine its findings of fact.
14. The Sub-Committee's decision will be reported back to the meeting by the Democratic Services Officer.

**Breach of the Code of Conduct**

15. The Sub-Committee will need to consider whether or not, based on the facts it has found, the Member has breached the Code of Conduct.
16. Investigating Officer to address the Panel on whether the facts found constitute a breach of the Code of Conduct.
17. Member (or his/her representative) to address the Sub-Committee as to why the facts found do not constitute a breach of the Code of Conduct.
18. Views of the Independent Person sought.
19. Members of the Sub-Committee to raise/clarify issues.
20. The Sub-Committee will retire, along with the monitoring officer, to determine whether there has been a breach of the Code of Conduct. The Sub-Committee's decision will be reported back to the meeting by the Democratic Services Officer.

(If the Sub-Committee determine that there has been no breach of the Code of Conduct, the complaint will be dismissed. If, however, the Sub-Committee determine that there has been a breach of the Code of Conduct, the procedure at paragraph 21 will apply).

**Action to be taken**

21. The Sub-Committee will need to determine what sanction, if any, should be imposed as a result of the Member's breach of the Code of Conduct.
22. Monitoring officer (or his/her representative) to outline possible sanctions.
23. Investigating officer to make submissions on appropriate sanction, if any.
24. Member (or his/her representative) to make submissions on whether any sanction should be imposed.
25. Views of the Independent Person sought.
26. Members of the Sub-Committee to raise /clarify issues.
27. The Sub-Committee will retire, along with the monitoring officer, to consider what sanction, if any, should be imposed. The Sub-Committee's decision will be reported back to the meeting by the Democratic Services Officer.

Close of Hearing

**PROTOCOL BETWEEN SOUTH BUCKS DISTRICT  
COUNCIL AND THAMES VALLEY POLICE**

**Purpose**

To agree a protocol for the reporting of potential criminal offences arising under Section 34 of the Localism Act 2011 concerning the registration and/or disclosure of Disclosable Pecuniary Interests (DPIs) (as defined in the Relevant Authorities (Disclosable Pecuniary Interests) Regulations 2012.

1. In the event that the Monitoring Officer receives a complaint regarding a potential DPI offence they will undertake an initial assessment of the allegation for the following matters:-
  - Has the alleged offence been committed in the last 3 years?
  - Is the Member concerned subject to the Localism Act?
  - The proportionality of conducting a criminal investigation rather than a code of conduct investigation for the alleged offence
2. Following completion of the above assessment the Monitoring Officer will make immediate contact with Thames Valley Police through the nominated single point of contact (see Appendix B for named Police contact) and undertake an initial assessment.
3. Similarly if Thames Valley Police receive a complaint from a member of the public they will inform the relevant Monitoring Officer of the receipt of that complaint (each authority will be responsible for providing up to date contact details of their appointed Monitoring Officer from time to time – see Appendix B for named Monitoring Officer contacts).
4. Thames Valley Police will register the complaint and conduct an initial assessment of the complaint but may approach the relevant Monitoring Officer for background information on the complaint.
5. If Thames Valley Police decide not to prosecute the matter they will normally pass the relevant evidence to the relevant Monitoring Officer so that consideration can be given to a Code of Conduct breach being pursued. In the event that the relevant Council decides to pursue a Code of Conduct breach they will inform Thames Valley Police of their decision.
6. Both the relevant Monitoring Officer and Thames Valley Police will endeavour to keep complainants regularly updated as to the progress of complaints.

**Signed on behalf of Thames Valley Police:**

**Signed on behalf of Chiltern District Council:**

**Signed on behalf of South Bucks District Council:**

**Signed on behalf of Aylesbury Vale District Council:**

**Signed on behalf of Wycombe District Council:**

NB: A signed version is retained by Legal Services. Signed and dated by all parties as of .....  
2017.



**Appendix A – Extracts from Localism Act 2011****30 Disclosure of pecuniary interests on taking office**

1. A member or co-opted member of a relevant authority must, before the end of 28 days beginning with the day on which the person becomes a member or co-opted member of the authority, notify the authority's monitoring officer of any disclosable pecuniary interests which the person has at the time when the notification is given.
2. Where a person becomes a member or co-opted member of a relevant authority as a result of re-election or re-appointment, subsection (1) applies only as regards disclosable pecuniary interests not entered in the authority's register when the notification is given.
3. For the purposes of this Chapter, a pecuniary interest is a "disclosable pecuniary interest" in relation to a person ("M") if it is of a description specified in regulations made by the Secretary of State and either:
  - a) It is an interest of M's; or
  - b) It is an interest of:
    - i) M's spouse or civil partner;
    - ii) a person with whom M is living as husband and wife; or
    - iii) a person with whom M is living as if they were civil partners, and M is aware that that other person has the interest.
4. Where a member or co-opted member of a relevant authority gives a notification for the purposes of subsection (1), the authority's monitoring officer is to cause the interests notified to be entered in the authority's register (whether or not they are disclosable pecuniary interests).

**31 Pecuniary interests in matters considered at meetings or by a single member**

1. Subsections (2) to (4) apply if a member or co-opted member of a relevant authority:
  - a) Is present at a meeting of the authority or of any committee, sub-committee, joint committee or joint sub-committee of the authority;
  - b) Has a disclosable pecuniary interest in any matter to be considered, or being considered, at the meeting; and
  - c) Is aware that the condition in paragraph (b) is met.
2. If the interest is not entered in the authority's register, the member or co-opted member must disclose the interest to the meeting, but this is subject to section 32(3).
3. If the interest is not entered in the authority's register and is not the subject of a pending notification, the member or co-opted member must notify the authority's monitoring officer of the interest before the end of 28 days beginning with the date of the disclosure.
4. The member or co-opted member may not:
  - a) Participate, or participate further, in any discussion of the matter at the meeting; or
  - b) Participate in any vote, or further vote, taken on the matter at the meeting;but this is subject to section 33.

5. In the case of a relevant authority to which Part 1A of the Local Government Act 2000 applies and which is operating executive arrangements, the reference in subsection (1)(a) to a committee of the authority includes a reference to the authority's executive and a reference to a committee of the executive.
6. Subsections (7) and (8) apply if:
  - a) A function of a relevant authority may be discharged by a member of the authority acting alone;
  - b) The member has a disclosable pecuniary interest in any matter to be dealt with, or being dealt with, by the member in the course of discharging that function; and
  - c) The member is aware that the condition in paragraph (b) is met.
7. If the interest is not entered in the authority's register and is not the subject of a pending notification, the member must notify the authority's monitoring officer of the interest before the end of 28 days beginning with the date when the member becomes aware that the condition in subsection (6)(b) is met in relation to the matter.
8. The member must not take any steps, or any further steps, in relation to the matter (except for the purpose of enabling the matter to be dealt with otherwise than by the member).
9. Where a member or co-opted member of a relevant authority gives a notification for the purposes of subsection (3) or (7), the authority's monitoring officer is to cause the interest notified to be entered in the authority's register (whether or not it is a disclosable pecuniary interest).
10. Standing orders of a relevant authority may provide for the exclusion of a member or co-opted member of the authority from a meeting while any discussion or vote takes place in which, as a result of the operation of subsection (4), the member or co-opted member may not participate.
11. For the purpose of this section, an interest is "subject to a pending notification" if:
  - a) Under this section or section 30, the interest has been notified to a relevant authority's monitoring officer; but
  - b) Has not been entered in the authority's register in consequence of that notification.

## **32 Sensitive interests**

1. Subsections (2) and (3) apply where:
  - a) A member or co-opted member of a relevant authority has an interest (whether or not a disclosable pecuniary interest); and
  - b) The nature of the interest is such that the member or co-opted member, and the authority's monitoring officer, consider that disclosure of the details of the interest could lead to the member or co-opted member, or a person connected with the member or co-opted member, being subject to violence or intimidation.
2. If the interest is entered in the authority's register, copies of the register that are made available for inspection, and any published version of the register, must not include details of the interest (but may state that the member or co-opted member has an interest the

details of which are withheld under this subsection).

3. If section 31(2) applies in relation to the interest, that provision is to be read as requiring the member or co-opted member to disclose not the interest but merely the fact that the member or co-opted member has a disclosable pecuniary interest in the matter concerned.

### **33 Dispensations from section 31(4)**

1. A relevant authority may, on a written request made to the proper officer of the authority by a member or co-opted member of the authority, grant a dispensation relieving the member or co-opted member from either or both of the restrictions in section 31(4) in cases described in the dispensation.
2. A relevant authority may grant a dispensation under this section only if, after having had regard to all relevant circumstances, the authority:
  - a) Considers that without the dispensation the number of persons prohibited by section 31(4) from participating in any particular business would be so great a proportion of the body transacting the business as to impede the transaction of the business;
  - b) Considers that without the dispensation the representation of different political groups on the body transacting any particular business would be so upset as to alter the likely outcome of any vote relating to the business;
  - c) Considers that granting the dispensation is in the interests of persons living in the authority's area;
  - d) If it is an authority to which Part 1A of the Local Government Act 2000 applies and is operating executive arrangements, considers that without the dispensation each member of the authority's executive would be prohibited by section 31(4) from participating in any particular business to be transacted by the authority's executive; or
  - e) Considers that it is otherwise appropriate to grant a dispensation.
3. A dispensation under this section must specify the period for which it has effect, and the period specified may not exceed four years.
4. Section 31(4) does not apply in relation to anything done for the purpose of deciding whether to grant a dispensation under this section.

### **34 Offences**

1. A person commits an offence if, without reasonable excuse, the person:
  - a) Fails to comply with an obligation imposed on the person by section 30(1) or 31(2), (3) or (7);
  - b) Participates in any discussion or vote in contravention of section 31(4); or
  - c) Takes any steps in contravention of section 31(8).
2. A person commits an offence if under section 30(1) or 31(2), (3) or (7) the person provides information that is false or misleading and the person:

- a) Knows that the information is false or misleading; or
  - b) Is reckless as to whether the information is true and not misleading.
3. A person who is guilty of an offence under this section is liable on summary conviction to a fine not exceeding level 5 on the standard scale.
  4. A court dealing with a person for an offence under this section may (in addition to any other power exercisable in the person's case) by order disqualify the person, for a period not exceeding five years, for being or becoming (by election or otherwise) a member or co-opted member of the relevant authority in question or any other relevant authority.
  5. A prosecution for an offence under this section is not to be instituted except by or on behalf of the Director of Public Prosecutions.
  6. Proceedings for an offence under this section may be brought within a period of 12 months beginning with the date on which evidence sufficient in the opinion of the prosecutor to warrant the proceedings came to the prosecutor's knowledge.
  7. But no such proceedings may be brought more than three years:
    - a) After the commission of the offence; or
    - b) In the case of a continuous contravention, after the last date on which the offence was committed.
  8. A certificate signed by the prosecutor and stating the date on which such evidence came to the prosecutor's knowledge is conclusive evidence of that fact; and a certificate to that effect and purporting to be so signed is to be treated as being so signed unless the contrary is proved.
  9. The Local Government Act 1972 is amended as follows.
  10. In section 86(1)(b) (authority to declare vacancy where member becomes disqualified otherwise than in certain cases) after "2000" insert "or section 34 of the Localism Act 2011".
  11. In section 87(1)(ee) (date of casual vacancies):
    - a) After "2000" insert "or section 34 of the Localism Act 2011 or"; and
    - b) After "decision" insert "or order".
  12. The Greater London Authority Act 1999 is amended as follows.
  13. In each of sections 7(b) and 14(b) (Authority to declare vacancy where Assembly member or Mayor becomes disqualified otherwise than in certain cases) after sub -paragraph (i) insert: "(ia) under section 34 of the Localism Act 2011".
  14. In section 9(1)(f) (date of casual vacancies):
    - a) Before "or by virtue of" insert "or section 34 of the Localism Act 2011"; and
    - b) After "that Act" insert "of 1998 or that section".

**Appendix B – Monitoring Officer/Police Contacts**

**Thames Valley Police**

Detective Inspector Gavin Tyrell  
Economic Crime Unit  
Email: [gavin.tyrell@thamesvalley.pnn.police.uk](mailto:gavin.tyrell@thamesvalley.pnn.police.uk)  
Tel: 01189 181800

**Chiltern and South Bucks District Councils**

Joanna Swift  
Email: [monitoringofficer@chiltern.gov.uk](mailto:monitoringofficer@chiltern.gov.uk)  
[monitoringofficer@southbucks.gov.uk](mailto:monitoringofficer@southbucks.gov.uk)  
Tel: 01494 732761

**Aylesbury Vale District Council**

Ifty Ali  
Email: [iali@aylesburyvaledc.gov.uk](mailto:iali@aylesburyvaledc.gov.uk)  
Tel: 01296 585024

**Wycombe District Council**

Julie Openshaw  
Email: [julie.openshaw@wycombe.gov.uk](mailto:julie.openshaw@wycombe.gov.uk)  
Tel: 01494 421252

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<b>SUBJECT:</b>	Committee on Standards in Public Life Annual Report
<b>REPORT OF:</b>	Monitoring Officer
<b>RESPONSIBLE OFFICER</b>	Joanna Swift Head of Legal and Democratic Services and Monitoring Officer
<b>REPORT AUTHOR</b>	Joanna Swift : <a href="mailto:joanna.swift@southbucks.gov.uk">joanna.swift@southbucks.gov.uk</a> Tel : 01494 732761
<b>WARD/S AFFECTED</b>	None

## 1. Purpose of Report

This report draws members' attention to the Committee for Standards in Public Life (CSPL) Annual Report for 2016-17 and its Forward Plan for the coming year.

### RECOMMENDATION

**That the report is noted and members consider whether they wish to submit a formal response to the CSPL's forthcoming consultation on local government standards.**

### Reasons for Recommendations

Awareness of the work undertaken by the CSPL in the area of standards and ethics supports the Committee's general responsibility to promote and maintain high standards of conduct.

## 2. Content of Report

- 3.1 The Committee on Standards in Public Life (CSPL) is an independent advisory, non-departmental body which advises the Prime Minister on ethical standards across the whole of public life in England. It monitors and reports on issues relating to the standards of conduct of all public office holders including members of local authorities.
- 3.2 The CSPL publishes an annual report and an extract from its 2016 -17 Report entitled "Setting the Standard" is attached as an Appendix. This contains the Forward by the Chairman, an overview of work undertaken during the year and the Forward Plan for 2017-18. The full document is available on the CSPL website at:  
[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/626271/Setting\\_the\\_Standard - Strategic Plan Annual Report 2016-17 \\_Forward Plan 2017-18.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/626271/Setting_the_Standard_-_Strategic_Plan_Annual_Report_2016-17__Forward_Plan_2017-18.pdf)
- 3.3 In relation to local government standards the CSPL maintains a watching brief and regularly receives correspondence on the issue. In 2016-17 they started to engage with key stakeholders in identifying areas of concern surrounding the conduct of elected and co-opted local authority members. In March 2017 the CSPL submitted evidence to the Commons Communities and Local Government Select Committee on local government scrutiny, drawing attention to findings from their 2015 report *Tone from the Top - Leadership, ethics and accountability in policing*. This submission set out how accountability is seen as an

essential element in creating a culture where high standards of behaviour are the norm. In particular the report emphasised the importance of effective independent scrutiny in between the four-yearly elections cycle to maintain accountability. The CSPL encouraged the new Communities and Local Government Select Committee to take up this issue in the new Parliament.

- 3.4 In 2013 the CSPL published a report called "Standards Matter" which outlined concerns about the issues that could arise in local government standards following the Localism Act 2011 and commented that: "The new, slimmed down arrangements have yet to prove themselves sufficient for their purpose. We have considerable doubt that they will succeed in doing so and intend to monitor the situation closely". As set out in their Forward Plan the CSPL intend to undertake a review of local government standards during 2017-18 starting with a public consultation early in 2018. Based on the submissions to this review and meetings with key stakeholders, the Committee intends to publish their findings and recommendations in 2018. Members are invited to consider whether they would wish to make a formal submission.

### 3. Consultation

Not applicable at this stage

### 4. Options

The Committee has the option not to engage with the CSPL consultation.

### 6. Corporate Implications

Financial – None

Legal – None

Risks issues – Not applicable.

Equalities - None

### 7. Links to Council Policy Objectives

Whilst there are no direct links to the main policy objectives, the Council has a duty under the Localism Act to promote and maintain high standards of conduct.

### 8. Next Steps

A further report would be brought to the Committee once the consultation period opens in 2018

<b>Background Papers:</b>	None except those referred to in the report.
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**Committee on  
Standards  
in Public Life**

# Setting the Standard

**Strategic Plan**

**Annual Report      2016-17**

**Forward Plan      2017-18**

## THE SEVEN PRINCIPLES OF PUBLIC LIFE

The Seven Principles of Public Life apply to anyone who works as a public office holder. This includes all those who are elected or appointed to public office, nationally and locally, and all people appointed to work in the civil service, local government, the police, courts and probation services, NDPBs, and in the health, education, social and care services. All public office holders are servants of the public and stewards of public resources. The Principles also apply to all those in other sectors delivering public services.

### SELFLESSNESS

Holders of public office should act solely in terms of the public interest.

### INTEGRITY

Holders of public office must avoid placing themselves under any obligation to people or organisations that might try inappropriately to influence them in their work. They should not act or take decisions in order to gain financial or other material benefits for themselves, their family, or their friends. They must declare and resolve any interests and relationships.

### OBJECTIVITY

Holders of public office must act and take decisions impartially, fairly and on merit, using the best evidence and without discrimination or bias.

### ACCOUNTABILITY

Holders of public office are accountable to the public for their decisions and actions and must submit themselves to the scrutiny necessary to ensure this.

### OPENNESS

Holders of public office should act and take decisions in an open and transparent manner. Information should not be withheld from the public unless there are clear and lawful reasons for so doing.

### HONESTY

Holders of public office should be truthful.

### LEADERSHIP

Holders of public office should exhibit these principles in their own behaviour. They should actively promote and robustly support the principles and be willing to challenge poor behaviour wherever it occurs.

*The Seven Principles were established in the Committee's First Report in 1995; the accompanying descriptors were revised following a review in the [Fourteenth Report](#), published in January 2013.*

## Foreword

I am delighted to present the Committee on Standards in Public Life's Strategic Plan, Annual Report 2016-2017, and Forward Plan 2017-18. In this document the Committee sets out its purpose and focus, and identifies our strategic objectives and how we intend to achieve them.

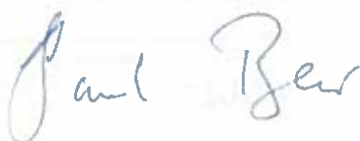
Since its creation in 1994, the Committee has made recommendations for reform to uphold the highest standards of ethical conduct across public life. These recommendations shape how we talk and think about ethical standards: the Seven Nolan Principles are the widely accepted cornerstone of ethical standards for people working across all areas of public life.

The purposes of the Committee are clear: we examine areas of concern about the standards of conduct of public office holders and promote the highest standards of conduct across public life. To fulfil this remit, we develop well-argued, evidence-based, practical recommendations to help bolster ethical standards. We undertake tailored and substantial research projects focused on addressing particular areas of public life. We are also alert, proactively identifying and responding to emerging ethical risks, and listening to the public and a wide range of organisations to remain responsive to emerging risks in standards.

In 2016-17, we considered issues across public life from regulatory bodies to referendums, and party funding to induction for new MPs, to reinforce the importance of the Nolan Principles and emphasise their relevance in fast-changing times. In September 2016 we launched our report on regulators, *Striking the Balance - Upholding the Seven Principles of Public Life in Regulation*. In 2017-18 we will publish the findings of our current review on 'reasonable limits' for MPs' outside interests, and work with a wide range of audiences to address other standards issues.

The new Parliament provides an opportunity for everyone in public life to reflect on their standards of conduct, both what they do well and what can be improved. As the process of negotiating and scrutinising the UK's departure from the EU begins, honesty and integrity in political discourse has never been more important. We call on all public office holders to consider how they can incorporate the Seven Principles into their daily work to promote public trust and confidence as we face the challenges ahead.

Finally, I extend my warmest thanks to our departing Committee members. Dame Angela Watkinson DBE and Richard Thomas CBE have both made invaluable contributions to the Committee. Richard's contribution to *Striking the Balance* in particular was fundamental to the report's success. Their insightful and thoughtful contributions to our work will be sorely missed and we wish them both well in their future endeavours.



Lord Bew

Chair

# CSPL

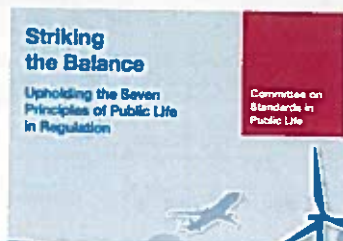
## Year in Review

### August 2016

We publish research by Dr Michael Pinto-Duschinsky on **party funding** expenditure from 2011 to 2016.

### September 2016

We launch our report on regulators - **Striking the Balance: Upholding the Seven Principles of Public Life in Regulation**, which identifies a series of 'best practice' benchmarks for regulators and makes recommendations to the government.



Jane Ramsey joins the Committee.

### October 2016

We submit evidence to the Independent Parliamentary Standards Authority's review of the **MPs' Scheme of Business Costs and Expenses**.

### November 2016

The Committee hosts a seminar on the **conduct of referendums**, which brings together a range of interested stakeholders from politics, the media, regulators and academia.



Lord Bew presents the research commissioned by the Committee into **party funding** in the House of Lords.

### December 2016

The Rt Hon Lord Stunell OBE joins the Committee as the Liberal Democrat member.

### January 2017

Working paper on the **conduct of referendums** is published on our website, along with video footage of the event.

Dr Jane Martin CBE joins the Committee.

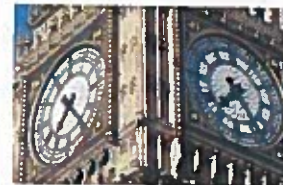
### February 2017

We issue our follow-up survey on the **Striking the Balance** report to regulatory bodies.

We hold meetings with **Public Service Providers**, as part of the follow-up research to our 2014 report and 2015 guidance.

### March 2017

The Committee announces a short review on the subject of **MPs' Outside Interests**, and invites public submissions. The review is focused on the 'reasonable limits' for MPs' outside interests.



We make a submission to the Commons Culture, Media and Sport Committee's inquiry into the impact of **'fake news'** on modern democracy.

### April 2017

We consider the submissions made to our on-going short review on **MPs' Outside Interests**.



### May 2017

The Committee does not make any public statements during the **pre-election period**.

### June 2017

After the 2017 General Election, we deliver a session on the **Seven Principles** and maintaining ethical standards as part of the House Authorities' **induction for new MPs**.

## 4. Forward Plan 2017-18

- 4.1 As set out in the Strategic Plan, over the upcoming year we will work proactively on original research and reports, and reactively as standards issues arise in areas where the Committee maintains a watching brief.

### Research and Reports

- 4.2 The areas in which we expect to act proactively in the coming year are:

#### MPs' Outside Interests

- 4.3 Following a high number of detailed and thoughtful submissions from members of the public and other interested stakeholders, we will be publishing the findings of our review on MPs' outside interests in late 2017.
- 4.4 The report on MPs' outside interests will be made publicly available on our [website](#), and we will be sending a copy of the report to the [Parliamentary Commissioner for Standards](#) and the [Commons Committee on Standards](#). These bodies are responsible for reviewing the Code of Conduct for MPs.

#### Local Government Standards

- 4.5 The Committee maintains a longstanding interest in local government standards, and regularly receives correspondence from members of the public expressing their concern about this issue. We were actively conducting research and engaging with partners on this subject throughout 2016-17, and we intend to undertake a review of local government standards during 2017-18.
- 4.6 This review will be based around a consultation that will be launched in early 2018. Based on the submissions to this review and meetings with key stakeholders, we intend to publish our findings and recommendations in 2018.

#### Public Service Providers

- 4.7 During 2016-17, we have been undertaking research to follow-up on our 2014 report and 2015 guidance on [ethical standards for providers of public services](#). This follow-up research has included meetings with relevant companies, government organisations and stakeholders, and a seminar with organisations representing service providers.
- 4.8 We will be publishing the findings from this follow-up research in late 2017, and will use this opportunity to raise awareness about the importance of ethical standards issues in the delivery of public services across all providers.

#### Impact of Social Media

- 4.9 Recognising the rapidly changing and developing nature of social and political communication and media in recent years, throughout 2017-18 we will look for opportunities to work collaboratively with partners to assess how these developments are shaping public life.

- 4.10 Engaging with others in this area will enable us to develop an understanding of how the changing nature of communications may influence social relations, and consider how this may influence how the Seven Principles are upheld across public life.

### Watching Brief

- 4.11 We are committed to keeping abreast of standards issues before and while they are emerging, and respond as appropriate when standards issues arise. We are open to new ideas and suggestions on areas within the Committee's remit which we may seek to consider in the future. In particular, we will keep a watching brief on the following issues:

#### Party Funding

- 4.12 The Committee has been actively involved in debates on the funding of political parties, and will continue to remain engaged on this issue throughout 2017-18. In particular, we seek to emphasise the importance of pursuing a package of commonly-agreed small reforms, and we will be working to encourage the political parties to come together to reach some agreement on this.

#### Academies

- 4.13 Following our research on public service providers, we are increasingly aware of the issues surrounding conflicts of interests and good governance in academies. Therefore, we will be keeping a watching brief on this issue over the next year.

#### National Health Service

- 4.14 We will also be keeping a watching brief on the NHS, where we are aware of standards issues in terms of commissioning and good governance. Building on our work on providers of public services, we will be monitoring standards issues in the NHS over the coming year.

#### Conduct of Referendums

- 4.15 Following our seminar on the conduct of referendums in 2016, we will continue to keep a watching brief on how standards relating to the conduct of referendums and their campaigns may be improved in any future referendums.
- 4.16 We will be keeping abreast of issues in this area and working with our stakeholders to see what can be done in terms of ensuring that the Seven Principles are upheld, particularly with regard ensuring honest and truthful political debate.

<b>SUBJECT:</b>	Guidance Note for Councillors and Officers on Outside Bodies
<b>REPORT OF:</b>	Monitoring Officer
<b>RESPONSIBLE OFFICER</b>	Joanna Swift – Head of Legal and Democratic Services and Monitoring Officer
<b>REPORT AUTHOR</b>	Joanna Swift – <a href="mailto:joanna.swift@southbucks.gov.uk">joanna.swift@southbucks.gov.uk</a> Tel: 01494 732761
<b>WARD/S AFFECTED</b>	None

### 1. Purpose of Report

To seek the Committee's views on proposed guidance for members and officers who are appointed to outside bodies.

#### RECOMMENDATION

**That members consider and agree the Guidance Note attached as an Appendix.**

### 2. Reasons for Recommendations

To ensure high ethical standards are maintained and that members and officers are aware of their responsibilities and duties when they are appointed to outside bodies.

### 3. Content of Report

- 3.1 Members and officers can be appointed by the Council or Cabinet to serve on a range of outside bodies including voluntary organisations, public bodies and local authority companies. In performing this role councillors and officers can act as individuals, representatives of the Council, directors or trustees. Whilst serving on an outside body can bring many benefits to the Council, the organisation and the community, there is also scope for conflicts of interest with a councillor or officer's work. There are also legal responsibilities and duties which members and officers need to understand and adhere to when carrying out their roles. In particular the Council has recently set up company and appointed the Chief Executive and Director of Services as directors. It is therefore considered appropriate to provide some general guidance on these issues.
- 3.2 The Council's Code of Conduct applies when a member is acting in their official capacity and this includes acting as a representative of the Council. Similarly officers are required to comply with the Employees Code of Conduct. However, when acting as director of a company, a trustee or as a member of an organisation's management board, it is important to understand that councillors and officers will also owe duties and responsibilities towards the organisation concerned. This means acting in accordance with the best interests of the outside body and not simply acting in accordance with the instructions or wishes of the Council. Usually the best interests of the outside body and the Council will be aligned but where there is a conflict and councillors or officers are involved in taking a decision, they must act in the best interest of the outside body. Where a conflict arises you may need to

consider whether it is appropriate to be involved in that particular decision and should seek advice from the Head of Legal and Democratic Services or the outside body's advisers.

- 3.3 The draft Guidance Note appended to this report sets out some of the most important responsibilities and issues but is not meant to be a fully comprehensive guide. If members or officers have particular queries they should contact the Head of Legal and Democratic Services for advice.

**4. Consultation**

Not applicable.

**5. Options**

The Committee is invited to consider and comment on the draft Guidance Note.

**6. Corporate Implications**

Financial – As set out in the Guidance Note  
 Legal – As set out in the Guidance Note  
 Risks issues – As set out in the Guidance Note  
 Equalities - No specific implications

**7. Links to Council Policy Objectives**

Whilst there are no direct links to the Council's main policy objectives effective working with outside bodies is a matter of good governance and is important in preserving the confidence of local communities and organisations.

**8. Next Steps**

The guidance would be circulated to members and officers and published on the intranet.

<b>Background Papers:</b>	None except those referred to in the report.
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**SOUTH BUCKS**  
District Council

**GUIDANCE NOTE**

**FOR**

**COUNCILLORS AND OFFICERS**

**ON OUTSIDE BODIES**

## Contents

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### 6. Charities

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Code of Conduct  
Bias

### 11. Officers - Registration and Disclosure of Outside Interests

Declaring Officer Interests  
Registration of Interests

### 12. Gifts and Hospitality

## Appendix 1

Matters for you to check – questions to ask

## GUIDANCE FOR COUNCILLORS AND OFFICERS ON OUTSIDE BODIES

### 1. General

- 1.1 Serving on outside bodies is an established part of a Council Member or senior officer's role. It brings the benefit of enabling the Council to participate in partner organisations, and also means that councillors and officers can bring back knowledge and experience which are of value to the Council.
- 1.2 The Council is now increasingly working in partnership with outside bodies, and clarity and understanding of the roles that Members and officers play is important. This note aims to help you understand the main implications. It is not a fully comprehensive guide, so if you have any queries, you can obtain further advice from the Head of Legal and Democratic Services.

### 2. What sort of roles does this apply to?

- 2.1 You may be appointed to an outside body by the Council or by the Cabinet. This can involve being a director of a company in which the Council has an interest, being a member of a public body such as the Buckinghamshire Healthcare Trust or the Thames Valley Police and Crime Panel, the trustee of a charity or a member of the management board for an unincorporated body.
- 2.2 The various roles will bring responsibilities to the organisation, and to the Council in so far as you are fulfilling a role for the Council, and also potential conflicts.
- 2.3 Your responsibilities will depend on the type of body in which you become involved. The main types are as follows:
  - a) **Companies:** Companies are separate legal entities. They are set up by their members, who may be either shareholders or guarantors. Liability of company members is limited to the value of their shares or by guarantee. Directors of companies have a duty to the company to act properly and in good faith. If not, they can incur personal liability, particularly if the company becomes insolvent. The activities and operation of companies are regulated by their Memorandum and Articles of Association, and also by company law.
  - b) **Charities:** Some companies and unincorporated associations are also charities. To be a charity, the body must have charitable objectives. As a charity, it gains relief from corporation tax, VAT and business rates. But is subject to stricter regulation by the Charity Commissioners, to ensure that it is properly managed and that it is spending its money properly on the charitable objects.
  - c) **Unincorporated Associations:** Unincorporated associations are informal organisations. The members regulate their relationship by agreement, such as a membership agreement or the rules of the club or association. Because the association has no legal existence separate from its members, the liability of the

members is not limited. Each member can incur personal responsibility for liabilities incurred on behalf of the association, and relies on the membership agreement to be able to recover his/her costs from the other members.

- d) **Statutory Corporations:** These are bodies which are set up under statute. Local authorities for example are statutory corporations as well as Fire Authorities, universities and some quangos. The membership and powers of a statutory corporation, and how they are appointed are set out in the statute. The statute will also set out the responsibilities and liabilities of members of the corporation.

### 3. Some key points to consider at the outset

- 3.1 Firstly, make sure you are given a clear statement of what is expected of you if you are going to be nominated. A list of questions to ask about the organisation is attached at Appendix 1. The Council should be able to obtain this from the organisation involved
- 3.2 Being on an outside body can bring many benefits to the Council, the organisation and the community, but it will sometimes create conflicts with your work as a councillor or officer. For Council Members, it will have to be included as one of your interests in the statutory Register of Interests. You will have a personal interest in Council business referring to it, and sometimes a prejudicial interest where financial or regulatory matters are concerned. You will need to be sure that involvement with the organisation will not prevent you from fully participating in your work as a councillor or officer, particularly in areas where you need to represent the community who elected you. This will depend on the nature of the body and type of involvement.
- 3.3 On the other hand, you should ensure that you are able to commit enough time and attention to the organisation. You will want to make a meaningful contribution to their work and if you cannot attend meetings very often, or are often conflicted out of participating, this can reflect badly upon yourself and the Council. Therefore it is best not to be appointed if you cannot participate fully.
- 3.4 As a director of a company, a trustee, or a member of an organisation's management committee you will not only be representing the interests of the Council, but you will also owe duties and responsibilities to the organisation. You will have to exercise your own best judgement in the best interests of the outside body and you cannot just take instructions from the Council although you may take account of the Council's wishes.

### 4. Duties and Responsibilities of Councillors and Officers on Outside Bodies

- 4.1 The following is a summary of the main duties and responsibilities of councillors and officers who are nominated by the Council to the most common types of outside body. The main principles of the obligations applying to company directors also apply to trustees and members of management committees. If you are in doubt about your duties and responsibilities, seek advice from the Head of Legal and Democratic Services, or the advisers to the body involved.

## 5. Companies

- 5.1 A company is a separate legal entity which can hold property in its own right, enter into contracts, employ staff and sue and be sued in its own name. The company is distinct from its members, who may be either shareholders or guarantors. The Council itself may be a member of the company, either as a shareholder or guarantor.
- 5.2 If the body is a limited company it is likely that you will be appointed as a company director. The duties of a company director are now set out in the Companies Act 2006. The management of a company is usually the responsibility of the Board of Directors. Directors' powers are usually set out in the company's Articles of Association. Another important document is the Memorandum of Association, which sets out the Company's objectives and powers.
- 5.3 The duties of a company director are not the same as your responsibilities as a councillor or officer. Importantly, the company must come first. Directors must act in the interests of the company, and not in the interests of other parties, including shareholders.
- 5.4 The Companies Act 2006 codifies the existing common law and equitable principles relating to the duties of directors. There are 8 main duties which are summarised below:-
- 5.5 **Directors' Responsibilities** are:
- a) To **promote the success of the company**, which includes having regard to the likely long term consequences of decisions, the interests of employees, fostering relationships with suppliers and customers and others, the impact of operations on the community and environment, maintaining a reputation for high standards of business conduct, and acting fairly between members of the company
  - b) To **exercise care, diligence and skill**, using your own knowledge, skill and experience, together with the care, skill and diligence which may reasonably be expected of a person who is carrying out the functions of a director. So a director with significant experience must exercise the appropriate level of diligence in exercising their duties in line with their higher level of expertise.
  - c) **Not to exceed powers.** A company director must act in accordance with the company's constitution, and exercise powers for the purposes for which they were given.
  - d) **To comply with the Companies Acts** in relation to the keeping of accounts, and ensure that the relevant returns are made to the Registrar of Companies. Failure to do so incur fines and persistent default can lead to disqualification as a director.
  - e) **To avoid conflicts of interest.** A director must avoid a situation in which he or she has, or may have, a direct or indirect interest which conflicts, or could conflict, with the interests of the company. This duty applies particularly to transactions between a director and a third party in relation to the exploitation of any

property, information or opportunity.

- f) **To exercise independent judgement.** A director nominated by the Council cannot, for example, simply vote in accordance with the Council's instructions. To do so would be a breach of duty. The director must act in the company's interests.
- g) **Not to accept benefits from third parties.** A company director must not accept any benefit from a third party (whether monetary or otherwise) which has been conferred because of the fact that he or she is a director. This is based on the established principle that a director must not make a secret profit as a result of being a director. This duty applies unless the acceptance of the benefit cannot reasonably be regarded as likely to give rise to a conflict of interest.
- h) **To declare an interest in a proposed transaction or arrangement with the company.** A company director who has either a direct or an indirect interest in a proposed transaction or arrangement with the company must declare the 'nature and extent' of that interest to the other directors before the company enters into the transaction.

5.6 **Directors' Liabilities:** If a director fails to carry out his/her duties, action can be brought for breach of duty, either by the company itself, or by a liquidator if the company goes into liquidation, or with the consent of the court, by a shareholder. Such actions are unlikely where the company is properly controlled by the directors.

5.7 Some important considerations are:

- a) It is not always easy to reconcile the various factors which must be taken into account when reaching a major decision. The important thing as a director is to show that you are aware of and have taken account of the relevant factors and have exercised due care and diligence in giving them all fair consideration.
- b) It may be difficult to be certain whether benefits may be regarded as giving rise to a conflict of interest. If you are unsure you should take advice from the company's advisers.
- c) Make sure you are aware of the company's constitution, its Memorandum and Articles of Association, so that you know what it can and cannot do. You must take this into account when making decisions, as well as any shareholder decisions that are relevant.
- d) Be diligent, and make sure you are well informed about the company's affairs. Make sure you are well briefed when taking up the role, and that you receive regular briefings throughout your term of office.
- e) Attend training and briefing sessions.
- f) Ensure director and officer insurance is in place.

- g) Some Board decisions may be reviewed on a future occasion. Make sure detailed minutes show that all necessary factors have been considered when major decisions are being taken. Obtain expert advice where necessary e.g. regarding impact of a decision on the environment. Take legal advice where there are doubts about a director's duty in relation to a particular matter.
- 5.8 See Paragraph 9 below which deals with indemnities for councillors and officers who are appointed to companies and other outside bodies.
- 5.9 **Local Authority Controlled and Influenced Companies:** Under the Local Authorities (Companies) Order 1995 there are special rules that affect companies in which councils have major interests. These are called 'regulated' companies for the purposes of the Local Government and Housing Act 1989. Regulated companies are so defined if they controlled or influenced by a local authority, either individually or with a group of other authorities. Influenced means that at least a 20% local authority interest in the company plus a business relationship with the company accounting for over 50% of the company's turnover and/or the company is located on local authority land leased or sold for less than best consideration. Controlled means over a 50% local authority interest, and a "minority" less than 20% interest.
- 5.10 Regulated companies will generally be subject to the local government capital finance regime and special propriety controls. However, so far as councillors and officers who are directors are concerned, there are additional requirements that need to be complied with as follows:
- a) Remuneration that councillors receive from the company should not exceed that received from a local authority for a similar role, and it should be declared. Officers should not receive any fee or reward other than their Council salary, unless so agreed with the Council;
  - b) To provide information to councillors about their activities as required by the local authority (unless it is confidential); and
  - c) To cease to be a director immediately if disqualified as a councillor, or on the termination of an officer's employment by the Council.

## 6. Charities

- 6.1 A charity is an organisation which operates for the public benefit and exclusively charitable purposes, either for:
- the relief of poverty and human suffering
  - the advancement of education
  - the advancement of religion
  - another purpose for the benefit of the community.
- 6.2 A number of useful publications are available on the Charity Commission's website at [www.charitycommission.gov.uk](http://www.charitycommission.gov.uk). For example 'The Essential Trustee- What you Need to Know' is a useful guide. Those who are responsible for the control and administration of a charity are referred to as its *trustees*, even where the organisation is a company

limited by guarantee and even though they are not strictly trustees. A charity may also be unincorporated.

6.3 Trustees of a charity retain personal liability, and can only delegate to the extent that the constitution authorises them so to do.

6.4 **Charitable Trustees' Responsibilities** are:

- a) To act in accordance with the charity's trust deed or governing document.
- b) To protect the charity's assets.
- c) To comply with the Charities Acts, and the Trustee Act 2000.
- d) Trustees must not make a private profit from their position. They cannot receive remuneration without the sanction of the Charity Commission.
- e) To perform their duty with the standard of care which an ordinary, prudent business person would show. Higher standards are required of professionals, and in relation to investment matters.
- f) Charitable trustees must ensure that the information relating to the charity and trustees is registered with the Charity Commissioners and that annual accounts, reports and returns are completed and sent.
- g) Trustees are under a duty to ensure compliance with all relevant legislation (e.g. in relation to tax and land matters).

6.5 **Charitable Trustees' Liabilities:** Generally, a trustee may incur personal liability if he/she:-

- acts outside the scope of the trust deed
- falls below the required standard of care
- acts otherwise than in the best interests of the charity, in a way which causes loss to the charity fund
- makes a personal profit from the trust assets

6.6 In such circumstances the trustee will be in breach of the trust, and will incur personal liability for losses incurred. If in doubt, always consult the Charity Commissioners. You may avoid personal liability for breach of trust if you act in accordance with their advice.

6.7 Trustees can incur personal liabilities for contracts they enter into in the name of the charity. They will normally be entitled to be reimbursed from charitable funds for liabilities and expenses properly incurred by them. If the charity is a company, the trustees will be protected from liabilities incurred in the day-to-day running of the charity in the normal course of events, but will be personally liable if they commit a breach of trust, as stated above.

6.8 See Paragraph 9 below which deals with indemnities for councillors and officers who are appointed to charitable bodies and other outside bodies.



## 7. Unincorporated Associations

- 7.1 Groups which are not charitable trusts or companies are “unincorporated associations” and have no separate identity from their members. The rules governing the members’ duties and liability will be set out in a constitution, which is simply an agreement between the members as to how the organisation will operate. Usually the constitution will provide for a management committee to be responsible for the everyday running of the organisation. Management Committee members must act within the constitution, and must take reasonable care in exercising their powers. An unincorporated organisation may be charitable and may register as a charity.
- 7.2 If you are involved in a decision making capacity or have a position of general control or management on an unincorporated body, as the body has no separate corporate status, any liabilities will fall upon you personally. Councillors or officers appointed to such bodies should familiarise themselves with the Constitution to understand the nature of their role responsibilities and liabilities, and should assess the risk of personal liability, and the extent to which it has been covered by insurance.
- 7.3 See Paragraph 9 below which deals with indemnities for councillors and officers who are appointed to unincorporated associations and other outside bodies.

## 8. Non Council Appointments

- 8.1 Councillors and officers may become members of, or be appointed to, voluntary organisations *in their private capacity*. If you are appointed to a body in these circumstances, you will need to make sure that there is no conflict of interest with your position as a councillor or officer. Your role and responsibilities will be governed by the organisation’s constitution, or governing document, as it is with Council nominations. You will not however be entitled to any indemnity from the Council in relation to such an appointment.

## 9. Indemnities

- 9.1 Councillors and officers who participate in external bodies may be indemnified in relation to liabilities they incur in that capacity, although this is subject to certain limitations.
- 9.2 **Indemnity by the outside body:**
- a) **Directors:** Directors cannot be indemnified by the company against liability for negligence, default, breach of duty and trust. Companies can however purchase insurance to protect directors against claims of negligence, default, breach of duty and trust. Those appointed as directors should ensure that appropriate insurance is in place. Companies can, if their Articles of Association allow, provide for directors to be indemnified for the costs of defending such a claim if they are granted relief by the court or acquitted.
  - b) **Trustees:** Provided a charitable trustee acts properly, and within their powers, indemnity can be given from the trust fund. Trustees can take out insurance to

protect themselves from personal liabilities, but not for criminal acts such as fraud. If the premiums are to be paid out of the charitable funds, the consent of the Charity Commissioners will be needed.

- c) Unincorporated Associations: Members of these bodies may be entitled to an indemnity if they act in accordance with the Constitution of the association, and are not at fault. However, regard must be had to the terms of the constitution. The constitution will also determine whether insurance can be paid for by the organisation.

9.3 **Indemnity by the Council:** The Council can provide an indemnity where councillors and officers are acting on an outside body at the request of the Council, and provided:

- the appointment was made by the Council,
- the nomination was made by the Council,
- the appointment was specifically approved for the purpose of the indemnity.

9.4 The indemnity the Council can provide is subject to limitations. In general terms, if a councillor or officer is acting properly, within their powers and in good faith, the power to indemnify will usually apply. However, the Council cannot, for example, provide an indemnity in relation to any action or failure by any councillor or officer which constitutes a criminal offence, or for any action or failure by any councillor or officer which is the result of fraud, or other deliberate wrongdoing or recklessness on their part. When you are serving on an outside body, the Council's indemnity will only apply after any indemnity or insurance from the body itself.

9.5 The Council does not currently have a policy on the provision of indemnities to councillor or officers.

## 10. Code of Conduct – Councillors' Interests

10.1 **Code of Conduct:** When councillors act as representatives of the Council on another *local authority*, they must comply with the other authority's Code of Conduct. However, when Councillors act as the Council's representative on any other sort of outside body, they must comply with the SBDCs Code of Conduct unless it conflicts with the lawful obligations of the other body.

10.2 Councillors have to include their appointment to outside bodies in their register of interests, and advise the Monitoring Officer of any change to those interests within 28 days. Councillors will have a *personal interest* in any business of the Council that relates to or is likely to affect the outside body.

10.3 This means that if you are present at a meeting when an item of business arises which relates to or affects an outside body to which you have been appointed, you must declare that you have a personal interest, and the nature of that interest, before the matter is discussed or as soon as it becomes apparent to you.

10.4 An exemption applies where your interest arises solely from your membership of, or position of control or management on:

- any other body to which you were appointed or nominated by the authority

- any other body exercising functions of a public nature (for example another local authority).

In these exceptional cases, provided that you do not have a prejudicial interest, you only need to declare your interest if and when you speak on the matter.

10.5 You will also have a *prejudicial interest* in Council business affecting the outside body if:

- the matter being considered affects the financial position of the outside body; or
- relates to an approval, consent, licence, permission or registration affecting the outside body e.g. an application for planning permission.

10.6 If you have a prejudicial interest in a matter under discussion you must declare it. You must then leave the meeting room, unless members of the public are allowed to make representations, answer questions or give evidence about the matter. If that is the case, you can make your representations etc., but must leave the room immediately after doing so. The Code of Conduct supports a members' role as a community advocate and enables you, even with a prejudicial interest, to represent your community and speak on issues that are important to them and to you.

10.7 **Bias:** Where you might be inclined to the view that you have no prejudicial interest, your duties as a director, or trustee, or member of a management committee may well be regarded, on an objective assessment, as giving rise to a legitimate fear of lack of impartiality, especially having regard to the desirability of maintaining public confidence. Participation in the decision making at a Council committee meeting by a councillor who is biased potentially invalidates the decision and this is particularly so in relation to planning or licensing decisions. In such circumstances you should seek advice from the Head of Legal and Democratic Services.

## 11. Officers - Registration and Disclosure of Outside Interests

11.1 **Declaring Officer Interests:** Section 117(1) of the Local Government Act 1972 requires that, if it comes to the knowledge of an officer of a local authority, that the Council has entered or proposes to enter into any contract in which they have a pecuniary interest, whether or not they would actually be a party to the contract, the officer must give notice in writing to the Council. This is interpreted as any circumstance in which the officer, or a member of their immediate family, stand to gain or lose financially as a result of the contract.

11.2 **Registration of Interests:** Under the Council's Employees Code of Conduct, officers must declare to their Head of Service any outside appointments. Officers at Grade 5 and above are required to obtain approval from their Head of Service before taking up outside appointments.

## 12. Gifts and Hospitality

12.1 Councillors and officers must not accept gifts or consideration as an inducement for doing or not doing something in their roles as members or officers of the Council. Where officers accept inducements from anyone who has or is seeking a contract with

the Council, the gift or consideration is deemed to have been accepted corruptly unless the officer can prove to the contrary. It is therefore very important to be completely open about any significant gift or hospitality, to avoid the suspicion of misconduct.

- 12.2 Councillors are required by the Code of Conduct to include in their register of interests any gift or hospitality received because of their office with a value of £50 or more. Each directorate keeps a register of Gifts and Hospitality for Officers.
- 12.3 A particular issue arises for officers seconded to work on behalf of outside bodies, as Section 117(2) of the Local Government Act 1972 provides that an officer shall not, under colour of his office or employment, accept any fee or reward whatsoever other than his proper remuneration. It is therefore essential that, where an officer is to be seconded and might be in receipt of any payment from the body to which they are to be seconded, that the Council agree that the officer's proper remuneration shall include any payment to the officer by the outside body.

September 2017

## **Matters to check – questions to ask**

If you are appointed to an outside body, you should be clear about the answers to the following questions. The organisation should be able to respond to these questions:

1. What is the nature of the organisation and its main activities? Is it a company, and if so is it limited by shares or by guarantee? Is it unincorporated? Does it have charitable status?
2. In what capacity do I serve on the outside body? Is the effect of my appointment to make me a member of the company, a director or a charitable trustee?
3. Do I have a copy of the body's governing instrument (this may be a trust deed, a constitution, or memorandum and articles of association)?
4. Does the organisation have a Code of Conduct that I need to comply with? Have I been supplied with a copy?
5. Am I aware of the identity of the other directors, trustees and committee members?
6. Is there an officer of the organisation, such as the secretary or clerk to whom I can refer for advice and information?
7. Are written minutes kept of the meetings, and have I seen the minutes?
8. Are meetings conducted in accordance with the governing instrument?
9. Am I aware of the financial position of the organisation to which I have been appointed? Is it regularly reported to the governing body?
10. Am I aware of any contract between the organisation and the Council?
11. Have I seen the last annual report and accounts?
12. Have I been advised of the main risks the body faces and what steps are taken to deal with such risks?
13. Have I been informed of the main insurances/indemnities held by the organisation?

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**SOUTH BUCKS DISTRICT COUNCIL**

**AUDIT COMMITTEE**

**STANDARDS WORK PROGRAMME**

**2017/2018**

		2017		2018	
	Contact	05.07.17	28.09.17	18.01.18	15.03.18
<b>05.07.17</b>					
<ul style="list-style-type: none"> <li>Complaints Monitoring Report 2016/17</li> <li>Review of Policy on Gifts and Hospitality</li> <li>Appointment of an Independent Person</li> </ul>	Joanna Swift Joanna Swift Joanna Swift	X X X			
<b>28.09.17</b>					
<ul style="list-style-type: none"> <li>Annual Review of Code of Conduct and Complaints Procedure</li> <li>Committee on Standards in Public Life Annual Report</li> <li>Guidance for Councillors and Officers on Outside Bodies</li> </ul>	Joanna Swift Joanna Swift Joanna Swift		X X X		
<b>18.01.18</b>					
<ul style="list-style-type: none"> <li>Update on Standards Framework</li> <li>Committee on Standards in Public Life Consultation on local government standards</li> <li>Review of Guidance on Dispensations</li> </ul>	Joanna Swift Joanna Swift Joanna Swift			X X X	
<b>15.03.18</b>					
<ul style="list-style-type: none"> <li>Review of member training on Standards Issues</li> <li>Work programme 2018/19</li> </ul>	Joanna Swift Joanna Swift			X X	





**South Bucks District Council**

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**Internal Audit Progress Report**

**2017/18**

**Audit Committee – 28 September 2017**

**INTRODUCTION**

1. This summary report provides the Audit Committee with an update on the progress of our work at South Bucks District Council as at 5 September 2017.

**PROGRESS AGAINST THE 2017/18 ANNUAL PLAN**

2. Our progress against the Annual Plan for 2017-18 is set out in Appendix A.

**EMERGING GOVERNANCE, RISK AND INTERNAL CONTROL RELATED ISSUES**

4. We have not identified any emerging risks which could impact on the overall effectiveness of the governance, risk and internal control framework of the organisation.

**AUDITS COMPLETED SINCE THE LAST REPORT TO COMMITTEE**

5. The table below sets out details of audits finalised since our last report to the Audit Committee for the years 2016/17 and 2017/18. Final reports with priority 1 and 2 recommendations are shown at Appendix B.

Review	Evaluation	Key Dates			Number of Recommendations			
		Draft issued	Responses Received	Final issued	1	2	3	OEM*
<b>2016/17</b>								
Contractor – Health and Safety Arrangements	Reasonable	17/05/17	12/07/17	14/07/17	-	1	2	2
ICT – Controls over Access to the Internet	Substantial	03/05/17	03/07/17	04/07/17	-	1	-	-
ICT – Information Risk Management Arrangements	Reasonable	04/05/17	03/07/17	04/07/17	-	2	2	-
ICT – Network Convergence Programme Arrangements	Substantial	08/05/17	03/07/17	04/07/17	-	-	-	1
ICT – Mobile/Agile Working	Substantial	04/05/17	03/07/17	04/07/17	-	1	-	-
<b>2017/18</b>								
Complaints and Compliments	Substantial	26/07/17	14/08/17	15/08/17	-	-	1	-

Disabled Facilities Grant	Substantial	30/06/17	03/07/17	04/07/17	-	-	-	-
Expenses	Substantial	05/07/17	06/07/17	07/07/17	-	-	-	1
Temporary Accommodation	Reasonable	17/08/17	21/08/17	21/08/17	-	3	6	2

**CHANGES TO THE ANNUAL PLAN 2017/18**

6. The following changes have been made to the audit plan for 2017/18

- Temporary Accommodation – an additional 9 days to allow for additional work to be undertaken for this audit.
- Risk Management Assistance – an additional 5 days to allow risk workshops to take place during the year.
- Waste – Health and Safety – an additional 10 day audit
- Farnham Park – Bar – 5 day audit deleted
- Farnham Park – Shop and Stores – 5 Day audit deleted
- Farnham Park – Leases – an additional 6 day audit

**ICT Audits 2017/18**

Following discussions with the Director of Resources and the Head of Business Support, it was agreed that the audit plan should be split into three key areas and within those areas that audit inputs should focus on the immediate issue and risks. The areas are:-

- Technical (ICT) activities;
- ICT Investments; and
- Information governance and management.

The auditable areas will also utilise the joint business strategy for ICT ‘Joint Working’ to inform the audit work to be undertaken and the timings. It was also agreed that other assurance sources would be taken into account when developing audit activity, such as PSN accreditation. This approach ensures that the IT audit input works across both Councils and also focuses on both ICT activities and also the relevant business areas.

Using the above guidelines, for 2017-18, the following ICT audit work is proposed.

Audit	Outline Scope	Days	Priority (indicative Timing)
<b>1. Technical Areas (network infrastructure and associated activities including being fit for purpose and resilient)</b>			
Network Controls	A review of the operating controls over the network infrastructure, including password strength at Active Directory level to provide assurance that the PSN requirements are being met.	7	Q2
Telecomms	A review of the communications provision following the move to a new provider to evaluate the Wi-Fi and the wider WAN replacement.	7	Q3/4
<b>2. ICT Investment / projects (including benefits achievement and determining whether the expected value is being realised in the business)</b>			
Mobile / agile working	A review to identify that the pilot has completed successfully and a model is in place to roll-out to the rest of the business, and that benefits realisation is properly quantified and measured. This review may also include an element of identifying that HR policies, procedures and guidance have been reviewed in light of changes of working practice and staff performance management.	7	Q4
<b>3. Information Governance and Management (including information risk management, data ownership and management, structures and use of information)</b>			
Information and data storage	A follow up review of the manual and electronic data storage / structure mechanisms including the procedures for managing physical information and also that progress is being made on the identification and rationalisation of electronic data storage.	3	Q2
<b>Total</b>		<b>24</b>	

**FRAUDS/IRREGULARITIES**

7. We have not been advised of any frauds or irregularities in the period since the last summary report was issued.

**LIAISON WITH EXTERNAL AUDIT**

8. We liaise with EY and provide reports and working paper files, as required.

**PROGRESS ACTIONING PRIORITY 1 RECOMMENDATIONS**

9. We have made no Priority 1 recommendations (i.e. fundamental control issue on which action should be taken immediately) since the previous Progress Report.

**RISK MANAGEMENT**

11. The Audit Director with TIAA and the Councils Audit, Fraud & Error Reduction Manager have met to discuss progressing Risk Management for both Councils.

The current Risk Procedures/Guidance for Risk Management is being reviewed and progress is being made to display appropriate information on Risk Management throughout both Councils. This will include posters on all notice boards at the main civic offices for South Bucks and Chiltern Councils, as well as data on the Councils intranet and regular items within the Councils all staff Newsletter.

Appropriate training has been developed and will be delivered but has been delayed due to staff absence until October/November 2017 on "Risk Management in a Changing Environment" for all middle managers. This is being incorporated into the current personnel training programme for staff.

**DISCLAIMER**

12. This report has been prepared solely for management's use and must not be recited or referred to in whole or in part to third parties without our prior written consent. The matters raised in this report not necessarily a comprehensive statement of all the weaknesses that exist or all the improvements that might be made. No responsibility to any third party is accepted as the report has not been prepared, and is not intended, for any other purpose. TIAA neither owes nor accepts any duty of care to any other party who may receive this report and specifically disclaims any liability for loss, damage or expense of whatsoever nature, which is caused by their reliance on our report.

## Progress against the Annual Plan for 2017/18




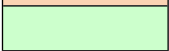
System	Planned Quarter	Days	Current Status	Comments
Governance – Gifts and Hospitality	1	8	Draft report issued July 2017	
Disable Facilities Grants	1	5	Final report issued July 2017	
Cemeteries	1	8	Audit has commenced	In Progress
Harmonised Policies and Procedures	1	8	Draft report issued June 2017	
iTrent Payroll System (HR Module)	1	6	Draft report issued June 2017	
Crematorium - Annual Internal Audit	1	5	Final report issued July 2017	
Expenses	1	8	Final report issued July 2017	
Ground Maintenance	1	8	Audit has commenced	In Progress
Risk Management	1	8	Audit postponed to quarter 3	Audit delayed until after the risk workshops have been delivered
Complaints and Compliments	2	6	Final report issued August 2017	
Temporary Accommodation	2	18	Final report issued August 2017	
Absence Management	2	8	Planned start date 11/09/17	
Purchase Cards	2	8	Audit has commenced	In Progress
Recruitment	3	8	Planned start date 04/12/17	
Main Accounting	3	7	Planned start date 20/09/17	
Payroll	3	12	Planned start date 08/01/18	
Accounts Receivable (Debtors)	3	9	Planned start date 06/11/17	
Accounts Payable (Creditors)	3	9	Planned start date 06/11/17	

System	Planned Quarter	Days	Current Status	Comments
Contracts	3	10		
Information Governance/Data Quality	3	8		
Data Protection	3	8	Audit has commenced	In progress
Business Continuity	3	7		
Emergency Planning	3	6	Draft report being quality reviewed	
Benefits	3	13		
Council Tax Support	3	13		
Council Tax and NDR	3	20	Planned start date 04/12/17	
Cash and Bank	3	8	Planned start date 20/11/17	
Treasury Management	3	8	Planned start date 29/01/18	
ICT – Network Controls	2	7		
ICT - Telecomms	3/4	7		
ICT – Mobile/Agile Working	4	7		
ICT – Information and Data Storage	2	3		
Waste Services (Chiltern, Wycombe and South Bucks)	3	11		
Car Parking	4	7		
Farnham Park - Leases	3/4	6		New Audit
Farnham Park - Bar	3	0 (5)		Audit deleted
Farnham Park – Store and Shop	3	0 (5)		Audit Deleted
Follow up		10		
Risk Management Assistance	ongoing	15		





KEY:

	=	To be commenced
	=	Site work commenced
	=	Draft report issued
	=	Final report issued

## Audits Finalised since last Audit Committee

Title of review: **Contractors Health and Safety**

Date issued: **July 2017**

Rec.	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
2	Compliance	Since the last audit of this area, there has been considerable improvement in the obtaining of Contractor Health & Safety information and the storage of information. Sample testing of 20 contractors indicated that in the majority of cases, general Health and Safety documentation, up to date insurance policies and job specific information was available, and mostly in electronic form and stored on shared drives. However, there were still seven cases where documentation could not be located (including basic Health & Safety policies and/or insurance documentation), either electronically or hard copy.	Officers be reminded of the importance of gathering and appropriately storing all relevant contractor Health & Safety information prior to contractors starting work on site.	2	Agreed – revised processes have now been implemented with all staff made aware.	Complete	Head of Environment

Title of review: **ICT Controls over access to the Internet**

Date issued: **July 2017**

Rec.	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
1	Operational	At the time of our review, evidence of Netsweeper web filtering policies, patch status, administrative rights or appliance password security settings was not available as the Netsweeper utility is administered by a third party.	Management check that adequate security settings have been invoked on the Netsweeper system including web filtering policies, individual administration login credentials and adequate password security settings. Also that the Netsweeper appliance is patched up to date to address all known internet security threats.	2	<i>Accepted. Notice has been served on the current 3<sup>rd</sup> party supplier. Procurement is in progress to identify a new supplier.</i>	30/11/17	HoBS

Title of review: **ICT Information Risk Management**

Date issued: **July 2017**

Rec.	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
2	Compliance	The inclusion of non-electronic information in the process for data management and storage.	A project identified to manage non-electronic information include storage, retention, logging of content and destruction processes.	2	<i>Following the work to eliminate off site storage, rationalise and reorganise on site procedures have been put in place to log and control access to non-electronic information, including retention and disposal processes.</i>	31/05/17	Facilities Manager
3	Operational	The prevalence of unstructured data being stored in personal files / folders.	A project to sweep the personal files / folders to identify and quantify the extent of unstructured data be started with a view to clearing file space and educating users to store documents appropriately. The use of a tool such as SharePoint document management be considered.	2	<i>This is something that is on the forward work programme for IGG. Staff do receive training on appropriate storage of documents in all formats.  Audits have been taken to quantify the extent of unstructured data being stored on the network.  The use of a tool such as SharePoint is being considered but will be a large project to implement.</i>	31/03/19	Head of Business Support

Title of review: **ICT Mobile/Agile Working**

Date issued: **July 2017**

Rec.	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
1	Compliance	<p>Examination of the MobileIron device security policy confirmed that password and account lockout settings were invoked on all mobile devices:</p> <p>However, for user access to the MobileIron master console, audit testing disclosed that the system was administered via a single generic 'admin' account, which contravenes CES security guidelines and removes any accountability for changes to iPad security settings.</p>	MobileIron system administrators be allocated individual and uniquely identifiable userids.	2	<p><i>The ICT Service Desk Supervisor confirmed that MobileIron will only allow strong passwords and did not disclose the admin password during the audit.</i></p> <p><i>He confirmed that the admin id is being used generically and that individual admin equivalent ids will be created for all staff that requires access to the MobileIron console.</i></p>	<p><i>User id admin to be replaced by individual admin equivalent ids by 31.05.2017</i></p> <p><i>This has now been completed</i></p>	ICT Service Desk Supervisor

Title of review: **Temporary Accommodation**

Date issued: **August 2017**

Rec.	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
4	Compliance	Sample testing highlighted a number of cases where there were gaps with SBDC monthly rent statements not being issued to clients. It was indicated that this was due to a period of absence of the Finance Manager, with resources not available to cover this process in their absence.	SBDC rent statements to be issued on a monthly basis in all cases in accordance with agreed procedures. Action to be taken to ensure that appropriate resources are in place to cover periods of absence of key officers involved in the recovery process.	2	<i>Agreed. Cover arrangements are now in place.</i>	<i>Implemented</i>	<i>Finance Manager</i>
5	Compliance	There is no clear guidance in place as to the escalation mechanisms and the point at which SBDC will evict clients for non-payment of rent contributions. This is a complex decision making process and requires balancing with the Council's legal duties towards the clients and the individual circumstances of each case. However, without any clear guidance on when eviction can occur the accommodation costs incurred by the Council will continue to escalate with little or no contributions being made by clients.	Guidance to be developed in relation to eviction of SBDC clients with rent arrears to ensure that accommodation costs do not escalate with little prospect of recovering contributions from clients.	2	<i>Agreed.</i>	<i>30/09/17</i>	<i>Housing Manager</i>

Rec.	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
9	Compliance	It was evident from reviewing the temporary accommodation processes that it is time consuming for all officers involved, particularly in relation to the South Bucks cost recovery process. Given the level of payments being recovered from clients, the costs incurred in recovering such payments should be subject to analysis to ensure that it is cost effective to pursue these debts.	Cost benefit analysis to be undertaken to ensure that it is cost effective to pursue B&B debts.	2	Agreed.	30/09/17	Head of Finance

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## Chiltern & South Bucks District Councils

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### Follow-up Review of 2016/17 Internal Audit Reports

2016/17

## Executive Summary

### INTRODUCTION

- This follow up review by TIAA established the management action that has been taken in respect of the priority 1, 2 and 3 recommendations arising from the internal audit reviews listed below at Chiltern & South Bucks District Councils, which had been finalised during 2016/17 (with a cut-off date of 15 May 2017). Unless otherwise specified, these were joint audit reviews for both Chiltern & South Bucks. This follow up review was carried out during May and June 2017.

Figure 1 – Reviews followed up

Review	Year	Date of Final Report
Payroll	2015/16	18 May 2016
Cash & Bank	2015/16	19 May 2016
Housing: Section 106	2015/16	27 May 2016
Data Protection	2015/16	2 September 2016
Network Transition	2015/16	8 September 2016
Updata Contract	2015/16	16 September 2016
Planning Enforcement (SBDC only)	2015/16	21 September 2016
Governance (Transparency Code)	2015/16	27 September 2016
Purchasing Cards	2016/17	10 June 2016
Disabled Facilities Grants	2016/17	20 July 2016
Information Governance/Data Quality	2016/17	11 October 2016
Licensing	2016/17	13 October 2016

Review	Year	Date of Final Report
Budgetary Control	2016/17	28 October 2016
Expenses	2016/17	10 November 2016
Environmental Health	2016/17	14 December 2016
Main Accounting	2016/17	11 January 2017
Energy Efficiency Grant	2016/17	8 February 2017
Debtors	2016/17	13 February 2017
Chiltern Crematorium (CDC only)	2016/17	24 February 2017
Payroll	2016/17	24 February 2017
Stock Control – South Buckinghamshire Golf Club (SBDC only)	2016/17	2 March 2017
Council Tax & NDR (CDC only)	2016/17	16 March 2017
Housing Benefits & Council Tax Support (CDC only)	2016/17	18 March 2017
Property & Asset Management	2016/17	18 March 2017
Housing Benefits & Council Tax Support (SBDC only)	2016/17	21 March 2017
Treasury Management Practices	2016/17	27 March 2017
Procurement	2016/17	28 March 2017
Governance	2016/17	4 April 2017

Review	Year	Date of Final Report
Car Parking Income	2016/17	5 April 2017
Health & Safety (internal arrangements)	2016/17	5 April 2017
Council Tax & NDR (SBDC only)	2016/17	4 May 2017
Fighting Fraud Locally: CIPFA checklist report	2016/17	15 May 2017

**KEY FINDINGS**

- The follow up review considered whether the management action taken addresses the control issues that gave rise to the recommendations. The implementation of these recommendations can only provide reasonable and not absolute assurance against misstatement or loss. From the work carried out the following evaluations of the progress of the management actions taken to date have been identified.

Evaluation	Number of Recommendations
Implemented	40
In Process of Being Implemented	3
Revised Target Date	4
Considered but not Implemented	-
Implementation Date not yet Reached	15
Not Implemented	-

- Where recommendations are in the process of being implemented or have a revised target date, these will continue to be monitored during 2017/18. Details relating to the specific recommendations in these cases have been included in the Detailed Report section below.
- For the 40 recommendations that have been confirmed as implemented, no further action is necessary and specific details have not been included in this report. For the 15 recommendations which have not yet reached their implementation date, no action was required at this time and, as such, specific details have not been included in this report. These recommendations will continue to be periodically monitored during 2017/18 as they reach their intended implementation dates.

**SCOPE AND LIMITATIONS OF THE REVIEW**

- 5. The review considers the progress made in implementing the recommendations made in the previous internal audit reports and to establish the extent to which management has taken the necessary actions to address the control issues that gave rise to the internal audit recommendations.
- 6. The responsibility for a sound system of internal controls rests with management and work performed by internal audit should not be relied upon to identify all strengths and weaknesses that may exist. Neither should internal audit work be relied upon to identify all circumstances of fraud or irregularity, should there be any, although the audit procedures have been designed so that any material irregularity has a reasonable probability of discovery. Even sound systems of internal control may not be proof against collusive fraud
- 7. For the purposes of this review reliance was placed on management to provide internal audit with full access to staff and to accounting records and transactions and to ensure the authenticity of these documents.

**RELEASE OF REPORT**

- 8. The table below sets out the history of this report.

<b>Date draft report issued:</b>	15 <sup>th</sup> June 2017
<b>Date management responses recd:</b>	
<b>Date final report issued:</b>	

## Detailed Report

### FOLLOW UP

9. Management representations were obtained on the action taken to address the recommendations. Only limited testing has been carried out to confirm these management representations. The following matters were identified in considering the recommendations that have not been fully implemented:

#### Review: Housing: Section 106

##### From the review of the documentation and checks carried out the assessment is:

Implemented	-	Considered but not Implemented	-
In Process of Being Implemented	1	Implementation Date not yet Reached	-
Revised Target Date	-	Not Implemented	-

#### Recommendation:

Priority: 3

Quarterly reports on section 106 financial contributions to be produced for CDC Cabinet in accordance with the provisions of the CDC Affordable Housing SPD.

#### Action taken:

In Process of Being Implemented.

#### Audit Observation:

It was confirmed by the Housing Manager that quarterly reporting to CDC Cabinet has not yet been fully implemented; updates have been reported informally to the CDC Affordable Housing Member Working Group which meets every 2 to 3 months and includes Cabinet Members.

The Housing Manager has scheduled a report to be made to Cabinet on 19th September 2017 and will subsequently submit reports to the formal Cabinet on a quarterly basis if Members confirm that they wish to receive the reports on this basis.

**Review: Data Protection**

**From the review of the documentation and checks carried out the assessment is:**

<b>Implemented</b>	-	<b>Considered but not Implemented</b>	-
<b>In Process of Being Implemented</b>	1	<b>Implementation Date not yet Reached</b>	-
<b>Revised Target Date</b>	2	<b>Not Implemented</b>	-

<b>Recommendation:</b>	<b>Priority: 2</b>
The need for information sharing protocols between Chiltern and South Bucks Councils be investigated and addressed.	
<b>Action taken:</b>	
<b>Revised Target Date – 28/02/18</b>	
<b>Audit Observation:</b>	
It was confirmed by the Corporate Information Manager that a data sharing conference is planned for February 2018 with a GDPR updated Bucks Overarching Data Sharing Protocol.	

<b>Recommendation:</b>	<b>Priority: 2</b>
Additional resource be identified for managing subject access requests as a backup or for managing peaks in this activity.	
<b>Action taken:</b>	
<b>Revised Target Date – 22/06/18</b>	
<b>Audit Observation:</b>	
It was confirmed by the Corporate Information Manager that DSARS training will be developed post implementation of the GDPR and delivered to the IAAs thus corporately increasing the skill set.	

<b>Recommendation:</b>	<b>Priority: 3</b>
Data security and confidentiality training be made compulsory and be regularly (say annually) received with evidence of attendance maintained.	
<b>Action taken:</b> In Process of Being Implemented.	
<b>Audit Observation:</b> The joint policy for Data Protection (published on the intranet) stipulates that DP induction training is mandatory for all and annual refresher training takes place. HR have been reviewing software that keeps training record tracking. It was confirmed by the HR Manager that that they continue to work on developing the functionality of the existing Learning Pool software in order to allow for this facility but this requires several more months work. In the meantime attendance at DP will continue to be recorded on a spreadsheet. It is expected that the development of this functionality should be completed by the end of September 2017.	

**Review: Governance (Transparency Code)**

From the review of the documentation and checks carried out the assessment is:			
Implemented	-	Considered but not Implemented	-
In Process of Being Implemented	1	Implementation date not yet Reached	-
Revised Target Date	-	Not Implemented	-



<b>Recommendation:</b>	<b>Priority: 2</b>
<p>A web page specifically for the Transparency Code be developed by each council that lists all fifteen areas of the Code which either has links to other pages where the data can be found or explains why the data is not available.</p>	
<p><b>Action taken:</b>  <b>In Process of Being Implemented.</b></p>	
<p><b>Audit Observation:</b>          It was confirmed by the Corporate Information Manager that work started on this process in June 2016. Trade Union data has been provided by HR and Customer Services are due to publish Fraud data in July 2017. Work is currently ongoing towards the 2016-2018 code. A finalised code has not produced by central government, therefore a target date is not possible to define currently.</p>	

**Review: Purchasing Cards**

From the review of the documentation and checks carried out the assessment is:			
<b>Implemented</b>	<b>3</b>	<b>Considered but not Implemented</b>	<b>-</b>
<b>In Process of Being Implemented</b>	<b>-</b>	<b>Implementation Date not yet Reached</b>	<b>-</b>
<b>Revised Target Date</b>	<b>2</b>	<b>Not Implemented</b>	<b>-</b>

<b>Recommendation:</b>	<b>Priority: 3</b>
Procedures relating to the use of purchase cards for expense items to be clarified.	
<b>Action taken:</b>	
<b>Revised Target Date – 31/08/17</b>	
<b>Audit Observation:</b>	
<p>It was confirmed by the Finance Manager that a report was taken to Management Team to stop the use of purchasing-cards for professional fees. Management Team did not accept the change and elected to keep the current process. Guidance will now be reviewed as a result.</p> <p>This will be reviewed again as part of the 2017/18 audit of this area.</p>	

<b>Recommendation:</b>	<b>Priority: 3</b>
Consistent approach to be taken for payment of employee subscriptions to ensure that payments which constitute benefits in kind are identified so that they are recorded on staff P11d's.	
<b>Action taken:</b>	
<b>Revised Target Date – 31/08/17</b>	
<b>Audit Observation:</b>	
<p>It was confirmed by the Finance Manager that a report was taken to Management Team to stop the use of purchasing-cards for professional fees. Management Team did not accept the change and elected to keep the current process. Guidance will now be reviewed as a result.</p> <p>This will be reviewed again as part of the 2017/18 audit of this area.</p>	

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**South Bucks District Council**

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**Internal Audit Comparison of Assurance Levels Report**

**2017/18**

**Audit Committee – 28 September 2017**

**INTRODUCTION**

1. The following report provides a comparison of assurance levels over time so that the Audit Committee can see any trends arising. This is particularly important given the prolonged austerity measures and the joint working arrangements which have been developed with Chiltern DC.

**COMPARISON OF ASSURANCE LEVELS BETWEEN 2012/13 TO 2016/17**

2. The comparison of the assurance levels between 2012/13 to 2016/17 are shown in table 1 below.

**Table 1**

Audit Area	Assurance Level 2012/13	Assurance Level 2013/14	Assurance Level 2014/15	Assurance Level 2015/16	Assurance Level 2016/17	Comment
Insurance	Substantial	-	-			
Housing Options	Substantial	-	-			
Gifts Hospitality Interests Expenses	Substantial	-	-			
Renovation/Community Grants	Substantial	-	-	Substantial		
Chilterns Crematorium	Substantial	Reasonable	Substantial			
Data Quality	Substantial	Reasonable	-			

Audit Area	Assurance Level 2012/13	Assurance Level 2013/14	Assurance Level 2014/15	Assurance Level 2015/16	Assurance Level 2016/17	Comment
Risk Management	Substantial	Reasonable	-	Reasonable		
Creditors	Substantial	Reasonable	Substantial	Reasonable	Substantial	
ICT Uniform IT Application	Limited	-	-			
ICT Civica Open Revenues IT Application	Substantial	-	-			
ICT Mobile Computing/Working	Substantial	-	-		Substantial	
Contracts	Substantial	Reasonable	-	Reasonable		
Main Accounting	Substantial	Reasonable	Reasonable	Substantial	Substantial	
Treasury Management	Substantial	Substantial	Substantial	Substantial		
NDR	Substantial	Substantial				Now combined with Council Tax

Audit Area	Assurance Level 2012/13	Assurance Level 2013/14	Assurance Level 2014/15	Assurance Level 2015/16	Assurance Level 2016/17	Comment
Payroll	Substantial	Reasonable	Substantial	Substantial	Substantial	
Council Tax and NDR (SBDC)	Substantial	Substantial	Substantial	Reasonable	Substantial	
Council Tax and NDR (CDC)	Substantial	Substantial	Substantial	Reasonable	Substantial	
Local Land Charges	Full	-	-			
Sundry Debtors	Substantial	Limited	Reasonable	Reasonable	Reasonable	
Housing and Council Tax Benefits	Substantial	Reasonable	Substantial	Substantial	Substantial	Now combined with Council Tax Support
Income Management	Substantial	-	-			
Managing the Risk of Fraud	Substantial	-	Reasonable			

Audit Area	Assurance Level 2012/13	Assurance Level 2013/14	Assurance Level 2014/15	Assurance Level 2015/16	Assurance Level 2016/17	Comment
Car Parking	Substantial	Substantial	Substantial	Substantial	Substantial	
Corporate Governance	Substantial	-	Reasonable	Reasonable	Substantial	
Web Content Management System	Limited	-	-			
Budgetary Control		Substantial	-	Substantial	Substantial	
Recruitment		Substantial	-			
Joint Working		Substantial	Reasonable	Substantial		
Cash and Bank		Substantial	Reasonable	Substantial	Substantial	
Council Tax Support		Substantial	Substantial		Substantial	
Environmental Health		Reasonable			Substantial	

Audit Area	Assurance Level 2012/13	Assurance Level 2013/14	Assurance Level 2014/15	Assurance Level 2015/16	Assurance Level 2016/17	Comment
Emergency Planning		Reasonable	-			
Integra		Reasonable	-			
Cemeteries		Reasonable	-			
Housing Section 106		Reasonable	-	Substantial		
Waste Collection		Reasonable	-	Substantial		South Bucks only for 15/16
Absence Management			Substantial			
Licensing			Reasonable		Substantial	
Procurement			Reasonable		Reasonable	



Audit Area	Assurance Level 2012/13	Assurance Level 2013/14	Assurance Level 2014/15	Assurance Level 2015/16	Assurance Level 2016/17	Comment
Health and Safety Contractor Arrangements			Reasonable		Reasonable	
Grounds Maintenance			Reasonable			
ICT Strategy, Policies and Procedures			Substantial			
ICT Changes Management			Substantial			
ICT & Information Risk Management			Reasonable		Reasonable	
ICT Programme Management/Project Control			Substantial	Substantial		
Building Control				Reasonable		
Housing Allocations/Homelessness				Reasonable		
Electoral Registration				Substantial		
Freedom of Information						

Audit Area	Assurance Level 2012/13	Assurance Level 2013/14	Assurance Level 2014/15	Assurance Level 2015/16	Assurance Level 2016/17	Comment
				Reasonable		
ICT Data Protection				Reasonable		
ICT Updata				Reasonable		
Expenses					Reasonable	
Health and safety – Internal Arrangements					Reasonable	
ICT Access to the Internet					Substantial	
ICT Network Convergence Project					Substantial	
Information Governance					Substantial	
Leisure					Substantial	
Asset Management					Reasonable	
Purchasing Cards					Reasonable	

3. **Summary of Assurance levels:**

	2012/13	2013/14	2014/15	2015/16	2016/17
<b>Full</b>	1	-	-	-	-
<b>Substantial</b>	22	9	9	13	18
<b>Reasonable</b>	N/A	14	10	11	8
<b>Limited</b>	2	1	-	-	-

4. It should be noted that Deloitte undertook the 2012/13 audits and they did not use the assurance level “reasonable”. They also included “full” assurance which is not used by TIAA. At this time there is no indication that the overall control framework at South Bucks has significantly reduced as a result of the joint working with Chiltern Council and the transformation arising from the many service reviews. Further trends will be undertaken at the end of 2017/18 financial year.

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## Chiltern and South Bucks District Councils

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### Assurance Review of Temporary Accommodation

2017/18

## Executive Summary

<p><b>OVERALL ASSURANCE ASSESSMENT</b></p> 	<p><b>OVERALL CONCLUSION</b></p> <ul style="list-style-type: none"> <li>• Guidance needs to be developed in relation to eviction of SBDC B&amp;B clients with rent arrears to ensure that accommodation costs do not escalate with little prospect of recovering contributions from clients.</li> <li>• The SBDC cost recovery process is time consuming for all officers involved. The level of payments being recovered from clients and the costs incurred in recovering such payments should be subject to analysis to ensure that it is cost effective to pursue these debts.</li> <li>• Given the increasing number of B&amp;B cases, options for procuring a small-scale dedicated rent management system should be explored to ensure client accounts can be managed efficiently and effectively.</li> </ul>								
<p><b>RATIONALE AND SCOPE</b></p> <p>The aim of the review was to assess the adequacy and effectiveness of the internal controls in place in the Councils for the management of Temporary Accommodation for homeless applicants.</p>	<p><b>ACTION POINTS</b></p> <table border="1" data-bbox="1205 946 2045 1102"> <thead> <tr> <th>Urgent</th> <th>Important</th> <th>Routine</th> <th>Operational</th> </tr> </thead> <tbody> <tr> <td>0</td> <td>3</td> <td>6</td> <td>2</td> </tr> </tbody> </table>	Urgent	Important	Routine	Operational	0	3	6	2
Urgent	Important	Routine	Operational						
0	3	6	2						

## Management Action Plan - Priority 1, 2 and 3 Recommendations

Rec.	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
4	Compliance	Sample testing highlighted a number of cases where there were gaps with SBDC monthly rent statements not being issued to clients. It was indicated that this was due to a period of absence of the Finance Manager, with resources not available to cover this process in their absence.	SBDC rent statements to be issued on a monthly basis in all cases in accordance with agreed procedures. Action to be taken to ensure that appropriate resources are in place to cover periods of absence of key officers involved in the recovery process.	2	Agreed. Cover arrangements are now in place.	Implemented	Finance Manager
5	Compliance	There is no clear guidance in place as to the escalation mechanisms and the point at which SBDC will evict clients for non-payment of rent contributions. This is a complex decision making process and requires balancing with the Council's legal duties towards the clients and the individual circumstances of each case. However, without any clear guidance on when eviction can occur the accommodation costs incurred by the Council will continue to escalate with little or no contributions being made by clients.	Guidance to be developed in relation to eviction of SBDC clients with rent arrears to ensure that accommodation costs do not escalate with little prospect of recovering contributions from clients.	2	Agreed.	30/09/17	Housing Manager

PRIORITY GRADINGS

**1 URGENT** Fundamental control issue on which action should be taken immediately.

**2 IMPORTANT** Control issue on which action should be taken at the earliest opportunity.

**3 ROUTINE** Control issue on which action should be taken.

Rec.	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
9	Compliance	It was evident from reviewing the temporary accommodation processes that it is time consuming for all officers involved, particularly in relation to the South Bucks cost recovery process. Given the level of payments being recovered from clients, the costs incurred in recovering such payments should be subject to analysis to ensure that it is cost effective to pursue these debts.	Cost benefit analysis to be undertaken to ensure that it is cost effective to pursue B&B debts.	2	Agreed.	30/09/17	Head of Finance
1	Compliance	It was noted that there are no formal targets or any formal monitoring of decision timeframes to ensure that any delays in the assessment process are reasonable.	Target timeframes for duty decisions to be established and monitored through system flags/reports to enable senior officers to better assess reasons for any delays.	3	Agreed.	31/10/17	Housing Manager

PRIORITY GRADINGS

**1 URGENT** Fundamental control issue on which action should be taken immediately.

**2 IMPORTANT** Control issue on which action should be taken at the earliest opportunity.

**3 ROUTINE** Control issue on which action should be taken.



Rec.	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
2	Compliance	The initial TA placement process is the same for both Councils. It was noted, however, that separate procedures are still in place and different forms are still being used across the two Councils despite it being a shared service. In addition, a number of the forms used for the TA placement process appear to be duplicating information and creating unnecessary additional workload. Standardised letters to clients have begun to be developed, however testing indicated an inconsistent approach to the information included in letters and emails to clients, particularly in relation to payment requirements, methods of payment and consequences of non-payment in SBDC cases.	Procedures and forms to be standardised for the two authorities, with standardised wording to be introduced for all communication with clients, in particular in relation to payment responsibilities, methods of payment and consequences of non-payment.	3	Currently separate procedures in CDC and SBDC, where possible forms will be standardised.	31/10/17	Housing Manager

PRIORITY GRADINGS

**1 URGENT** Fundamental control issue on which action should be taken immediately.

**2 IMPORTANT** Control issue on which action should be taken at the earliest opportunity.

**3 ROUTINE** Control issue on which action should be taken.

Rec.	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
3	Compliance	In general, the records being maintained on the Locata system were thorough, with audit trails of documentation and communication with clients being easy to follow. In four of the cases tested, however, a full audit trail was not in place on the Locata system attaching all relevant TA placement documents (including 2 SBDC cases where a signed version of the B&B placement letter outlining the client's payment responsibilities was not on file).	Officers to be reminded of the importance of ensuring all relevant documentation is obtained and retained on file. A checklist could be incorporated into the process to help ensure that all documentation is retained.	3	Agreed.	30/09/17	Housing Manager
6	Compliance	Discussions with the Senior Housing Options Officer indicated that the SBDC B&B letter may only be issued on placement into B&B and refers to the obligation to pay for that particular accommodation. Often the client will move around different providers, but subsequent letters may not be issued with a new declaration for them to sign, or if they are issued it is very difficult at this point to ensure that the client returns a signed version.	South Bucks B&B letter to be updated to make reference to the client's requirement to pay a contribution towards the cost of the initial accommodation provided, as well as any subsequent B&B or other nightly paid accommodation provided.	3	Agreed.	30/09/17	Housing Manager

PRIORITY GRADINGS

**1 URGENT** Fundamental control issue on which action should be taken immediately.

**2 IMPORTANT** Control issue on which action should be taken at the earliest opportunity.

**3 ROUTINE** Control issue on which action should be taken.

Rec.	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
7	Compliance	A master monitoring spreadsheet has been created to act as the key monitoring tool for South Bucks B&B cases. Given the continued increase in the number of B&B cases and the complexity involved, managing these cases through the use of a spreadsheet is not an optimal solution.	Options for procuring a small-scale dedicated rent management system to be explored to ensure client accounts can be managed efficiently and effectively.	3	Agreed.	31/10/17	Head of Finance
8	Compliance	It was noted that the draft SBDC recovery procedure refers to the requirement for meeting outcomes and action points to be recorded on the Locata journal notes for each applicant. This process is not currently in place; as the Locata system acts as the key case management tool, all relevant notes should be included on the Locata journals in order to ensure that a full audit trail is maintained.	Outcomes from monitoring meetings and action taken to be recorded on the case notes for each applicant to ensure a full audit trail is maintained.	3	Agreed.	31/10/17	Housing Manager

PRIORITY GRADINGS

**1 URGENT** Fundamental control issue on which action should be taken immediately.

**2 IMPORTANT** Control issue on which action should be taken at the earliest opportunity.

**3 ROUTINE** Control issue on which action should be taken.

## Operational Effectiveness Matters

Ref	Risk Area	Item	Management Comments
1	Compliance	Consideration to be given to delegating responsibility for duty decisions to case officers in straightforward cases to reduce the time taken when assessing homeless applications.	<i>Agreed.</i>
2	Compliance	Key officers to be given access to all relevant systems in order to allow direct access to relevant information and to streamline the sharing of information across departments and systems.	<i>Agreed. The Housing Team have already been given access to the Revenues &amp; Benefits system.</i>

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Agenda Item 11

ADVISORY NOTE

Operational Effectiveness Matters need to be considered as part of management review of procedures, rather than on a one-by-one basis

## Detailed Findings

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### INTRODUCTION

1. This review was carried out in July and August 2017 as an additionally requested piece of internal audit work for 2017/18. Based on the work carried out an overall assessment of the overall adequacy of the arrangements to mitigate the key control risk areas is provided in the Executive Summary.

### BACKGROUND

2. When a homeless application is made, if it is considered that the applicant is actually homeless at the time and appears to be in priority need, each Council has a statutory duty to provide interim temporary accommodation while the application is assessed. Where possible, the Councils will avoid placing households in B&B accommodation, however, high demand for temporary accommodation means that the Councils often have no other option than to use B&B placements in order to meet their statutory duty.
3. Where B&B and other nightly paid self-contained accommodation is utilised, the accommodation providers are paid directly by the Councils. Section 206(2) of the Housing Act 1996 allows the Councils to require a client to pay a "reasonable amount" in respect of any sums paid by the Councils to secure accommodation for that client. Chiltern DC covers the full cost of the placement out of its Homelessness budget, which may be offset by any award of Housing Benefit. No contribution is required from the applicant towards the cost of the accommodation.
4. In contrast, South Bucks DC requires a contribution from the client in addition to any Housing Benefit received. Historically, this has required the client to make contributions for the shortfall between their Housing Benefit award (if any) and the full cost of the accommodation charge (e.g. £50 per night). Recent case law led to this approach being questioned as the higher charge may be subject to challenge as unreasonable on the grounds of affordability for the client. Since February 2017, the amount re-charged to clients has been a flat fee of £25 per night, regardless of the actual cost of the accommodation or the circumstances of the applicant. This means that the applicant will be required to make contributions to South Bucks for any shortfall between their Housing Benefit award and the £25 per night charge. All references to "rent" in this report should be taken to mean the amounts being charged by South Bucks under Section 206(2).
5. Two recent large write-offs of B&B arrears for South Bucks have highlighted how costs to the Council can escalate if the income from Housing Benefits and client contributions is not maximised. As a result, from June 2016 the Housing, Finance and Revenues & Benefits Teams have introduced a new corporate process for managing B&B placements for South Bucks in order to avoid a repeat of the issues that gave rise to the large debts. In addition to the introduction of the lower flat fee, new procedures have been put in place to ensure that clear and up to date information is being recorded, shared and regularly monitored by all relevant teams, and that applicants are provided with regular, clear information in relation to their payment responsibilities and the consequences of non-payment.
6. The purpose of this review has been to assess the procedures in place across both Councils for the placement of households in Temporary Accommodation and the ongoing case management, in order to ensure that costs to the Councils are minimised. Particular focus has therefore been placed on analysing the implementation of the new procedures for cost recovery for South Bucks, although a wider review of procedures across the two Councils has also been carried out.

**MATERIALITY**

7. Figures for annual B&B/other nightly paid accommodation costs for 2016/17 are as follows:

	Expenditure on placements	Recovered through Housing Benefit subsidy	Recoverable through client charges	Net expenditure on placements
South Bucks	£919,777	£290,685	£168,710 (after taking into account the 16/17 bad debt provision of £59,926, this figure incorporates actual amounts received plus arrears still being pursued with reasonable expectation of recovery)	£460,382
Chiltern	£172,456	£62,902	£0	£109,554

**KEY FINDINGS & ACTION POINTS**

8. The key control and operational practice findings that need to be addressed in order to strengthen the control environment are set out in the Management and Operational Effectiveness Action Plans. Recommendations for improvements should be assessed for their full impact before they are implemented.

**SCOPE AND LIMITATIONS OF THE REVIEW**

9. To assess the adequacy and effectiveness of the internal controls in place in the Councils for the management of Temporary Accommodation for homeless applicants. While the review has focused on the use of B&B and other nightly paid accommodation, the use of Temporary Accommodation in general has been reviewed and the following key areas have been considered:

- A programme is in place to ensure sufficient numbers of Temporary Accommodation units are available;
- Appropriate policies and procedures are in place for managing Temporary Accommodation, e.g. initial placement of individuals, case monitoring, billing/payments, moving on to settled accommodation, eviction.
- Temporary accommodation is only used when no other housing solutions are available (including using B&B only as a last resort);
- The information provided to homeless applicants is clear, and sets out Temporary Accommodation payment responsibilities and options for assistance (e.g. Housing Benefit).
- Expenditure is being controlled appropriately and value for money is being obtained;
- Appropriate procedures are in place to determine what the client’s contribution should be, who is involved in this and how it is reviewed;
- All income due to the Councils is recovered, with appropriate procedures in place to deal with accounts in arrears;

- Adequate liaison is in place between Housing and Benefits teams to ensure those placed in temporary accommodation promptly apply for benefits and provide all relevant information in order to maximise Housing Benefit and minimise costs to the Council and the client;
  - Budgets are appropriately monitored and effective action taken where significant variances are highlighted;
  - Appropriate performance indicators are in place and regularly reviewed; and
  - Management are provided with regular updates on the performance of the service in order to be able to take action to address any issues identified.
10. The review has focused on the use of Temporary Accommodation during or following a homelessness duty decision being made. The scope of the review does not include an assessment of the reasonableness of individual homelessness duty decisions.
11. The definition of the type of review, the limitations and the responsibilities of management in regard to this review are set out in the Annual Plan.

**DISCLAIMER**

12. The matters raised in this report are only those that came to the attention of the auditor during the course of the internal audit review and are not necessarily a comprehensive statement of all the weaknesses that exist or all the improvements that might be made. This report has been prepared solely for management's use and must not be recited or referred to in whole or in part to third parties without our prior written consent. No responsibility to any third party is accepted as the report has not been prepared, and is not intended, for any other purpose. TIAA neither owes nor accepts any duty of care to any other party who may receive this report and specifically disclaims any liability for loss, damage or expense of whatsoever nature, which is caused by their reliance on our report.

**RISK AREA ASSURANCE ASSESSMENTS**

13. The definitions of the assurance assessments are:

<b>Substantial Assurance</b>	There is a robust system of internal controls operating effectively to ensure that risks are managed and process objectives achieved.
<b>Reasonable Assurance</b>	The system of internal controls is generally adequate and operating effectively but some improvements are required to ensure that risks are managed and process objectives achieved.
<b>Limited Assurance</b>	The system of internal controls is generally inadequate or not operating effectively and significant improvements are required to ensure that risks are managed and process objectives achieved.
<b>No Assurance</b>	There is a fundamental breakdown or absence of core internal controls requiring immediate action.

**ACKNOWLEDGEMENT**

14. We would like to thank staff for their co-operation and assistance during the course of our work.

**RELEASE OF REPORT**

15. The table below sets out the history of this report.

Date draft report issued:	11 <sup>th</sup> August 2017
Date management responses received:	17 <sup>th</sup> August 2017
Date final report issued:	21 <sup>st</sup> August 2017



15. The following matters were identified in reviewing the Key Risk Control Objective:

**Directed Risk: Failure to direct the process through approved policy & procedures.**

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**Background**

- 15.1 Chiltern and South Bucks operate a shared housing service which includes a shared housing options and homelessness service.
- 15.2 Each Council has a statutory duty to secure that accommodation is available to homeless persons who meet certain eligibility criteria. When a homeless application is made, if it is considered that the applicant is actually homeless at the time and appears to be in priority need (for example a person with dependent children), then there is an additional duty under section 188 of the Housing Act 1996 to provide interim temporary accommodation while the application is assessed.
- 15.3 Following assessment of the case, if the Council decides that all eligibility criteria are met and it has a full duty towards the applicant, it must ensure that housing is available for the applicant. This duty is satisfied in practice by securing temporary accommodation for the immediate future, with applicants registered with Bucks Home Choice in order to bid on suitable properties for permanent accommodation as and when they become available. There is no time limit on this duty, however the duty will come to an end if: (i) the applicant accepts an offer of accommodation via the Bucks Home Choice scheme, (ii) the applicant refuses a suitable offer of accommodation, or (iii) the applicant loses the temporary accommodation that was provided (e.g. evicted for rent arrears).
- 15.4 If, following assessment of the case, the applicant does not meet all the required eligibility criteria then the Council will not have a duty to make sure that housing is available. It is required, however, to arrange housing for a reasonable period to allow the applicant to make their own housing arrangements (in practice the applicant is typically provided with temporary accommodation for a further 14-28 days).
- 15.5 Every applicant has the right to request for a review of the decision that has been made on their application. Review requests must be made to the Council within 21 days of the decision being received by the applicant. The review will be undertaken by a senior officer of the Council who was not involved in the original decision. If the review decision goes against the applicant, there is a further right of appeal to the County Court on a point of law. Any appeal must be brought within 21 days of the review decision.

**Temporary Accommodation Options**

- 15.6 Demand for temporary accommodation in both districts has increased significantly over the last two years, which is also reflective of a national trend for increasing numbers of temporary accommodation placements. Such higher levels are expected to continue, and the coming into force of the Homelessness Reduction Act may also result in the Councils facing increased demands for temporary accommodation.
- 15.7 Chiltern DC has an agreement in place with Paradigm Housing Group to assist the Council in meeting its statutory obligations by providing temporary accommodation at Tom Scott House (20 units of self-contained interim accommodation). Where Tom Scott House is fully occupied, Paradigm will try to assist the Council by making other dwellings within its stock available as interim accommodation.

- 15.8 If no self-contained temporary accommodation is available for a household on the date that the household becomes homeless then CDC will secure B&B accommodation. Rooms are booked as and when and are charged on a nightly rate. If no B&B accommodation is available then CDC may have to utilise hotel accommodation on a short term basis until B&B or other alternative temporary accommodation becomes available.
- 15.9 Unlike Chiltern, South Bucks does not have any designated temporary accommodation to meet its statutory duties. It is reliant on B&B accommodation, L&Q properties let on a temporary basis (approximately 15 units at any one time), and other opportunities that become available (for example the Council is currently able to utilise vacant former police houses in Gerrards Cross and vacant L&Q-owned student accommodation in Wycombe, although these units could be withdrawn at any time upon giving notice).
- 15.10 There may be rare occasions where one of the Councils has available capacity within its temporary accommodation while the other authority is facing significant pressures to secure sufficient accommodation. In this situation the Council with available capacity may make its temporary accommodation available to the other authority to utilise in order to fulfil its statutory duties.
- 15.11 For households with family commitments, the period of time spent in B&B should not exceed six weeks. The Councils will seek to move such households to alternative self-contained accommodation as soon as possible, and will be prioritised for a move from B&B as and when suitable self-contained temporary accommodation becomes available.

#### Costs to the Councils

- 15.12 The provisions of the Housing Act 1996 allow the Councils to require a household to pay a reasonable charge in respect of the temporary accommodation that has been secured for them. In making any charge, the Councils must have regard to the fact that the temporary accommodation must be affordable to the household concerned.
- 15.13 Where clients are placed in temporary accommodation managed by a Registered Provider, e.g. Tom Scott House, the client will have an agreement in place to make payments directly to the Registered Provider and any Housing Benefit payments will be made either to the client directly or to the Registered Provider as landlord.
- 15.14 Where clients are placed in B&B or other nightly paid accommodation, the accommodation providers are paid directly by the Councils. Chiltern DC covers the full cost of the placement out of its Homelessness budget, which may be offset by any award of Housing Benefit. No contribution is required from the applicant towards the cost of the accommodation.
- 15.15 In contrast, South Bucks DC require a contribution from the client in addition to any Housing Benefit received. Historically, this has required the client to make contributions for the shortfall between their Housing Benefit award and the full cost of the accommodation charge (e.g. £50 per night). Since February 2017, the amount re-charged to clients has been a flat fee of £25 per night, regardless of the actual cost of the accommodation or the circumstances of the applicant. This means that the applicant will be required to make contributions to South Bucks for any shortfall between their Housing Benefit award and the £25 per night charge. One of the key reasons for the reduction was the fact that the charge must be affordable for the applicant. By charging the full cost of the accommodation, the charge to the client was significantly higher than LHA levels, and therefore there was an increased risk of challenge that the accommodation was unaffordable. By reducing the charge, moving forward it is expected that (i) clients may be more inclined to pay when they are presented with a smaller debt, and (ii) there is a higher likelihood that the Council could show they have been charging a reasonable amount and therefore entitled to evict when clients are not paying their contributions.

15.16 From those currently in B&B or other nightly paid accommodation, for South Bucks the actual costs being paid to the accommodation provider at the time of the audit ranged from £25 per night up to £95 per night. For Chiltern the actual cost ranged from £35 per night to £85 per night.

15.17 The typical approximate costs for a week spent in B&B at a nightly cost of £50 where the client is entitled to maximum Housing Benefit are as follows:

	Payment to B&B provider (excl VAT):	Total charge to client	Maximum HB recoverable through DWP subsidy	Client required to pay	Net direct cost to Council
South Bucks	£350	£175	(£150)	(£25)	<u>£175-£200</u> depending on actual client contribution
Chiltern	£350	£0	(£150)	(£0)	<u>£200</u>

15.18 At the other extreme, costs where the client is not entitled to any Housing Benefit would be as follows:

	Payment to B&B provider (excl VAT):	Client required to pay	Net direct cost to Council
South Bucks	£350	(£175)	<u>£175-£350</u> depending on actual client contribution
Chiltern	£350	(£0)	<u>£350</u>

15.19 As demonstrated above, South Bucks is minimising its costs through recovering contributions from clients, in contrast to Chiltern which does not require any contributions.

15.20 Annual expenditure on B&B and other nightly paid accommodation, however, is considerably higher for South Bucks than for Chiltern. Figures for annual B&B/other nightly paid accommodation costs for 2016/17 are as follows:

	Expenditure on placements	Recovered through Housing Benefit subsidy	Recoverable through client charges	Net expenditure on placements
South Bucks	£919,777	£290,685	£168,710 (after taking into account the 16/17 bad debt provision of £59,926, this figure incorporates actual amounts received plus arrears still being pursued with reasonable expectation of recovery)	£460,382
Chiltern	£172,456	£62,902	£0	£109,554

15.21 Key reasons for the higher expenditure include:

- The use of temporary accommodation and the length of time clients are spending in temporary accommodation is closely linked with the supply of affordable housing in general. While the supply of affordable housing is outside the scope of this audit, it was noted that there is a severe shortage of affordable housing, especially in the South Bucks area.
- In 2016/17 South Bucks also saw a slightly higher number of homeless applicants overall when compared to Chiltern. The shortage of social housing in the South Bucks area, coupled with higher private rents, leads to a higher number of households having to rely on the SBDC homelessness service. This means more individuals being placed in temporary accommodation overall, and more time being spent in temporary accommodation prior to being able to find more permanent housing solutions.
- As noted in paragraph 15.9 above, South Bucks does not have any designated temporary accommodation. The lack of alternative temporary accommodation options in South Bucks means that B&B accommodation is having to be utilised more.

**Policies and Procedures**

15.22 Each Council must secure that sufficient temporary accommodation is available to meet its statutory duty. This accommodation must be utilised and allocated correctly. Each local authority should have a clear statement on how it procures and allocates temporary accommodation. It was confirmed that during 2016/17 a joint Temporary Accommodation Framework was approved by Members of both Councils and sets out the process for securing and allocating temporary accommodation. This contains a number of principles – each Council will:

- Secure temporary accommodation in compliance with its statutory duties under Part 7 of the Housing Act 1996
- Secure self-contained temporary accommodation wherever possible and only secure B&B accommodation when no other suitable self-contained temporary accommodation is available
- Minimise the length of time that any household with family commitments has to spend in B&B accommodation
- Aim to secure temporary accommodation provision within the district
- Ensure that temporary accommodation meets appropriate standards of suitability and fitness
- Minimise the cost of temporary accommodation provision to the Council and maximise income to offset costs where possible.

15.23 The Framework also includes an overview of the options to be explored by the Councils over the next 12 months to help maintain and increase the supply of temporary accommodation to meet current and future needs. Such measures include: reviewing the housing options service to help prevent or relieve homelessness before a client becomes homeless; exploring options for new developments to incorporate new temporary accommodation provision; exploring options for working with the private rental sector to secure temporary accommodation; exploring options to work with other partners including Wycombe and Aylesbury Vale District Councils to deliver additional temporary accommodation provision. It was confirmed that a number of options are currently being explored, including leasing and buy back schemes with Registered Providers, and development of sites for new temporary accommodation units.

- 15.24 Where a client gives notice of an impending homelessness issue, an investigation into whether the Council owes them a duty can take place. Where a client presents themselves as homeless on the day, the client has to be housed that night in emergency temporary accommodation and an investigation into the duty owed will follow while they remain in temporary accommodation.
- 15.25 There are separate procedure notes in place for Chiltern and South Bucks for the process for placing clients into B&B. These cover the processes to be followed for booking clients into B&B, the documentation to be provided to clients and internally for informing all relevant departments, and processes for updating the Locata system as necessary. It was noted that, following changes to processes during 2017, these procedures do not completely reflect the new processes and documentation requirements.
- 15.26 There is also a flow chart in place for the recovery of rental payments for nightly paid accommodation (SBDC only), as well as a draft process note, which is still a work in progress. At the time of the audit, process mapping meetings were taking place between officers from all relevant departments to agree further changes to streamline processes and clarify roles and responsibilities of officers across the Housing, Finance, Customer Services and Revenues & Benefits teams.
- 15.27 It is therefore acknowledged that procedures require review and update, and this is currently an ongoing process. As such, a general recommendation relating to review of procedures has not been raised here. However, where specific areas of weakness were identified, these have been referred to in the report below along with relevant recommendations.

**Compliance Risk: Failure to comply with approved policy and procedure leads to potential losses.**

- 15.28 The Housing team use the Locata system to manage homelessness applications and temporary accommodation placements. Reports run from the Locata system showed that, at the time of the review, for Chiltern there were 32 current cases of individuals/families being housed in temporary accommodation. For South Bucks, there were 60 current cases. Further breakdown by type of accommodation is as follows:

	Accommodation within RSL stock	Bed & Breakfast	Other nightly paid, privately managed accommodation (self-contained)	Hostel Women's Refuge	Other - Homeless at Home	Total
Chiltern	20	9	2	1	0	32
South Bucks	21	20	18	0	1	60
<b>Totals</b>	<b>41</b>	<b>29</b>	<b>20</b>	<b>1</b>	<b>1</b>	<b>92</b>

15.29 Sample testing was carried out with respect to 10 CDC cases and 10 SBDC cases of households in temporary accommodation at the time of the audit. This focused on those currently in B&B accommodation, although other types of temporary accommodation were also included in the sample for completeness. In all cases, testing was carried out to verify that:

- All appropriate documentation regarding the TA placement had been completed promptly and retained on file;
- Clients were assisted to complete Housing Benefit claims promptly (ideally at the time of placement) to ensure maximum amount of Housing Benefit awarded to minimise potential Council costs;
- Adequate audit trails are in place to cover TA placement, Housing Benefit applications and ongoing case management.

15.30 For the South Bucks cases, additional testing was carried out to verify that:

- Initial documentation relating to temporary accommodation charges and client responsibilities had been completed promptly, signed by the client and retained on file;
- Rent statements have been sent out on a monthly basis;
- There has been adequate communication with clients regarding payment of charges, with appropriate records maintained on file.
- Appropriate action is being taken in cases of continued non-payment of charges.

15.31 Sample testing highlighted the following:

- The length of time spent assessing homeless applications can have a direct effect on the length of time spent in temporary accommodation and the related costs incurred by the Councils. The assessment time can vary dramatically depending on the particular circumstances of each case and the fact that the Councils are reliant on all relevant information being provided by the applicant and other third parties. From the sample tested, the timeframe ranged from one week to 4 months. While there was nothing within the sample tested to suggest that the longer timeframes were unreasonable, it was noted that there are no formal targets or any formal monitoring of decision timeframes to ensure that any delays in the assessment process are reasonable. Discussions with the Senior Housing Options Officer indicated that Locata system reports could be used to flag cases going over a target timeframe to enable an assessment of whether there is a resourcing issue or other reason for the delay. Discussions also indicated that it may be beneficial to delegate responsibility to case officers for making duty decisions in straightforward cases in order to reduce the timeframes involved in passing cases to senior officers to review.

**Recommendation: 1**

**Priority: 3**

**Target timeframes for duty decisions to be established and monitored through system flags/reports to enable senior officers to better assess reasons for any delays.**

**Operational Effectiveness Matter: 1**

**Consideration to be given to delegating responsibility for duty decisions to case officers in straightforward cases to reduce the time taken when assessing homeless applications.**

- While the recovery of costs element is unique to South Bucks, the initial temporary accommodation placement process is the same for both Councils. It was noted, however, that separate procedures are still in place and different forms are still being used across the two Councils despite it being a shared service.
- A number of the forms used for the temporary accommodation placement process appear to be duplicating information and creating unnecessary additional workload.
- Standardised letters to clients have begun to be developed, however testing indicated an inconsistent approach to the information included in letters and emails to clients, particularly in relation to payment requirements, methods of payment and consequences of non-payment in SBDC cases.

**Recommendation: 2**

**Priority: 3**

**Procedures and forms to be standardised for the two authorities, with standardised wording to be introduced for all communication with clients, in particular in relation to payment responsibilities, methods of payment and consequences of non-payment.**

- Housing Benefit applications had been made either on the day of placement or very soon afterwards, with claims being processed promptly and with effect from the date that the applicants went into temporary accommodation, ensuring maximum recovery of benefit income to the Councils. No issues were noted.
- In general, the records being maintained on the Locata system were thorough, with audit trails of documentation and communication with clients being easy to follow. In four of the cases tested, however, a full audit trail was not in place on the Locata system attaching all relevant TA placement documents (including 2 SBDC cases where a signed version of the B&B placement letter outlining the client's payment responsibilities was not on file).

**Recommendation: 3**

**Priority: 3**

**Officers to be reminded of the importance of ensuring all relevant documentation is obtained and retained on file. A checklist could be incorporated into the process to help ensure that all documentation is retained.**

- In a number of cases there were some gaps with SBDC monthly rent statements not being issued to clients. It was indicated that this was due to a period of absence of the Finance Manager, with resources not available to cover this process in their absence.

**Recommendation: 4**

**Priority: 2**

**SBDC rent statements to be issued on a monthly basis in all cases in accordance with agreed procedures. Action to be taken to ensure that appropriate resources are in place to cover periods of absence of key officers involved in the recovery process.**

- In one case, it was noted that the rent statement sent out to the client was inaccurate as it did not include all periods to be charged, and one period was showing as being charged at the wrong nightly rate. In addition, it was noted in two cases that client payments received were recorded on the rent statements in the wrong period. While the figures were accurate, this can appear confusing to the clients when receiving their statements. However, additional checks add to the cost effectiveness of the process and since the move to a standard daily charge of £25 the complexity of the bills has reduced. Furthermore each case is already checked before the final bill is issued.
- A review of the Locata journal notes for the South Bucks cases indicated an adequate level of communication between Housing Officers and clients relating to payment of charges, in addition to the rent statements being issued. For the sample tested, the arrears at the time of the audit ranged from £82.32 up to £1338.67. While it was clear that continued attempts are being made to secure payments from clients, this often results in little or no payments actually being received. There is no clear guidance in place as to the escalation mechanisms and the point at which SBDC will evict clients for non-payment of rent contributions. This is a complex decision making process and requires balancing with the Council's legal duties towards the clients and the individual circumstances of each case. However, without any clear guidance on when eviction can occur the accommodation costs incurred by the Council will continue to escalate with little or no contributions being made by clients.

**Recommendation: 5**

**Priority: 2**

**Guidance to be developed in relation to eviction of SBDC clients with rent arrears to ensure that accommodation costs do not escalate with little prospect of recovering contributions from clients.**

- 15.32 A specific review was carried out of the proforma letter issued to applicants on placement in B&B for South Bucks. It was confirmed that the letter is clear regarding the applicant's responsibility to pay the cost of the accommodation, being £25 a night, or a weekly charge of £175. It is also clear that a failure to pay may result in the Council having to take action to end the provision of the accommodation and the applicant will then have to make their own housing arrangements. It is also clear on the action to be taken to apply for Housing Benefit and responsibilities for paying the shortfall between the Housing Benefit and the total accommodation charge. The letter also details the action to be taken if there are problems with paying and is clear about the methods of payment.



- 15.33 In addition, the letter contains a declaration to be signed by the applicant to confirm that the contents of the letter have been explained to them and that the applicant understands that (i) they are obliged to make payments, and (ii) failure to make the required payment may result in the Council ending the provision of the accommodation and discharging its duty to provide interim accommodation, in which case the applicant will have to make their own housing arrangements.
- 15.34 Discussions with the Senior Housing Options Officer indicated that the letter may only be issued on placement into B&B and refers to the obligation to pay for that particular accommodation. Often the client will move around different providers, but subsequent letters may not be issued with a new declaration for them to sign, or if they are issued it is very difficult at this point to ensure that the client returns a signed version. Sample testing highlighted two cases where new letters had in fact been issued for the move, however in both cases a signed version of the letter had not been received from the client. In order to ensure clarity and prevent any dispute over payment requirements, the initial B&B letter could be updated to make it clear that they will be responsible to pay the costs of the particular accommodation referenced, as well as any subsequent temporary accommodation that they are placed in.

**Recommendation: 6**

**Priority: 3**

**South Bucks B&B letter to be updated to make reference to the client’s requirement to pay a contribution towards the cost of the initial accommodation provided, as well as any subsequent B&B or other nightly paid accommodation provided.**

- 15.35 Discussions with the Senior Housing Options Officer also highlighted inefficiencies in the way that information is shared among the various departments involved in temporary accommodation cases. For example, documents may be provided to the Housing team as part of the applicant’s homeless application and held on the Locata system which are equally necessary for completing Housing Benefits claims. At present, this is managed through ad hoc email liaison between the different departments in order to establish if additional information has been received.

**Operational Effectiveness Matter: 2**

**Key officers to be given access to all relevant systems in order to allow direct access to relevant information and to streamline the sharing of information across departments and systems.**

**Monitoring of temporary accommodation placements**

- 15.36 A master monitoring spreadsheet has been created to act as the key monitoring tool for South Bucks B&B cases. This includes a summary financial position for all cases (total charged, total HB income received, total income received from client, and total outstanding) as well as key details relating to the continuing management of each case. In addition, there are tabs relating to each individual/family containing a pro-forma rent statement, showing the breakdown of amounts charged, received, and outstanding, as well as any other pertinent details relating to the individual case (e.g. information relating to any Housing Benefit award).

15.37 While the spreadsheet appeared to be thorough and incorporated key financial details with respect to each case, it is still a very manual process to monitor and update the spreadsheet, which can be time consuming for officers and leads to increased risk of human error. As noted above, sample testing highlighted inaccuracies with the presentation of rent charges due to human error in updating the spreadsheet. Given the continued increase in the number of B&B cases and the complexity involved, managing these cases through the use of a spreadsheet is not an optimal solution.

**Recommendation: 7**

**Priority: 3**

**Options for procuring a small-scale dedicated rent management system to be explored to ensure client accounts can be managed efficiently and effectively.**

15.38 It was confirmed that monitoring meetings are held on a weekly basis between the Finance Manager and the Monitoring Officer (Housing team) to review all South Bucks B&B cases using the monitoring spreadsheet. Cases are specifically highlighted where there is more than £4,000 outstanding or Housing Benefit is not in payment and these cases are prioritised for action. On a monthly basis, meetings are also attended by the South Bucks Benefits Policy Officer. Any outcomes from these meetings are noted on the monitoring spreadsheet as general status updates or action points for Housing and/or Finance.

15.39 In addition to these weekly meetings, it was confirmed that the Senior Housing Options Officer has regular meetings with the Monitoring Officer to review the applicants who are in arrears and confirm what action is to be taken.

15.40 It was noted that the draft SBDC recovery procedure refers to the requirement for meeting outcomes and action points to be recorded on the Locata journal notes for each applicant. This process is not currently in place; as the Locata system acts as the key case management tool, all relevant notes should be included on the Locata journals in order to ensure that a full audit trail is maintained.

**Recommendation: 8**

**Priority: 3**

**Outcomes from monitoring meetings and action taken to be recorded on the Locata journal for each applicant to ensure a full audit trail is maintained.**

15.41 At a senior officer level, it was confirmed that monthly B&B Debt Review meetings have also been established as part of the new corporate processes. The first of these meetings took place on 12 July 2017 and was attended by the Head of Finance, Head of Customer Services, Head of Healthy Communities, Finance Manager, Housing Manager, and the Benefits Policy Officer. Formal minutes are maintained, with action points agreed and recorded with responsibilities noted for individual officers. This now enables issues of non-payment or process inefficiencies to be regularly escalated to senior officers in a formal manner for review and action.

15.42 The use of temporary accommodation is also specifically monitored through two priority performance indicators. It was confirmed that these are reported as part of a monthly monitoring information pack (for CDC this is circulated to Management Team and Informal Cabinet, while for SBDC this is circulated to Management Team, Informal Cabinet and Overview & Scrutiny Members). It was further confirmed that these indicators are included within performance reports which are presented to Cabinet on a quarterly basis, as well as an annual performance report. The latest figures for June 2017 are:

CDC

- (i) The number of households living in temporary accommodation (snapshot at the end of the month). The target is 38 and the June figure was 35, so this is on target.
- (ii) The number of applicants with/expecting children who have been in B&B accommodation for longer than 6 weeks (snapshot at the end of month). The target is 0, with the June figure being 1 – a comment is included on the report that this relates to one household where a history of previous rent arrears has restricted the options for the Council to move on to alternative housing. Nomination for a move to an alternative social housing tenancy is currently pending.

SBDC

- (i) The number of households living in temporary accommodation (snapshot at the end of the month). The target is 68 and the June figure was 64, so this is on target. A comment is included that the number of households remains high due to the level of homelessness applications and limited availability of suitable long term accommodation that households can move on to. The month to month figures have remained broadly consistent with no significant upturn since the start of 2017.
- (ii) The number of applicants with/expecting children who have been in B&B accommodation for longer than 6 weeks (snapshot at the end of month). The target is 18, with the June figure being 5, so this is on target. A comment is included on the report that the number has reduced from previous months as the Housing service has secured increased level of self-contained temporary accommodation to provide alternative options. Also noted that as at 13 July, the number had reduced further to 3 households of which 2 were being accommodated for a reasonable period (as required by law) following a decision of intentional homelessness.

15.43 In addition to the two priority indicators, there is also a corporate performance indicator for both Councils which is included within the quarterly performance reports, being the average length of stay in B&B for all households. The latest published figures show that, for CDC, the average for 2016/17 was 9 weeks, against a target of 10 weeks, and is therefore on target. For SBDC, however, the average for 16/17 was 18 weeks, against a target of 10 weeks.

**Arrears (South Bucks)**

15.44 While clients remain in B&B accommodation, statements are due to be sent out to all clients on a monthly basis detailing amounts charged, amounts received by the Council through Housing Benefit and any direct payments by the client, and amounts outstanding to be paid. Chasing clients for non-payment of rent is then an ongoing process throughout their time spent in temporary accommodation, and is managed by the Housing team (a specific Monitoring Officer has been dedicated to this). When individuals move out of B&B accommodation, a formal invoice is raised by Finance for the balance outstanding. The process then becomes the same as any other debt dealt with by the Finance team, with reminders and final notices sent before being passed to debt collectors, and then considered for further recovery action or if appropriate for the balance to be written off.

15.45 A specific review was carried out with respect to the 10 clients with the highest levels of arrears in order to verify whether appropriate action had been taken throughout their cases to maximise the recovery of temporary accommodation costs. The top 10 debtors account for £98,378.34 of the total arrears. A summary of these 10 cases is included below:

	Period in temporary accommodation	Amount outstanding	Current case status
1	23/02/16 – 27/06/17	£34,710	An initial decision was made in July 2016 that the applicant was eligible for assistance, homeless and in priority need, but homeless intentionally and therefore no duty was owed. This decision was appealed and following further investigations and information provided, a duty was accepted at the end of November 2016. Frequent communication with clients is evidenced on file regarding information required for Housing Benefit application and non-payment of client charges. The TA placement was ended in June 2017 due to non-payment, and an invoice was raised on 04/07/17 for the total amount outstanding. This case is currently subject to a fraud investigation.
2	15/07/16 to date	£13,788.89	Applicant is still in B&B accommodation. There have been various rounds of appeal against the duty decision, which is still ongoing. At the date of the audit the Council was still under a duty to secure accommodation for a reasonable amount of time to allow applicant to secure their own accommodation (letter states 28 days from applicant being notified of the decision). The applicant does also have a right of appeal to the County Court.
3	19/05/16 – 18/04/17	£9,356.99	Invoice raised 05/05/17 for the total amount outstanding. Following standard debtor processes, the debt was referred to a debt collector in July 2017.
4	28/06/16 – 04/12/16	£7,291.36	Following queries over Housing Benefit entitlement, an invoice was raised 15/07/17 for the total amount outstanding. A Final Notice has since been issued. The recovery process is currently on hold as the client has offered to pay by instalments, with a standing order form sent out 01/08/17.
5	29/07/16 – 02/12/16	£7,228.83	Invoice raised 08/02/17 for the total amount outstanding. Referred to the debt collector at the end of April 2017.
6	28/04/16 – 29/05/17	£6,435.74	Invoice raised 09/06/17 for the total amount outstanding. A reminder has been issued and next step will be issuing a Final Notice.
7	15/03/16 – 06/03/17	£6,282.22	Invoice raised 27/03/17 for the total amount outstanding. Since then, the client has been making regular monthly payments to reduce the debt.
8	14/09/16 – 12/06/17	£4,490.09	Invoice raised 28/07/17 for the total amount outstanding. Next step will be a first reminder.
9	13/09/16 – 27/02/17	£4,426.82	Invoice raised 09/06/17 for the total amount outstanding. Final Notice issued 28/07/17 and next step will be to refer the case to the debt collector.
10	31/01/17 to date	£4,367.40	Applicant is still in B&B accommodation. A payment plan has been agreed.

15.46 The following were noted from a review of these cases:

- The vast majority of the debt relates to the higher amounts which were charged prior to February 2017. Where the higher amounts were being charged, evicting clients for non-payment would have presented specific issues for the Council on the grounds that the amounts being charged could be subject to challenge as being unaffordable for the client. As such, the arrears built up without an identifiable solution at that stage. This is particularly problematic in cases involving long and complex homelessness investigations or cases involving numerous appeals, as the Council is under a statutory duty to secure the accommodation pending a final homelessness duty decision, regardless of the fact that clients may not be paying their required contributions. Moving forward, the reduction of the charge to the flat fee of £25 per night not only reduces the overall level of debt, but also increases the likelihood of successful eviction due to non-payment as the risk of challenge is reduced. *(see recommendation 6 regarding the need to ensure that clear guidance is established in relation to eviction due to non-payment of arrears in order to minimise costs to the Council)*
- In the majority of cases, it was noted that there was a delay between the initial placement into temporary accommodation and the first chasing up of non-payment. This process improved following the deployment of an officer within the Housing Options team who has been specifically tasked with reviewing these cases since late 2016. The testing of current cases indicated a good level of arrears monitoring and chasing up of non-payment, although further process improvements may still be made. *(also see paragraphs 15.31 and 15.38-15.40)*
- As noted above with respect to current cases, in all cases there were gaps in sending out rent statements while the clients were still in B&B accommodation. *(see recommendation 4)*
- Once clients moved out of B&B accommodation, it was confirmed that appropriate action had been taken in accordance with standard debtors processes involving invoicing for the total amount outstanding, sending Reminders/Final Notices, referring to debt collectors or setting up payment arrangements.

15.47 A general review was carried out of all current cases involving households in B&B or other nightly paid temporary accommodation at the time of the audit review, in order to verify the current level of arrears for 'live' cases. Summary figures were as follows:

- 38 cases in total (20 in B&B, 18 in other nightly paid self-contained accommodation).
- After taking into account Housing Benefit payments received, the clients have been charged a total of £45,518.04.
- Payments received by clients to date amount to £8,512.39. This equates to 18.7% of the amount required to be paid.
- This leaves a total arrears of £37,005.65 across the 38 cases which continues to be pursued.

15.48 A general review was also carried out of all cases from 16/17 and 17/18 to date where households have moved on from B&B or other nightly paid accommodation, in order to verify the recovery levels for outstanding charges. Summary details are as follows:

- 125 cases in total. In 70 of these cases, the whole balance has been cleared, either through payments or through being written off. The remaining 55 cases continue to be pursued.
- After taking into account Housing Benefit payments, clients were being required to pay a total of £280,725.91
- Payments received by clients to date amount to £72,958.18. This equates to approximately 26% of the amount required to be paid.

- Write-offs have amounted to £90,794.50.
- This leaves a total amount outstanding of £116,973.23 across the 55 cases which continues to be pursued.

15.49 It was evident from reviewing the temporary accommodation processes that it is time consuming for all officers involved, particularly in relation to the South Bucks cost recovery process. Resources across the different Council departments have had to be dedicated to this area to ensure that appropriate monitoring is in place as the number of households in B&B has grown. The level of payments being recovered from clients and the costs incurred in recovering such payments should be subject to analysis to ensure that it is cost effective to pursue these debts.

**Recommendation: 9**

**Priority: 2**

**Cost benefit analysis to be undertaken to ensure that it is cost effective to pursue B&B debts.**

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South Bucks  
District Council  
Audit results report

Year ended 31 March 2017

Private and Confidential

28 September 2017



Dear Audit Committee Members

We have completed our audit of South Bucks District Council for the year ended 31 March 2017.

We confirm that we expect to issue an unqualified audit opinion on the financial statements in the form at Section 3 before the statutory deadline of 30 September 2017. We also have no matters to report on your arrangements to secure economy, efficiency and effectiveness in your use of resources.

This report is intended solely for the use of the Audit Committee, other members of the Authority, and senior management. It should not be used for any other purpose or given to any other party without obtaining our written consent.

We would like to thank your staff for their help during the engagement.

We look forward to discussing with you any aspects of this report or any other issues arising from our work.

Yours faithfully

Andrew Brittain  
Executive Director

For and on behalf of Ernst & Young LLP

United Kingdom



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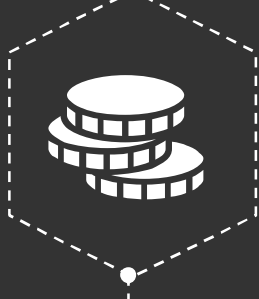
03 Audit Report



04 Audit Differences



05 Value for Money



06 Other Reporting Issues



07 Assessment of Control Environment



08 Appendices



In April 2015 Public Sector Audit Appointments Ltd (PSAA) issued "Statement of responsibilities of auditors and audited bodies". It is available from the via the PSAA website ([www.PSAA.co.uk](http://www.PSAA.co.uk)).

The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The "Terms of Appointment (updated September 2015)" issued by the PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature..

This report is made solely to the Audit and Standards Committee, other members of the Authority and management of South Bucks DC in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Audit and Standards Committee, other members of the Authority and management of South Bucks DC those matters we are required to state to them in this 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 Audit and Standards Committee, other members of the Authority and management of South Bucks DC for this report or for the opinions we have formed. It should not be provided to any third-party without obtaining our written consent.



# Executive Summary

## Overview of the audit

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### Scope and materiality

In our Audit Plan presented to the 19 January 2017 Audit Committee meeting, we gave you an overview of how we intended to carry out our responsibilities as your auditor. We carried out our audit in accordance with this plan. We made one change to the significant risks as set out in our audit plan. The Council's draft statement of account showed significant revaluation movements and we therefore identified this as a significant risk.

We planned our procedures using a materiality of £700,240. We reassessed this using the actual year-end figures, which has decreased this amount to £684,440. The threshold for reporting audit differences has decreased from £35,012 to £34,222. The basis of our assessment of materiality has remained consistent with prior years at 2% of gross revenue expenditure.

We also identified areas where misstatement at a lower level than materiality might influence the reader and developed a specific audit strategy for them. They include:

- Remuneration disclosures including any severance payments, exit packages and termination benefits. We applied a lower threshold for errors (£1,000) and any error that would affect the banding (where applicable to the note).
- Related party transactions, the accounting standard requires us to consider the disclosure from the point of materiality to either side of the transaction we therefore considered this on a case by case basis.
- Members' allowances, we applied a lower threshold for errors (£1,000).

### Status of the audit

We have substantially completed our audit of South Bucks DC's financial statements for the year ended 31 March 2017 and have performed the procedures outlined in our Audit plan. Subject to satisfactory completion of the following outstanding items we expect to issue an unqualified opinion on the Authority's financial statements in the form which appears at Section 3. However until work is complete, further amendments may arise:

- completion of subsequent events review
- receipt of the signed management representation letter

We expect to issue the audit certificate at the same time as the audit opinion.

Agenda Item 12



## Executive Summary

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### Executive summary (continued)

#### Objections

We have not received any objections to the 2016/17 accounts from members of the public.

#### Audit differences

There are no unadjusted or adjusted audit differences arising from our audit.

We identified a small number of minor audit disclosures which have been adjusted by management. None of them had an impact on the financial position.



## Executive Summary

### Executive summary (continued)

#### Areas of audit focus

Our Audit Plan identified key areas of focus for our audit of South Bucks DC's financial statements. This report sets out our observations and conclusions, including our views on areas which might be conservative, and where there is potential risk and exposure. We summarise our consideration of these matters, and any others identified, in the "Key Audit Issues" section of this report.

We ask you to review these and any other matters in this report to ensure:

- There are no other considerations or matters that could have an impact on these issues
- You agree with the resolution of the issue
- There are no other significant issues to be considered.

There are no matters, apart from those reported by management or disclosed in this report, which we believe should be brought to the attention of the Audit Committee.

#### Value for money

We have considered your arrangements to take informed decisions; deploy resources in a sustainable manner; and work with partners and other third parties. In our Audit Plan we identified no significant risks.

We have no matters to report about your arrangements to secure economy efficiency and effectiveness in your use of resources.



## Executive Summary

### Executive summary (continued)

#### Other reporting issues

We have reviewed the information presented in the Annual Governance Statement for consistency with our knowledge of the Authority. We have no matters to report as a result of this work.

We have performed the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts submission. We had no issues to report.

#### Control observations

We adopted a fully substantive approach, so have not tested the operation of controls. However, during the course of our work we have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statements.

#### Independence

Please refer to Appendix B for our update on Independence.





# 02 Areas of Audit Focus




## Audit issues and approach: Revenue Recognition

### Revenue Recognition

#### What is the risk?

Risk of fraud in revenue recognition  
 Under ISA240 there is a presumed risk that revenue may be misstated due to improper recognition of revenue. In this public sector this requirement is modified by Practice Note 10, issued by the Financial Reporting council, which states that auditors should also consider the risk that material misstatements may occur by manipulating expenditure recognition.

 Significant Risk

#### What did we do?

We undertook the following:

- We tested a sample of accruals, prepayments and provisions to check whether they had been recorded at an appropriate value and in line with the Authority's recognition policies;
- We undertook cut off testing for income and expenditure to ensure that material amounts had not been omitted from the financial statements that related to 2016/17;
- We tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in preparing the financial statements;
- We reviewed additions to property, plant and equipment to ensure they had been correctly capitalised;
- We evaluated the business rationale for any significant unusual transactions; and
- We reviewed the following accounting estimates for evidence of management bias: pension valuations, provisions and creditor accruals.

#### What are our conclusions?

Our testing has not identified any material misstatements from revenue and expenditure recognition.

Overall our audit work did not identify any material issues or unusual transactions to indicate any misreporting of the Authority's financial position.

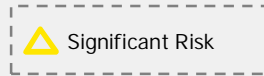


## Audit issues and approach: Management Override

### Management override

#### What is the risk?

Risk of management override  
As identified in ISA 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and to prepare fraudulent financial statements by overriding controls that otherwise seem to be operating effectively. We identify and respond to this fraud risk on every audit engagement.



#### What are our conclusions?

We have not identified any material weaknesses in controls or evidence of material management override.  
We have not identified any instances of inappropriate judgements being applied.

We did not identify any other transactions during our audit which appeared unusual or outside the Authority's normal course of business

#### What did we do?

We undertook the following:

- Our testing of journal entries did not identify adjustments which fell outside the normal course of business. All journals tested have an appropriate business rationale.
- We reviewed accounting estimates for evidence of management bias. We undertook audit procedures on accruals, provisions and prepayments and did not identify any evidence of management override.
- We performed sample testing on additions to the property, plant and equipment balance and found that these items met the relevant accounting requirements to be capitalised.
- We performed sample testing on the existence and valuation of prepayments, the completeness and valuation of accruals and completeness of provisions and found no indication of management bias.





# Audit issues and approach: Reliance on experts

### Reliance on experts

#### Reliance on experts highlighted in the Audit Plan

We identified two areas in our Audit Plan where we place reliance on experts.

In accordance with Auditing Standards, we have evaluated each specialist's professional competence and objectivity, considering their qualifications, experience and available resources, together with the independence of the individuals performing the work.

We have also considered the work performed by the specialist in light of our knowledge of the Authority's environment and processes and our assessment of audit risk in the particular area. As part of this work we have performed the following procedures:

- ▶ analysed source data and make inquiries as to the procedures used by the expert to establish whether the source data is relevant and reliable;
- ▶ assessed the reasonableness of the assumptions and methods used;
- ▶ considered the appropriateness of the timing of when the specialist carried out the work;
- ▶ assessed whether the substance of the specialist's findings are properly reflected in the financial statements.

We set out our findings in relation to the two specialists we have relied on below

#### Pension disclosures

We have assessed and are satisfied with the competency and objectivity of the actuary, Barnett Waddingham. EY pensions team and PwC (Consulting Actuary to the NAO) have reviewed the actuary's work. We challenged the significant movement in the actuarial valuation and found no indication of management bias in this estimate. We note that PwC as part of their central review reported that the discount rate applied by Barnett Waddingham falls outside the top end of their expected range. Our EY pensions team agree with this conclusion.

Although we can accept the disclosure in the 2016/17 accounts, the EY pensions team have concluded that: "the methodologies used to derive the discount rate and RPI inflation assumptions are not robust as they do not take adequate account of the specific duration of the scheme's liabilities. In future years, this could lead to unacceptable assumptions."

#### Property valuations

We have assessed and are satisfied with the competency and objectivity of the valuers, Wilks Head & Eve

We have undertaken appropriate audit procedures to verify and challenge critically the basis of valuation adopted by the valuer in relation to the Authority's assets, focusing in particular on specialist assets valued on a depreciated replacement costs basis. Our work in this area is concluded and we have not identified any issues that we need to report to you.



03

## Audit Report



## Draft audit report

### Our opinion on the financial statements

#### INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SOUTH BUCKS DISTRICT COUNCIL

##### Opinion on the Authority's financial statements

We have audited the financial statements of South Bucks District Council for the year ended 31 March 2017 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Movement in Reserves Statement,
- Comprehensive Income and Expenditure Statement,
- Balance Sheet,
- Cash Flow Statement, and related notes 1 to 28, and
- Collection Fund and the related notes 1 to 2.

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 2016/17.

This report is made solely to the members of South Bucks District Council, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. 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.

##### Respective responsibilities of the Director of Resources and auditor

As explained more fully in the Statement of the Director of Resources' Responsibilities set out on page 79, the Director of Resources 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 2016/17, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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# Draft Audit Report (continued)

## Draft audit report (continued)

### Our opinion on the financial statements

#### Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Director of Resources; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Statement of Accounts 2016/17 to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

#### Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of South Bucks District Council as at 31 March 2017 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

#### Opinion on other matters

In our opinion, the information given in the Statement of Accounts 2016/17 for the financial year for which the financial statements are prepared is consistent with the financial statements.

#### Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Council;
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;
- 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;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.



# Draft Audit Report (continued)

## Our opinion on the financial statements

Conclusion on South Bucks District Council's arrangements for securing economy, efficiency and effectiveness in the use of resources

### Authority's responsibilities

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

### Auditor's responsibilities

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our conclusion relating to proper arrangements.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place 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.

### Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

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 (C&AG) in November 2016, as to whether South Bucks District Council 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 South Bucks District Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

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 form a view on whether, in all significant respects, South Bucks District Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

### Conclusion

On the basis of our work, having regard to the guidance issued by the C&AG in November 2016, we are satisfied that, in all significant respects, South Bucks District Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.



# Draft Audit Report (continued)

## Our opinion on the financial statements

### Certificate

We certify that we have completed the audit of the accounts of South Bucks District Council in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.

*Andrew Brittain (senior statutory auditor)  
for and on behalf of Ernst & Young LLP, Appointed Auditor  
Reading  
xx September 2017*

*The maintenance and integrity of South Bucks District Council's web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.  
Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.*



# 04 Audit Differences





## Audit Differences

### Audit differences

In any audit, we may identify misstatements between amounts we believe should be recorded in the financial statements and disclosures and amounts actually recorded. These differences are classified as 'known' or 'judgemental'. Known differences represent items that can be accurately quantified and relate to a definite set of facts or circumstances. Judgemental differences generally involve estimation and relate to facts or circumstances that are uncertain or open to interpretation.

#### Summary of adjusted differences

There were no uncorrected misstatements. A number of amendments to disclosures were identified during the audit which were for amended by officers.



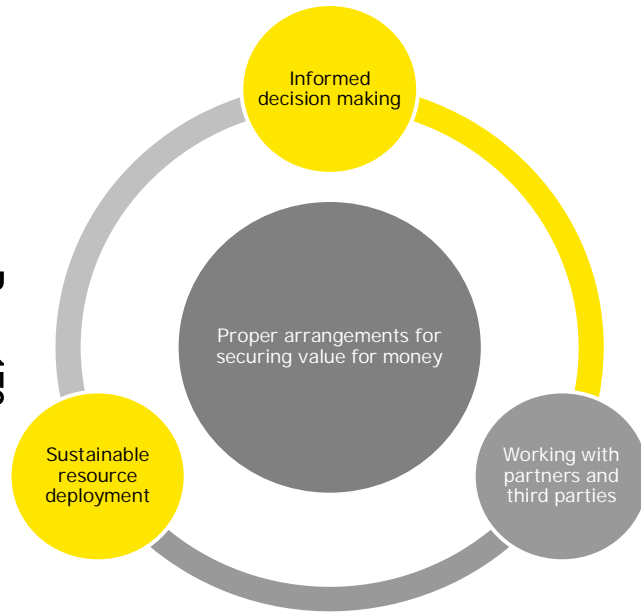


05 Value for Money



## Value for Money

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### Economy, efficiency and effectiveness

We must consider whether you have 'proper arrangements' to secure economy, efficiency and effectiveness in your use of resources. This is known as our value for money conclusion.

Proper arrangements are defined by statutory guidance issued by the National Audit Office. They comprise your arrangements to:

- take informed decisions;
- deploy resources in a sustainable manner; and
- work with partners and other third parties.

In considering your proper arrangements, we use the CIPFA/SOLACE framework for local government to ensure that our assessment is made against an already existing mandatory framework which you use in documents such as your Annual Governance Statement.

### Overall conclusion

We did not identify any significant risks around these criteria.

We therefore expect to have no matters to report about your arrangements to secure economy, efficiency and effectiveness in your use of resources.



# 06

## Other reporting issues



## Other reporting issues

# Other reporting issues

### Consistency of other information published with the financial statements, including the Annual Governance Statement

We must give an opinion on the consistency of the financial and non-financial information in the Statement of Accounts 2016/17 with the audited financial statements

We must also review the Annual Governance Statement for completeness of disclosures, consistency with other information from our work, and whether it complies with relevant guidance.

Financial information in the Statement of Accounts 2016/17 and published with the financial statements was consistent with the audited financial statements.

We have reviewed the Annual Governance Statement and can confirm it is consistent with other information from our audit of the financial statements and we have no other matters to report.

### Whole of Government Accounts

Alongside our work on the financial statements, we also review and report to the National Audit Office on your Whole of Government Accounts return. The extent of our review, and the nature of our report, is specified by the National Audit Office.

We have no issues to raise.



## Other reporting issues

# Other reporting issues

### Other powers and duties

We have a duty under the Local Audit and Accountability Act 2014 to consider whether to report on any matter that comes to our attention in the course of the audit, either for the Authority to consider it or to bring it to the attention of the public (i.e. "a report in the public interest"). We did not identify any issues which required us to issue a report in the public interest.

We also have a duty to make written recommendations to the Authority, copied to the Secretary of State, and take action in accordance with our responsibilities under the Local Audit and Accountability Act 2014. We did not identify any issues.

### Other matters

As required by ISA (UK&I) 260 and other ISAs specifying communication requirements, we must tell you significant findings from the audit and other matters if they are significant to your oversight of the [Authority]'s financial reporting process. They include the following:

- Significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures;
- Any significant difficulties encountered during the audit;
- Any significant matters arising from the audit that were discussed with management;
- Written representations we have requested;
- Expected modifications to the audit report;
- Any other matters significant to overseeing the financial reporting process;
- Related parties;
- External confirmations;
- Going concern; and
- Consideration of laws and regulations.

We have no significant matters to report.



# Assessment of Control Environment



## Assessment of control environment

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### Financial controls

It is the responsibility of the Council to develop and implement systems of internal financial control and to put in place proper arrangements to monitor their adequacy and effectiveness in practice. Our responsibility as your auditor is to consider whether the Council has put adequate arrangements in place to satisfy itself that the systems of internal financial control are both adequate and effective in practice.

As part of our audit of the financial statements, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. As we have adopted a fully substantive approach, we have therefore not tested the operation of controls.

Although our audit was not designed to express an opinion on the effectiveness of internal control we are required to communicate to you significant deficiencies in internal control.

We have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statements of which you are not aware.



# 08 Appendices







# Appendix A

## Required communications with the Audit Committee

There are certain communications that we must provide to the Audit Committees of UK clients. We have done this by:

### Our Reporting to you

Required communications	 What is reported?	 When and where
Terms of engagement	Confirmation by the Audit Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Planning and audit approach	Communication of the planned scope and timing of the audit, including any limitations.	19 January 2017 Audit Plan
Significant findings from the audit	<ul style="list-style-type: none"> <li>• Our view of the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures</li> <li>• Any significant difficulties encountered during the audit</li> <li>• Any significant matters arising from the audit that were discussed with management</li> <li>• Written representations we have requested</li> <li>• Expected modifications to the audit report</li> <li>• Any other matters significant to overseeing the financial reporting process</li> <li>• Findings and issues around the opening balance on initial audits (delete if not an initial audit)</li> </ul>	28 September 2017 Audit Results Report
Going concern	<p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> <li>▶ Whether the events or conditions constitute a material uncertainty</li> <li>▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements</li> <li>▶ The adequacy of related disclosures in the financial statements</li> </ul>	No conditions or events were identified which would raise any doubt about South Bucks DC's ability to continue for the 12 months from the date of our report
Misstatements	<ul style="list-style-type: none"> <li>▶ Uncorrected misstatements and their effect on our audit opinion</li> <li>▶ The effect of uncorrected misstatements related to prior periods</li> <li>▶ A request that any uncorrected misstatement be corrected</li> <li>▶ Significant corrected misstatements, in writing</li> </ul>	28 September 2017 Audit Results Report

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Agenda Item 12



# Appendix A

## Our Reporting to you

Required communications	What is reported?	When and where
Fraud	<ul style="list-style-type: none"> <li>▶ Asking the Audit Committee whether they have knowledge of any actual, suspected or alleged fraud affecting the Authority</li> <li>▶ Unless all those charged with governance are involved in managing the entity, any fraud identified or information obtained indicating that a fraud may exist involving:               <ul style="list-style-type: none"> <li>(a) management;</li> <li>(b) employees with significant roles in internal control; or</li> <li>(c) others where the fraud results in a material misstatement in the financial statements.</li> </ul> </li> <li>▶ A discussion of any other matters related to fraud, relevant to Audit Committee responsibility.</li> </ul>	We have asked management and those charged with governance about arrangements to prevent or detect fraud. We have not become aware of any fraud or illegal acts during our audit
Related parties	<p>Significant matters arising during the audit in connection with the Authority's related parties including, where applicable:</p> <ul style="list-style-type: none"> <li>▶ Non-disclosure by management</li> <li>▶ Inappropriate authorisation and approval of transactions</li> <li>▶ Disagreement over disclosures</li> <li>▶ Non-compliance with laws and/or regulations</li> <li>▶ Difficulty in identifying the party that ultimately controls the entity</li> </ul>	We have no matters to report
Subsequent events	<ul style="list-style-type: none"> <li>▶ Where appropriate, asking the Audit Committee whether any subsequent events have occurred that might affect the financial statements.</li> </ul>	We have asked management and those charged with governance. We have no matters to report
Other information	<ul style="list-style-type: none"> <li>▶ Where material inconsistencies are identified in other information included in the document containing the financial statements, but management refuses to make the revision.</li> </ul>	We have no matters to report
External confirmations	<ul style="list-style-type: none"> <li>▶ Management's refusal for us to request confirmations</li> <li>▶ We were unable to obtain relevant and reliable audit evidence from other procedures.</li> </ul>	We have received all requested confirmations
Consideration of laws and/or regulations	<ul style="list-style-type: none"> <li>▶ Audit findings of non-compliance where it is material and believed to be intentional. This communication is subject to compliance with legislation on "tipping off"</li> <li>▶ Asking the Audit Committee about possible instances of non-compliance with laws and/or regulations that may have a material effect on the financial statements, and known to the Committee.</li> </ul>	We have asked management and those charged with governance. We have not identified any material instances or non-compliance with laws and regulations



# Appendix A



## Our Reporting to you



## When and where

Required communications	What is reported?	When and where
Significant deficiencies in internal controls identified during the audit	<ul style="list-style-type: none"> <li>▶ Significant deficiencies in internal controls identified during the audit.</li> </ul>	28 September 2017 Audit Results Report
Independence	<p>Communication of all significant facts and matters that have a bearing on EY's objectivity and independence.</p> <p>Communicating key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> <li>▶ The principal threats</li> <li>▶ Safeguards adopted and their effectiveness</li> <li>▶ An overall assessment of threats and safeguards</li> <li>▶ Information on the firm's general policies and processes for maintaining objectivity and independence</li> </ul> <p>Communications whenever significant judgments are made about threats to objectivity or independence and the appropriateness of safeguards,</p>	19 January 2017 Audit Plan 28 September 2017 Audit Results Report
Fee Reporting	<p>Breakdown of fee information when the audit plan is agreed</p> <p>Breakdown of fee information at the completion of the audit</p> <p>Any non-audit work</p>	19 January 2017 Audit Plan 28 September 2017 Audit Results Report
Certification work	Summary of certification work	Certification Report Date TBC



## Independence

We confirm that there are no changes in our assessment of independence since our confirmation in our Audit Plan dated 19 January 2017.

We complied with the APB Ethical Standards and the requirements of the PSAA's Terms of Appointment. In our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning of regulatory and professional requirements.

We consider that our independence in this context is a matter which you should review, as well as us. It is important that you and your Audit Committee consider the facts known to you and come to a view. If you would like to discuss any matters concerning our independence, we will be pleased to do this at the 28 September 2017 meeting of the Committee.

As part of our reporting on our independence, we set out below a summary of the fees paid for the year ended 31 March 2017.

We confirm that we have not undertaken non-audit work outside the PSAA Code requirements.

As part of our reporting on our independence, we set out below a summary of the fees paid for the year ended 31 March 2017.

We confirm that we have not undertaken non-audit work outside the PSAA Code requirements.



Description	Final Fee 2016/17	Planned Fee 2016/17	Scale Fee 2016/17	Final Fee 2015/16
Total Audit Fee - code work	42,399	42,399	42,399	42,399
Grant certification fee	TBC	20,895	£20,895	£19,280



## Accounting and regulatory update

### Accounting update

Since we last reported to the Audit Committee, new accounting standards and interpretations have been issued. The following table provides a high level summary of those that have the potential to have the most significant impact on you:

Name	Summary of key measures 	Impact on South Bucks DC 
<i>IFRS 9 Financial Instruments</i>	<p>Applicable for local authority accounts from the 2018/19 financial year and will change:</p> <ul style="list-style-type: none"> <li>• How financial assets are classified and measured</li> <li>• How the impairment of financial assets are calculated</li> <li>• Financial hedge accounting</li> <li>• The disclosure requirements for financial assets.</li> </ul> <p>• Transitional arrangements are included within the accounting standard, however as the 2018/19 Accounting Code of Practice for Local Authorities has yet to be issued it is unclear what the impact on local authority accounting will be and whether any accounting statutory overrides will be introduced to mitigate any impact.</p>	<p>Although some initial thoughts on the approach to adopting IFRS 9 have been issued by CIPFA, until the Code is issued and any statutory overrides are confirmed there remains some uncertainty. However, what is clear is that the Council will have to:</p> <ul style="list-style-type: none"> <li>• Reclassify existing financial instrument assets</li> <li>• Remeasure and recalculate potential impairments of those assets; and</li> <li>• Prepare additional disclosure notes for material items</li> </ul> <p>The Council is awaiting clarification of the exact requirements before investing time in the above work.</p>



# Appendix C



<p><i>IFRS 15 Revenue from Contracts with Customers</i></p>	<p>Applicable for local authority accounts from the 2018/19 financial year. This new standard deals with accounting for all contracts with customers except:</p> <ul style="list-style-type: none"> <li>• Leases;</li> <li>• Financial instruments;</li> <li>• Insurance contracts; and</li> <li>• for local authorities; Council Tax and NDR income.</li> </ul> <p>The key requirements of the standard cover the identification of performance obligations under customer contracts and the linking of income to the meeting of those performance obligations.</p> <ul style="list-style-type: none"> <li>• There are transitional arrangements within the standard; however as the 2018/19 Accounting Code of Practice for Local Authorities has yet to be issued it is unclear what the impact on local authority accounting will be.</li> </ul>	<p>As with IFRS 9, some initial thoughts on the approach to adopting IFRS 15 have been issued by CIPFA. However, until the Code is issued there remains some uncertainty. However, what is clear is that for all material income sources from customers the Council will have to:</p> <ul style="list-style-type: none"> <li>• Disaggregate revenue into appropriate categories</li> <li>• Identify relevant performance obligations and allocate income to each</li> <li>• Summarise significant judgements</li> </ul> <p>The Council is awaiting clarification of the exact requirements before investing time in the above work.</p>
<p><i>IFRS 16 Leases</i></p>	<p>IFRS 16 will be applicable for local authority accounts from the 2019/20 financial year.</p> <p>Whilst the definition of a lease remains similar to the current leasing standard; IAS 17, for local authorities who lease in a large number of assets the new standard will have a significant impact, with nearly all current leases being included on the balance sheet.</p> <p>There are transitional arrangements within the standard, although as the 2019/20 Accounting Code of Practice for Local Authorities has yet to be issued it is unclear what the impact on local authority accounting will be or whether any statutory overrides will be introduced.</p>	<p>Until the 2019/20 Accounting Code is issued and any statutory overrides are confirmed there remains some uncertainty in this area.</p> <p>However, what is clear is that the Council will need to undertake a detailed exercise to classify all of its leases and therefore must ensure that all lease arrangements are fully documented.</p> <p>The Council is has yet to commence work in this area due to the timing of implementation.</p>



## Accounting and regulatory update (continued)

### Progress report on implementation of new standards and regulations

In previous reports to the Audit Committee, we highlighted the issue of new accounting standards and regulatory developments. The following table summarises progress on implementation:

Name	Summary of key measures 	Impact on South Bucks District Council 
<p><i>Earlier deadline for production and audit of the financial statements from 2017/18</i></p>	<ul style="list-style-type: none"> <li>The Accounts and Audit Regulations 2015 introduced a significant change in statutory deadlines from the 2017/18 financial year. From that year the timetable for the preparation and approval of accounts will be brought forward with draft accounts needing to be prepared by 31 May and the publication of the audited accounts by 31 July.</li> </ul>	<p>These changes provide challenges for both the preparers and the auditors of the financial statements.</p> <p>To prepare for this change the Council has taken a number of steps as outlined below:</p> <ul style="list-style-type: none"> <li>Critically reviewed and amended the closedown process to achieve draft accounts production by the end of May 2017 for 2016/17</li> <li>Streamlined the Statement of Accounts removing non-material disclosure notes</li> <li>Provided training to departmental finance staff regarding the requirements and implications of earlier closedown</li> <li>Held meetings with the auditor to identify efficiencies and potential efficiencies</li> </ul> <p>As auditors, nationally we have:</p> <ul style="list-style-type: none"> <li>Issued a thought piece on early closedown</li> <li>As part of the strategic Alliance with CIPFA jointly presented accounts closedown workshops across England, Scotland and Wales</li> <li>Presented at CIPFA early closedown events and on the subject at the Local Government Accounting Conferences in July 2017</li> </ul> <p>Locally we have:</p> <ul style="list-style-type: none"> <li>Had regular discussions through the year on the Council's proposals to bring forward the closedown timetable</li> <li>Together with the Council agreed areas for early work e.g. testing of payroll including starters and leavers at month 9, and income and expenditure at month 9. This placed us in a good position for this year, but there were other areas we would have liked to cover in early work, e.g. related parties, provisions. We anticipate being able to do this in 2017/18.</li> </ul>



# Management representation letter

### Management Rep Letter

To be prepared on the entity's letterhead

· *Date*

To:  
Andrew Brittain  
Executive Director  
Ernst & Young LLP  
Apex Plaza,  
Forbury Road  
Reading RG1 1YE

This letter of representations is provided in connection with your audit of the financial statements of South Bucks District Council ("the Council") for the year ended 31 March 2017. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the financial statements give a true and fair view of the Council financial position of South Bucks District Council as of 31 March 2017 and of its income and expenditure for the year then ended in accordance with CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

We understand that the purpose of your audit of our financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing (UK and Ireland), which involves an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, and is not designed to identify - nor necessarily be expected to disclose - all fraud, shortages, errors and other irregularities, should any exist.

Accordingly, we make the following representations, which are true to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:





# Management representation letter

### Management Rep Letter

#### A. Financial Statements and Financial Records

We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

1. We acknowledge, as members of management of the Council, our responsibility for the fair presentation of the financial statements. We believe the financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of the Council in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17. We have approved the financial statements.
2. The significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.
3. As members of management of the Council, we believe that the Council has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17, that are free from material misstatement, whether due to fraud or error.
4. We believe that the effects of any unadjusted audit differences, summarised in the accompanying schedule, accumulated by you during the current audit and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. We have not corrected these differences identified by and brought to the attention from the auditor because of the high level of judgement required to estimate the provision and the fact that it impacts in a large number of areas throughout the statements.

#### B. Fraud

1. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.
2. 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.
3. We have disclosed to you all significant facts relating to any frauds, suspected frauds or allegations of fraud known to us that may have affected the Council (regardless of the source or form and including, without limitation, allegations by “whistle-blowers”), whether involving management or employees who have significant roles in internal control. Similarly, we have disclosed to you our knowledge of frauds or suspected frauds affecting the entity involving others where the fraud could have a material effect on the financial statements.



# Management representation letter

### Management Rep Letter

We have also disclosed to you all information in relation to any allegations of fraud or suspected fraud communicated by employees, former employees, analysts, regulators or others, that could affect the financial statements.

#### **C. Compliance with Laws and Regulations**

1. We have disclosed to you all identified or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.

#### **D. Information Provided and Completeness of Information and Transactions**

1. We have provided you with:
  - Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
  - Additional information that you have requested from us for the purpose of the audit; and
  - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
2. All material transactions have been recorded in the accounting records and are reflected in the financial statements.
3. We have made available to you all minutes of the meetings of the Council and its relevant committees (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the year to the most recent meeting on the following date: 21 September 2017.
4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Council's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the year end. These transactions have been appropriately accounted for and disclosed in the financial statements.



# Management representation letter

### Management Rep Letter

We believe that the significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.

5. We have disclosed to you, and 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, including all covenants, conditions or other requirements of all outstanding debt.

#### **E. Liabilities and Contingencies**

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the financial statements.
2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.
3. We have recorded and/or disclosed, as appropriate, all liabilities related litigation and claims, both actual and contingent, and have disclosed in the financial statements all guarantees that we have given to third parties.

#### **F. Subsequent Events**

1. Other than described in the financial statements, there have been no events subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.

#### **G. Use of the Work of a Specialist**

1. We agree with the findings of the specialists that we engaged to evaluate the valuation of land and buildings and investment property and in the calculation of the NDR appeals provision and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the financial statements and the underlying accounting records. We did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.



# Management representation letter

### Management Rep Letter

#### H. Estimates

1. We believe that the measurement processes, including related assumptions and models, used to determine the accounting estimates have been consistently applied and are appropriate in the context of the applicable financial reporting framework.
2. We confirm that the significant assumptions used in making accounting estimates appropriately reflect our intent and ability to carry out specific courses of action on behalf of the entity.
3. We confirm that the disclosures made in the financial statements with respect to the accounting estimates are complete and made in accordance with the applicable financial reporting framework.
4. We confirm that no adjustments are required to the accounting estimate(s) and disclosures in the financial statements due to subsequent events.

#### I. Retirement benefits

1. On the basis of the process established by us and having made appropriate enquiries, we are satisfied that the actuarial assumptions underlying the scheme liabilities are consistent with our knowledge of the business. All significant retirement benefits and all settlements and curtailments have been identified and properly accounted for.

#### J. Expenditure Funding Analysis

1. We have reviewed the new requirements (as set out in the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17), in relation to the preparation of the Expenditure Funding Analysis to replace the previous segmental reporting analysis, and confirm that all required amendments to the Comprehensive Income and Expenditure Statement and Movement in Reserves Statement, as well as the requirements to prepare the Expenditure Funding Analysis and related notes have been correctly reflected in the financial statements, including retrospectively reflecting this in the financial statements.



# Management representation letter

### Management Rep Letter

2. We confirm that the financial statements reflect the operating segments reported internally to the Council.

#### **K. Ownership of Assets**

1. The Council has satisfactory title to all assets appearing in the balance sheets, and there are no liens or encumbrances on the Council's assets, nor has any asset been pledged as collateral. All assets to which the Council has satisfactory title appear in the balance sheet.
2. All agreements and options to buy back assets previously sold have been properly recorded and adequately disclosed in the Council's financial statements.

Signed on behalf of South Bucks District Council

I confirm that this letter has been discussed and agreed by the Audit Committee on 28 September 2017.

Signed:

Name: Jim Burness

Position: Director of Resources

Date: 28 September 2017

Name: Duncan Smith

Position: Chairman, Audit Committee

Date: 28 September 2017

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ED None

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<b>SUBJECT:</b>	<i>Final 2016/17 Statement of Accounts</i>
<b>REPORT OF:</b>	<i>Director of Resources – Jim Burness</i>
<b>RESPONSIBLE OFFICER</b>	<i>Director of Resources – Jim Burness</i>
<b>REPORT AUTHOR</b>	<i>Principal Accountant – Jacqueline Ing</i> 01494 732292 <a href="mailto:jing@chiltern.gov.uk">jing@chiltern.gov.uk</a>
<b>WARD/S AFFECTED</b>	<i>All</i>

## 1 Purpose of Report

- 1.1 The purpose of this report is to:
- Present the 2016/17 Statement of Accounts for Members to review.
  - Request that the Accounts are approved by the Audit Committee and signed in accordance with the Accounts and Audit Regulations.

### RECOMMENDATIONS

**The Accounts are approved by the Audit Committee and signed by the chair of the Audit Committee to signify the completion of the Authority's approval process.**

## 2 Background

- 2.1 Each year the Authority is required to produce a formal Statement of Accounts document in accordance with the Accounts and Audit Regulations.
- 2.2 Each year the Authority is required to produce a formal Statement of Accounts document in accordance with the Accounts and Audit Regulations.
- 2.3 The Accounts must:
- Follow the format laid out in the Code of Practice on Local Authority Accounting – which is based on International Financial Reporting Standards (IFRS);
  - Be approved by the Council's s151 senior finance officer by 30 June;
  - Be subject to external audit;
  - Be made available to the public for inspection;
  - Be considered and approved by Members by 30 September; and
  - Be published by 30 September

## 3 Report Structure

- 3.1 The Statement of Accounts is a complex document as it is designed to provide detailed financial information which would allow the technical reader to gain a comprehensive understanding of all the key financial activities of the organisation
- 3.2 To assist members in reviewing the Statement of Accounts a commentary on each of the main sections of the Accounts is detailed below using the following standard headings:

- Narrative Report
- Statement of Responsibilities
- Comprehensive Income and Expenditure Statement
- Movement in Reserves Statement
- Balance Sheet
- Notes to the Accounts
- Collection Fund
- Auditor's Report
- Annual Governance Statement

#### **4 Narrative Report**

- 4.1 The purpose of the Narrative Report is to offer interested parties a summary of the most significant matters reported in the Accounts.
- 4.2 It gives a high level overview of the year's performance in terms of both revenue and capital spend, and highlights the Authority's financial position at the end of the year and the outlook for the future. It also outlines significant factors that affect the understanding of the Accounts.

#### **5 Statement of Responsibilities**

- 5.1 The Statement of Responsibilities is a formal requirement to set out the respective responsibilities of the Authority and the most senior SBDC finance officer (the Director of Resources) in regards to preparing and producing the Statement of Accounts. The wording is based on best practice requirements and does not tend to change from year to year.

#### **6 Comprehensive Income and Expenditure Statement (CIES)**

- 6.1 The CIES is fundamental to the understanding of the Council's activities in that it reports the net cost for the year of all the functions for which the Council is responsible for and demonstrates how that cost has been financed from general Government grants and income from local taxpayers.
- 6.2 The statement is split into a number of sections:
- The first section provides information on the costs of the Council's different operations, net of specific grants and income from fees and charges, to give the net cost of services of £7,427,000.
  - The second section comprises items of income and expenditure relation to the Council as a whole i.e. not service specific – primarily the Parish Precepts of £2,019,000.
  - The third section shows Financing and Investment Income and Expenditure.
  - The fourth section shows the income from local taxation and general government grants, including Council Tax of £6,780,000.

#### **7 Movement in Reserves Statement**

- 7.1 The Movement in Reserves Statement brings together all the recognised gains and losses of the Authority, to show how the different reserves held by the Authority have changed over the year.



- 7.2 The key movement in the Council's usable reserves are as follows:
- The General Fund Balance decreased by £1,408,000 to £2,939,000. This is due to a transfer to Earmarked Reserves of £3,602,000 which has been offset by adjustments relating to retained income from Non-Domestic Rates.
  - Earmarked reserves increased by £3,602,000 to £6,628,000. This is mainly due to in year contributions to reserves relating to S106 commuted sums.
  - The Council's Capital Receipts Reserve decreased by £5,233,000 to £856,000. This is because receipts were used to fund the Council's capital investment programme.
- 7.3 The financial position on the General Fund Balance at the end of the year is an important indication of the Council's financial stewardship. There is no statutory guidance as to the level of this reserve. Local authorities are expected on the advice of their chief finance officer, to make their own judgements on minimum levels taking into account all relevant local circumstances. For 2016/17 the Director of Resources recommended the minimum level for this reserve was £870,000.
- 7.4 The key movement in the Council's unusable reserves is as follows:
- The Pension deficit increased by £6,114,000. The accumulated estimated pension fund deficit now stands at £31,484,000.
  - The Revaluation Reserve balance increased by £5,162,000 due to upwards revaluation of the Authority's Property, Plant and Equipment

## 8 Balance Sheet

- 8.1 The balance sheet reports on the Council's financial position as at 31 March and shows the value of its assets and liabilities.

- 8.2 The following table provides a summary of the Council's key assets and liabilities:

	Value 31 March 2017 £m
<b>Assets</b>	
Property, Plant and Equipment	17.8
Investment Property	10.2
Investments, Cash and Bank holdings	18.3
Long Term Debtors	1.8
Short Term Debtors	5.7
<b>Liabilities</b>	
Short Term Creditors	6.3
Short Term Provisions	1.7
Finance Lease Liability	3.5
Pension Liability	31.5

- 8.3 With regard to the pension liability, this valuation is an accounting valuation calculated at a point in time in accordance with IAS19 and is different to the triennial actuarial revaluation

which determines the Council's cash contribution to the pension fund. The accounting valuation methodology and derivation of the main assumptions used can produce very volatile numbers from one year to another. The deficit will be made good by ongoing contributions into the fund over the remaining life of employees.

## **9 Cashflow Statement**

- 9.1 The cashflow statement shows the inflow and outflow of cash for the year for both revenue and capital and shows how the Council's cash position has changed on a year on year basis
- 9.2 It shows that in 2016/17 the authority decreased the amount of cash (and cash equivalents) that it holds by £373,000.

## **10 Notes to the Accounts**

- 10.1 Accompanying the Accounts are a large number of disclosure notes that give further explanations of the figures. The notes are required under the Code of Practice to give added clarity and understanding for the readers of the Accounts.
- 10.2 Detailed below is a commentary on a number of the key notes.

### Note 1: Accounting Policy

Note 1 details the accounting policies that have been used to compile the Accounts. The accounting policies that all major local authorities are required to use are set out in the Accounting Code of Practice. The policies are therefore in line with the standard requirements.

### Note 7: Expenditure and Funding Analysis

This note reconciles the amounts that are reported to Management as part of the budget monitoring process and the final figures that are produced for Accounts purposes.

### Note 9: Earmarked Reserves

This note gives a breakdown of the amounts held in Earmarked Reserves. Particularly, it shows that of the £6,628,000 held as Earmarked; £4,968,000 is for S106 commuted sums. A further £25,000 of S106 monies are held as a long term creditor on the Balance Sheet.

### Note 10: Property, Plant and Equipment

This note provides a breakdown of the Council's Property, Plant and Equipment. In particular it should be noted that this includes the value of the Capswood building lease.

### Note 11: Investment Properties

This note provides further information about the Council's Investment Properties. Investment Properties are those land and buildings that are not used to provide services but are instead rented out to generate income. Investment properties are required to be revalued every year and the change in value is charged to the Comprehensive Income and Expenditure Account.

Note 13: Financial Instruments

This note provides more information on the Council's investments and contractual debtors/creditors.

Note 19: Officer's Remuneration

This note shows the amounts paid to senior staff in 2016/17. As the Senior Management team are shared with CDC, all shared staff are shown in this note; although SBDC only bears 45.1% of the cost.

Note 24: Leases

This note provides additional information about the lease commitments that the Authority has. This is so that the technical reader can see the long term lease commitments that the Authority has.

Note 25: Defined Benefit Pension Schemes

This note provides additional information about the Council's pensions arrangements. It is long and detailed as the method of calculating the future pension liabilities is complex and it is considered important that the technical reader can understand the specific assumptions that underpin the pension valuation included in the Accounts.

Note 27: Nature and Extent of Risks arising from Financial Instruments

This note provides extensive details about the potential risks that the Council faces from its financial dealings. It is long and detailed so that the technical reader can understand the full implications of the Council's investment strategy/debt profile.

**11 Collection Fund**

- 11.1 The Collection Fund is a separate account which receives all income from Council Tax and Non Domestic Rates (NDR).
- 11.2 This account pays out Council Tax, in the form of precepts, to Bucks County Council, South Bucks District Council (including an element for Town/Parish Councils), the Police & Crime Commissioner for Thames Valley, and Bucks and Milton Keynes Fire Authority.
- 11.3 NDR Income is shared as follows:
- Central Government 50%
  - South Bucks District Council 40%
  - Bucks County Council 9%
  - Bucks and Milton Keynes Fire Authority 1%
- 11.4 Any surplus, or deficit, arising on the account is either paid out to, or recovered from, the appropriate parties in subsequent years.
- 11.5 During 2016/17 £51.5.m of Council Tax income was due and £31.4m of NDR income was due

## **12 Auditor's Report**

- 12.1 In accordance with the Accounts and Audit Regulations the Authority's external auditors, Ernst & Young, are required to audit the Accounts to ensure that they present fairly the financial position of the Authority.
- 12.2 Once their audit is completed they issue a formal opinion on the Accounts and this has to be included in the Accounts.
- 12.3 The External Audit is substantially complete and the Audit Results Report is included as a separate agenda item to this Audit Committee meeting. It is anticipated that the auditors will issue a formal opinion on the Accounts once these have been approved by the Audit Committee.

## **13 Annual Governance Statement**

- 13.1 One of the requirements of the Accounts and Audit Regulations is that an Annual Governance Statement is produced and published in the Accounts. This statement provides details of the Council's Internal Control and governance arrangements.
- 13.2 The Annual Governance Statement is additional to the main Accounts document as it is prepared and produced separately from the accounting information.
- 13.3 The 16/17 Annual Governance Statement has already been:
- approved by the Officer Management Team
  - approved by the Audit Committee on the 5th July 2017 and
  - approved and signed off by the Chief Executive and the Leader of the Council on the 14th July 2017.

## **14 Formal Approval of the Accounts**

- 14.1 The Accounts and Audit Regulations require the Chairman of the Committee receiving the Accounts to sign and date the Accounts to formally represent completion of the Authority's approval process.
- 14.2 The Chairman of the Audit Committee is therefore requested to sign the declaration in the financial statements once Members have considered the Accounts.

## **15 Annual Governance Statement**

- 15.1 Members should note that, as the Accounts are an important public document, it is considered good practice that these are subject to detailed review. Members should feel free to ask questions about the Accounts and if appropriate request additional information to support the figures presented. However due to the length and complexity of the Accounts, officers would request advance notice if possible of any particularly detailed questions in order to provide comprehensive answers.

- 15.2 There is a risk that the SBDC Accounts will be incorrect due to fraud or error. The risk of fraud is considered to be low and the risk of error is low/medium – due to the complexity of the Accounts. The following controls mitigate this risk:
- The Council has detailed Financial and Contract Procedure rules
  - Access to the finance system is limited to authorised staff and password protected
  - Internal audit carry out annual reviews of all key finance systems
  - The Accounts are produced by an experienced finance team, led by a qualified accountant.
  - The Authority has obtained and followed the appropriate Codes of Practice and associated guidance notes
  - Key staff in the finance team attend update courses, to ensure that they are aware of any changes to the Accounts
  - A comprehensive timetable/checklist of what needs to be done and when is produced, and progress is monitored against this.
  - A full set of working papers is produced to support the figures in the Accounts
  - All working papers are reviewed by another experienced team member
  - The Director of Resources reviews the Accounts and signs these off.
  - The Principal Accountants, Head of Finance and the Director of Resources are qualified accountants and are therefore required to comply with their Accounting Institutes codes of practice.
  - Members have the opportunity to review the Accounts and ask questions about any of the figures
  - The Accounts are subject to external audit review.

**16 Corporate Implications**

- 16.1 There are no direct financial, legal or human resources implications from this report.

**17 Next Steps**

- 17.1 Once the Statement of Accounts has been formally signed by the Chairman of the Committee they will be formally adopted by the Council.
- 17.2 The final Statement of Accounts for 2016/17 will be published on the South Bucks District Council website

<b>Background Papers:</b>	None
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# SOUTH BUCKS

## District Council

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## 1. About South Bucks District Council

South Bucks District Council serves the urban areas of Burnham, Beaconsfield, Gerrards Cross, Denham and Iver, as well as a number of outlying villages.

The overall population of the district is approximately 68,500. It covers an area of 141 square kilometres. 87% of the District is green belt, and large parts of the District are designated as an area of outstanding natural beauty.

The District Council was established on 1 April 1974. There are 28 councillors. The whole Council was elected in May 2015 for four years. The Conservative Group holds 27 seats and controls the Council. There is 1 independent member.

The Council provides a wide range of services to the people living, working and studying in the area. It operates a Cabinet system with the following responsibilities:

- Council Leader - Strategy and direction of the Council, political leadership, public profile and regional representation.
- Environment - Refuse and waste, recycling, damaged and threatened land, and cemeteries.
- Healthy Communities - Health and wellbeing, housing services, homelessness, environmental health, sport and leisure, community development and grants, youth matters, partnership working, community safety, and crime reduction.
- Resources – Housing Benefits, Council Tax and Non-Domestic Rate collection, financial strategy, asset and investment management, ICT, legal, democratic services, audit, finance, and council car parks.
- Sustainable Development - Development management, building control, planning enforcement, trees and conservation, planning policy and the Local Development Framework.

Further information about the Council can be obtained from the following website address: [www.southbucks.gov.uk](http://www.southbucks.gov.uk)

## 2. Format of Accounts

The financial statements are prepared on an accruals basis and follow best practice recommended by the Code of Practice on Local Authority Accounting.

The various statements include, where relevant, comparative figures relating to the previous financial year and supporting notes.

They statements summarise the overall financial position of the Council and include the following:

**Comprehensive Income and Expenditure Statement** - This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices and shows how that cost has been financed from Council Tax payers, Business Rate income and Government grants.

**Movement in Reserves Statement** - This statement shows the movement in the year of the different reserves held by the Authority, analysed into 'usable reserves' (ie those that can be applied to fund expenditure or reduce local taxation) and other reserves.

**Balance Sheet** – This statement shows the assets and liabilities of all the activities of the Council and the balances and reserves at the Council's disposal.

**Cash Flow Statement** – This statement shows the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes.

**Collection Fund** – This statement reflects a statutory requirement to maintain a separate Collection Fund, which shows the transactions of the Council as a billing authority in relation to council tax and non-domestic rates, and the way in which the total amount collected has been distributed to the precepting authorities and Central Government.

### 3. Joint Working Arrangements with Chiltern District Council

On 19<sup>th</sup> January 2012 Chiltern District Council and South Bucks District Council signed an Inter Authority Agreement to establish Joint Arrangements to work together to share a Joint Chief Executive and a Joint Senior Management Team and then to examine the opportunities for further savings by collaboration and the joining together of services, assets, officer posts and officer teams.

The authorities have a shared Chief Executive and Directors, as well as joint Heads of Service. The two councils have also implemented opportunities for further savings by collaboration and the joining together of services, assets, officer posts and officer teams.

However, the authorities remain sovereign independent bodies, and keep their separate identities, retain their own Councillors and budgets, and set their own council taxes.

### 4. Financial Context

We continue to be in a period of challenge for local authorities, as we are faced with having to maintain and improve key services in a time of reducing resources. The Council is committed to working with its communities to try and shape the development of the local areas to their needs and aspirations, whilst at the same time recognising the importance of maintaining a low council tax, and attempting to minimise the impact of reduced resources.

On 23<sup>rd</sup> February 2016 the Authority set its budget for 2016/17 to take account of the continuing material reduction in funding to the Council as shown in the following table.

	2014/15 £'000	2015/16 £'000	2016/17 £'000
Business Rate Income - Baseline Need	985	1,004	1,012
Revenue Support Grant	1,161	871	436
Settlement Funding Assessment	2,146	1,875	1,448
Year on Year Change (£k)		-271	-427
Year on Year Change (%)		-13%	-23%

The 2016/17 budget incorporated over £600,000 of savings, budget reductions and increased income.

The Council's Medium Term Financial Forecast anticipates Revenue Support Grant disappearing completely in 2018/19, and further savings being required to balance the budget over the next few years.

**5. Financial Outturn****Revenue Income and Expenditure**

The table below summarises the Council's revenue income and expenditure and compares the budget for the year with the actual expenditure. It also shows how the overall Council expenditure was funded by income from Council Tax payers, business rate income, and Government Grants. The numbers here differ to the figures shown on the Comprehensive Income and Expenditure Statement as some items of expenditure, such as depreciation, are presented differently.

	Budget £'000	Outturn £'000	(Under)/ Over Spend £'000
Environment	2,907	2,808	-99
Healthy Communities	1,574	1,706	132
Resources	1,865	2,003	138
Sustainable Development	1,666	1,498	-168
<b>Net Cost of Services</b>	<b>8,012</b>	<b>8,015</b>	<b>3</b>
Interest & Investment Income	-430	-334	96
Notional Interest Payable	227	227	-
Transfer from LDD Reserve	-164	-20	144
Transfer from Revenue Reserves	-18	-	18
Transfer to Economic Development Reserve	50	50	-
Transfer to the Capital Reserve	557	557	-
<b>Budget Requirement</b>	<b>8,234</b>	<b>8,495</b>	<b>261</b>
Council Tax Payers	-4,734	-4,734	-
Non-Domestic Rates (NDR)	-1,012	-2,184	-1,172
Non-Domestic Rates (NDR) - General Grants	-	-150	-150
Revenue Support Grant (RSG)	-436	-436	-
General Grants – Transition Grants	-80	-80	-
General Grants - New Homes Bonus	-1,479	-1,479	-
General Grants - Other	-	-143	-143
Collection Fund Council Tax Deficit	7	7	-
Collection Fund NDR Deficit (From NNDR1)	-500	1,830	2,330
Levy Payable on Business Rates Growth	-	186	186
Items Agreed to be Funded from Reserves	-	1,312	1,312
Corporate Management Costs	-	40	40
HS2 Expenditure	-	56	56
	-	96	96
<b>Net (Surplus)/Deficit for the Year</b>	<b>-</b>	<b>1,408</b>	<b>1,408</b>

The following table then reconciles the above figures to the figures in the Statement of Accounts (see note 7 for more details).

(Surplus)/Deficit on Provision of Services (From Comprehensive Income and Expenditure Statement)	322
Adjustments between Accounting Basis and Funding Basis	-2,516
Net Transfer to Earmarked Reserves	3,602
<b>(Increase)/Decrease in General Fund Reserve</b>	<b>1,408</b>

**Movement in Reserves**

The Movement in Reserves Statement shows the movement in the year of the different reserves held by the Authority.

The key movements in the Council's usable reserves are as follows.

- The General Fund Balance decreased by £1,408,000 to £2,939,000. This is due to a transfer to Earmarked Reserves of £3,602,000 which has been offset by adjustments relating to retained income from Non-Domestic Rates.
- Earmarked reserves increased by £3,602,000 to £6,628,000. This is mainly due to in year contributions to reserves relating to S106 commuted sums.
- The Council's Capital Receipts Reserve decreased by £5,233,000 to £856,000. This is because receipts were used to fund the Council's capital investment programme.

The key movements in the Council's unusable reserves are as follows.

- The Pensions deficit increased by £6,114,000. The accumulated estimated pension fund deficit now stands at £31,484,000.
- The Revaluation Reserve balance increased by £5,162,000 due to upwards revaluation of the Authority's Property, Plant and Equipment.

**Capital Expenditure**

Capital expenditure is all expenditure on the acquisition, creation, or enhancement of Property, Plant and Equipment assets, which yield benefits to the Authority and the services it provides for a period of more than one year.

Total capital expenditure for the year amounted to £5,574,000. This was financed from internal capital receipts and central Government grants. Further details are shown in note 23.

**Financial Position at Year End**

The Balance Sheet shows the Council's assets and liabilities as at 31 March and the following table provides a summary of the Council's key assets and liabilities

	Value 31 March 2016 £m	Value 31 March 2017 £m
<b>Assets</b>		
Property, Plant and Equipment	13.6	17.8
Investment Property	6.8	10.2
Investments, Cash and Bank holdings	21.0	18.3
Long Term Debtors	1.9	1.8
Short Term Debtors	7.2	5.7
<b>Liabilities</b>		
Short Term Creditors	7.0	6.3
Short Term Provisions	1.6	1.7
Finance Lease Liability	3.8	3.5
Pension Liability	25.4	31.5

The value of Property, Plant and Equipment has increased by £4.2m. These assets were revalued as at 1<sup>st</sup> April 2016, which resulted in an increase in value of £4.4m for Property, Plant and Equipment. More information can be found in Note 10 of the Statement of Accounts.

Investment Properties have increased in value by £3.4m. This is largely due to the purchase in year of the Police Site in Gerrards Cross for £4.2m (more information is given in Note 11 and 23 of the accounts). This has also led to a reduction in the Investment, Cash and Bank holdings, which have reduced by £2.7m in total.

The Authority, as part of the terms and conditions of employment, offers retirement benefits to staff. Although these benefits will not be payable until employees retire, the Authority has a commitment to make the payments and this needs to be disclosed at the time that employees earn their future entitlement.

This pension liability has been accounted for under International Accounting Standard 19 Employee Benefits (IAS19) and in common with many public and private companies, who offer defined benefit pension schemes, the current IAS19 valuation of the pension fund assets is significantly less than the actuarial estimate of the liability. For South Bucks the pension asset value is £42.1m and the liability £73.6m giving a net deficit of £31.5m as at 31 March 2017.

However the Authority's actual contributions to the pension fund are independently assessed by the scheme actuary on a different statutory basis to ensure that any deficit on the pension fund is made good over the period that the liabilities will arise and contributions to the fund are determined by the actuary's advice.

### **Cash Flow**

The Cash Flow Statement shows the inflows and outflows of cash arising from transactions with third parties. It shows that in 2016/17 the amount of cash and cash equivalents held by the Authority decreased by £373,000.

### **Collection Fund**

The Collection Fund Statement shows the transactions of the Council as a billing authority in relation to council tax and non-domestic rates.

In 2016/17 SBDC raised £51.5m in Council Tax. Council Tax income is paid over to the precepting bodies (Bucks County Council, Bucks Fire & Rescue, Police & Crime Commissioner for Thames Valley, Parish & Town Councils and SBDC) and the amount paid over in 2016/17 (£51.1m) equals the amount that was requested as part of the 2016/17 budget setting process.

In 2016/17 SBDC raised £31.4m in business rates. Business rate income is shared as follows: Central Government 50%; SBDC 40%, Bucks County Council 9%; Bucks Fire & Rescue 1%. Business rates income in excess of this figure is shared on a different basis as the Council was part of a business rates pool in 2016/17.

## 6. Financial and Non-Financial Performance

In 2016/17 South Bucks District Council has:

- Published the Chiltern and South Bucks Joint Local Plan preferred options consultation, which will help shape future development in the district up until 2036.
- Diverted 12,000 tonnes of waste from landfill.
- Delivered 35 disabled facilities grants.
- Developed the Open Spaces and Playing Pitch Strategy and Leisure Facilities Strategy, which will inform the future needs and delivery of leisure.
- Delivered a Housing Strategy to help people in need to secure appropriate housing.
- Collected 97.9% of the Council Tax amounts due and 99.0% of the Business Rates amounts due.

Further details can be found in the South Bucks District Council Annual Report 2016/17.

## 7. Other Matters to Report

We also report to you the following matters:

- Apart from the matters disclosed above, there are no other significant factors affecting the Accounts that require highlighting in 2016/17.
- There are no significant changes in accounting policy to report in 2016/17.
- The Authority did not have any need to borrow monies.
- There are no significant contingencies or material write offs to report.
- There are no material events after the reporting date to report.

## 8. Future Plans

Looking ahead, South Bucks District Council will:

- Continue to make savings in order to deal with on-going reductions in Government funding.
- Continue to prepare the Joint Local Plan, which will help shape future development in the district up until 2036.
- Ensure our open spaces and leisure facilities are suitable for the needs of our residents now and in the future.
- Complete the delivery of the Housing Strategy to help people in need to secure appropriate housing.
- Mitigate the impact of major infrastructure projects arising from planning development.
- Progress the joint arrangements with Chiltern District Council, with the focus of changing ways of working to provide more efficient services that respond to the evolving needs to residents and businesses.
- Work with other public sector bodies on the delivery of the public services to provide more efficient and co-ordinated services where possible.

SBDC is also likely to carry out a number of investment projects including:

- Increasing off street car parking spaces in our main centres.
- Starting to develop property to meeting housing needs and generate income for the Council from rents.

These projects will result in the Council undertaking some long term borrowing to help fund these.

Further details can be found in the South Bucks District Council Annual Report 2016/17.

## **9. Further Information**

Further information on the financial affairs of the Council can be obtained from:

Director of Resources  
South Bucks District Council  
Council Offices  
Capswood  
Oxford Road  
Denham  
Bucks  
UB9 4LH

## The Authority's Responsibilities

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 Resources.
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Approve the Statement of Accounts.

## The Director of Resources' Responsibilities

The Director of Resources is responsible for the preparation of the Authority's Statement of Accounts in accordance with proper practices as set out in the Code of Practice on Local Authority Accounting in the United Kingdom ("the Code").

In preparing this Statement of Accounts, the Director of Resources has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the local authority Code.

The Director of Resources has also:

- kept proper accounting records which were up to date;
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

I confirm that the Statement of Accounts gives a true and fair view of the financial position of the Authority as at 31 March 2017 and its income and expenditure for the year then ended.

Director of Resources

Date 28<sup>th</sup> September 2017

## Certificate of Approval – Chair of Audit Committee

I can confirm that these accounts were approved by the Audit Committee at the meeting held on 28<sup>th</sup> September 2017

Signed on behalf of South Bucks District Council  
Chair of Audit Committee

Date 28<sup>th</sup> September 2017



## Comprehensive Income and Expenditure Statement Appendix

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. Authorities raise taxation to cover expenditure in accordance with regulations; which is likely to be different from the accounting cost.

2015/16				Note	2016/17		
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000			Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
5,720	-1,314	4,406	Environment Portfolio		4,999	-1,077	3,922
5,611	-4,171	1,440	Healthy Communities Portfolio		5,404	-6,535	-1,131
20,102	-17,941	2,161	Resources Portfolio		20,668	-17,806	2,862
3,578	-1,674	1,904	Sustainable Development Portfolio		3,151	-1,377	1,774
<b>35,011</b>	<b>-25,100</b>	<b>9,911</b>	<b>Cost of Services</b>		<b>34,222</b>	<b>-26,795</b>	<b>7,427</b>
			<b>Other Operating Expenditure</b>				
		1,907	Parish Council Precepts				2,019
		-116	(Gain) / loss on disposal of non-current assets				-278
		27	Pension Administration Expenses	25			29
			<b>Financing and Investment Income and Expenditure</b>				
		244	Interest element of finance leases				227
		905	Pensions net interest cost	25			894
		-366	Investment interest receivable	13			-334
		-990	(Gain) / loss on investment properties	11			544
			<b>Taxation and Non-Specific Grant Income and Expenditure</b>				
		-6,488	Council tax income				-6,780
		-12,259	Non-domestic rates income				-12,336
		10,921	Non-domestic rates expenditure - Tariff payment				11,012
		407	Non-domestic rates (safety net grant)/levy				186
		-871	Revenue Support Grant				-436
		-	Transition Grant				-80
		-1,334	New Homes Bonus				-1,479
		-460	Non service related government grants				-293
		-109	Capital Grants and Contributions				-
		<b>1,329</b>	<b>(Surplus) or Deficit on Provision of Services</b>				<b>322</b>
		-1,734	(Surplus) or deficit on revaluation of Property, Plant & Equipment assets	10			-5,235
		34	(Surplus) or deficit on revaluation of available for sale financial assets	13			58
		-3,572	Remeasurements of the net defined benefit liability	25			5,181
		-5,272	<b>Other Comprehensive Income &amp; Expenditure</b>				<b>4</b>
		<b>-3,943</b>	<b>Total Comprehensive Income &amp; Expenditure</b>				<b>326</b>

## Movement In Reserves Statement

This statement shows the movement in the year of the different reserves held by the Authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves.

The Statement shows how the movements in year of the Authority's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax for the year. The Increase/Decrease line shows the statutory General Fund Balance movements in the year following those adjustments

General Fund Balance	Earmarked Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Capital Reserves	Total Usable Reserves	Revaluation Reserve	Pensions Reserve	Capital Adjustments Account	Collection Fund Adjustment C Tax	Collection Fund Adjustment NDR	Available for Sale Financial Instruments	Deferred Credits	Total Unusable Reserves	Total Authority Reserves
£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000

### Movement in Reserves 2016/17

Balance as at 31 March 2016	4,347	3,026	6,089	11	4,350	17,823	4,019	-25,370	16,704	17	-1,869	147	90	-6,262	11,561
Total Comprehensive Income & Expenditure	-322	-	-	-	-	-322	5,235	-5,181	-	-	-58	-	-4	-326	
Adjustments between accounting basis & funding basis under regulations (Note 7)	2,516	-	-5,233	76	-	-2,641	-73	-933	2,397	34	969	-	-	2,394	-247
Net Increase / Decrease before Transfers to Earmarked Reserves	2,194	-	-5,233	76	-	-2,963	5,162	-6,114	2,397	34	969	-58	-	2,390	-573
Transfers to / from Earmarked Reserves (Note 9)	-3,602	3,602	-	-	-	-	-	-	-	-	-	-	-	-	-
Increase / Decrease (movement) in Year	-1,408	3,602	-5,233	76	-	-2,963	5,162	-6,114	2,397	34	969	-58	-	2,390	-573
Balance as at 31 March 2017	2,939	6,628	856	87	4,350	14,860	9,181	-31,484	19,101	51	-900	89	90	-3,872	10,988

### Movement in Reserves 2015/16

Balance as at 31 March 2015	1,862	2,427	7,251	11	4,350	15,901	2,289	-27,953	17,016	-90	184	181	90	-8,283	7,618
Total Comprehensive Income & Expenditure	-1,329	-	-	-	-	-1,329	1,734	3,572	-	-	-34	-	-	5,272	3,943
Adjustments between accounting basis & funding basis under regulations (Note 7)	4,413	-	-1,162	-	-	3,251	-4	-989	-312	107	-2,053	-	-	-3,251	-
Net Increase / Decrease before Transfers to Earmarked Reserves	3,084	-	-1,162	-	-	1,922	1,730	2,583	-312	107	-2,053	-34	-	2,021	3,943
Transfers to / from Earmarked Reserves	-599	599	-	-	-	-	-	-	-	-	-	-	-	-	-
Increase / Decrease (movement) in Year	2,485	599	-1,162	-	-	1,922	1,730	2,583	-312	107	-2,053	-34	-	2,021	3,943
Balance as at 31 March 2016	4,347	3,026	6,089	11	4,350	17,823	4,019	-25,370	16,704	17	-1,869	147	90	-6,262	11,561

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

31 March 2016 £'000		Note	31 March 2017 £'000
13,584	Property, Plant & Equipment	10	17,788
63	Heritage Assets		63
6,806	Investment Property	11	10,170
270	Intangible Assets	12	262
7,008	Long Term Investments	13	3,624
1,857	Long Term Debtors	14	1,765
<b>29,588</b>	<b>Long Term Assets</b>		<b>33,672</b>
7,085	Short Term Investments	13	8,167
7,200	Short Term Debtors	14	5,717
6,864	Cash and Cash Equivalents		6,491
<b>21,149</b>	<b>Current Assets</b>		<b>20,375</b>
-7,000	Short Term Creditors	15	-6,333
-1,609	Short Term Provisions	16	-1,668
-268	Short Term Finance Lease Liabilities	24	-285
-1,191	Receipts in Advance	15	-
<b>-10,068</b>	<b>Current Liabilities</b>		<b>-8,286</b>
-3,549	Long Term Finance lease Liabilities	24	-3,264
-189	S106 Liabilities		-25
-25,370	Pensions Liabilities	25	-31,484
<b>-29,108</b>	<b>Long Term Liabilities</b>		<b>-34,773</b>
<b>11,561</b>	<b>Net Assets</b>		<b>10,988</b>
17,823	Usable reserves *		14,860
-6,262	Unusable Reserves*	17	-3,872
<b>11,561</b>	<b>Total Reserves</b>		<b>10,988</b>

\*See Movement in Reserves Statement for further details.

The unaudited accounts were issued on 30<sup>th</sup> June 2017. The audited accounts were authorised for issue on 28<sup>th</sup> September 2017

Director of Resources

Date: 28<sup>th</sup> September 2017

The Cash Flow Statement shows the changes in cash and cash equivalents of the Authority during the reporting period. The statement shows how the Authority generates and uses and cash equivalents by classifying cash flows as operating, investing and financing activities.

2015/16 £'000	Cash Flow Statement	2016/17 £'000
-1,329	Net surplus or (deficit) on the provision of services	-322
3,398	Adjustments to net surplus or deficit on the provision of services for non-cash movements	288
-65	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	-142
-295	Interest received	-363
244	Finance lease interest (received) / paid	227
<b>1,953</b>	<b>Net cash flows from Operating Activities</b>	<b>-312</b>
	<b>Investing Activities</b>	
-1,083	Purchase of property, plant & equipment, investment property & intangible assets	-5,099
-7,000	Purchase of short-term investments	-10,000
-1,000	Purchase of long-term investments	-
-	Proceeds from the sale of property, plant & equipment, investment property & intangible assets	300
10,191	Proceeds from short-term investments	12,214
107	Other (receipts)/payments for investing activities	-151
	<b>Financing Activities</b>	
-251	Change in the outstanding liabilities relating to finance leases	-268
-7,113	Other receipts / (payments) for financing activities: Change in NNDR amount due to Government and preceptors	5,724
2,461	Other receipts / (payments) for financing activities: Change in Council Tax amount due	-2,781
<b>-1,735</b>	<b>Net increase or (decrease) in cash and cash equivalents</b>	<b>-373</b>
8,599	Cash and cash equivalents at the beginning of the reporting period	6,864
<b>6,864</b>	<b>Cash and cash equivalents at the end of the reporting period</b>	<b>6,491</b>
677	Bank current accounts	1,176
6,187	Short-term deposits / Money Market Funds	5,315
<b>6,864</b>		<b>6,491</b>

## 1. Accounting Policies

### **General Principles**

The Statement of Accounts summarises the Authority's transactions for the 2016/17 financial year and its position at the year-end of 31 March 2017. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, which those regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17, supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

### **Accruals of Income and Expenditure**

Activity is accounted for in the year it takes place, not simply when cash payments are made or received. In particular:

- Revenue from the sale of goods is recognised when the Authority transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
- Revenue from the provision of services is recognised when the Authority can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

### **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 highly liquid investments that mature in 30 days or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Authority's cash management.

**Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors**

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Authority's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

**Charges to Revenue for Non-Current Assets**

Services are debited 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 Authority is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisation. Depreciation, revaluation and impairment losses and amortisation are therefore removed by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement.

**Council Tax and Non-Domestic**

Billing authorities act as agents, collecting council tax and non-domestic rates (NDR) on behalf of the major preceptors (including Government for NDR) and, as principals, collecting council tax and NDR for themselves.

Billing authorities are required by statute to maintain a separate fund (ie the Collection Fund) for the collection and distribution of amounts due in respect of council tax and NDR. Under the legislative framework for the Collection Fund, billing authorities, major preceptors and central Government share proportionately the risks and rewards that the amount of council tax and NDR collected could be less or more than predicted.

**Accounting for Council Tax and NDR**

The council tax and NDR included in the Comprehensive Income and Expenditure Statement is the Authority's share of accrued income for the year. However, regulations determine the amount of council tax and NDR that must be included in the Authority's General Fund. Therefore, the difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement.

The Balance Sheet includes the Authority's share of the end of year balances in respect of council tax and NDR relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments and appeals.

## **Employee Benefits**

### 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 for the services in the year in which employees render service to the Authority.

Proper practice requires that an accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. However, as the value of this accrual is under £100,000 and reasonably consistent between years, the Authority has decided not to adjust for this as it does not materially affect the accuracy of the Accounts.

### Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Authority 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 on an accruals basis to the appropriate service segment at the earlier of when the Authority can no longer withdraw the offer of those benefits or when the Authority recognises costs for a restructuring.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund Balance to be charged with the amount payable by the Authority to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination 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.

### Post-Employment Benefits

Employees of the Authority are members of the Local Government Pensions Scheme, administered by Buckinghamshire County Council. This scheme provides defined benefits to members (retirement lump sums and pensions), earned by employees as they worked for the Authority.

The Local Government Pension Scheme is accounted for as a defined benefit scheme:

- The liabilities of the pension fund attributable to the Authority 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 projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate based on the indicative rate of return on a high quality corporate bond.
- The assets of the pension fund attributable to the Authority are included in the Balance Sheet at their fair value:
  - quoted securities - current bid price
  - unquoted securities - professional estimate
  - unitised securities - current bid price
  - property - market value.

The change in the net pension liability is analysed into the following components:

- Service cost comprising:
  - Current service cost – The increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.
  - Past service cost – The increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement.
  - Net interest on the net defined benefit liability (asset), i.e. net interest expense for the Authority – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.
- Remeasurements comprising:
  - The return on plan assets – excluding amounts included in the net interest on the net defined liability (asset) – 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.
- 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.

In relation to retirement benefits, statutory provisions require the General Fund Balance to be charged with the amount payable by the Authority 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 transfers 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 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 Authority also 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 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.

### **Events After the Reporting Period**

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of event can be identified:

- Those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events.
- Those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.



## **Financial Instruments**

### Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Authority 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 Comprehensive Income and Expenditure Statement 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.

This usually means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year.

### Financial Assets

Financial assets are classified into two types:

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

#### *Loans and Receivables*

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

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the relevant service (for receivables specific to that service) or the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

Any gains and losses that arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

#### *Available-for-Sale Assets*

Available-for-sale assets are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income is credited to the Comprehensive Income and Expenditure Account when it becomes receivable by the Authority.

Assets are maintained in the Balance Sheet at fair value. Values are generally based on the market price.

The inputs to the measurement techniques are categorised in accordance with the following three levels:

- Level 1 Inputs – quoted prices (unadjusted) in active markets for identical assets that the Authority can access at the measurement date.
- Level 2 Inputs – inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly.
- Level 3 Inputs – unobservable inputs for the asset.

Changes in fair value are balanced by an entry in the Available-for-Sale Reserve and the gain / loss is recognised in the Surplus or Deficit on Revaluation of Available-for-Sale Financial Assets. The exception is where impairment losses have been incurred – these are debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any net gain or loss for the asset accumulated in the Available-for-Sale Reserve.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made (fixed or determinable payments) or fair value falls below cost, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Any gains and losses that arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any accumulated gains or losses previously recognised in the Available-for-Sale Reserve.

#### **Instruments Entered Into Before 1 April 2006**

The Authority entered into a financial guarantee, prior to 1 April 2006, which is not required to be accounted for as a financial instrument. This guarantee is reflected in the Statement of Accounts as a contingent liability note under the policies set out in the section on Provisions, Contingent Liabilities and Contingent Assets.

#### **Government Grants and Contributions**

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Authority when there is reasonable assurance that:

- the Authority will comply with the conditions attached to the payments, and
- the grants or contributions will be received.

Amounts recognised as due to the Authority are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contributions have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset in the form of the grant or contribution are required to be consumed by the recipient as specified, or future economic or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income and Expenditure (non-ringfenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement 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. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustments Account once they have been applied to fund capital expenditure.

**Heritage Assets**

The Authority owns a small number of Heritage Assets (e.g. antique furniture, paintings, books and manuscripts).

Heritage Assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Authority's accounting policies on property, plant and equipment. However, some of the measurement rules are relaxed in relation to Heritage Assets as detailed below.

Heritage Assets are reported in the Balance Sheet at insurance valuation. Heritage Assets are deemed to have indeterminate lives and a high residual value; hence the Authority does not consider it appropriate to charge depreciation.

The collection is relatively static and acquisitions and donations are rare. Where they do occur acquisitions are initially recognised at cost and donations are recognised at insurance valuation.

The carrying amounts of Heritage Assets are reviewed where there is evidence of impairment e.g. where an item has suffered physical deterioration or breakage or where doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the Authority's general policies on impairment.

**Intangible Assets**

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Authority as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Authority.

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Authority can be determined by reference to an active market. In practice, no intangible asset held by the Authority meets this criterion, and they are therefore carried at amortised cost.

The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance 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.

**Interests in Companies and Other Entities**

The Authority has no material interests in companies and other entities that have the nature of subsidiaries, associates and jointly controlled entities that would require it to prepare group accounts. For further information see Note 21.

**Inventories**

Inventories are included in the Balance Sheet at the lower of cost and net realisable value.

### **Investment Property**

Investment properties are those that are used solely to earn rentals and / or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery 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.

Properties are not depreciated but are revalued annually according to a fair value hierarchy at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. 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 Balance.

Revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sales proceeds greater than £10,000) the Capital Receipts Reserve.

### **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.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for the payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

#### **The Authority 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 its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Authority are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability, and
- a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the Authority at the end of the lease period).

The Authority is not required to raise council tax to cover depreciation or revaluation and impairment losses arising from leased assets. Instead, Property, Plant and Equipment held under finance leases are funded in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore removed by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement.

#### *Operating Leases*

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefiting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments.

#### The Authority as Lessor

##### *Finance Leases*

When the Authority 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. At the commencement of the lease, 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 Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the Authority's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease debtor (together with any premiums received), and
- finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. When a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payments of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. 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 therefore appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

#### *Operating Leases*

Where the Authority grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. 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 or discount offered at the commencement of the lease). If material, initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

**Overheads and Support Services**

The costs of overheads and support services are charged to service segments in accordance with the Authority's arrangements for accountability and financial performance.

**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 Authority and the cost of the item can be measured reliably. 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.

**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 it to be capable of operating in the manner intended by management.

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Authority). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Authority.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income and Expenditure line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. When gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

Assets are then carried in the Balance Sheet using the following measurement bases:

- Community assets and assets under construction – depreciated historical cost
- Council offices – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV)
- Surplus assets – the current value measurement base is fair value, estimated at highest and best use from a market participant's perspective
- All other assets – 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, depreciated replacement cost (DRC) is used as an estimate of current value.

Where non-property assets have short useful lives or low values (or both), depreciated historical cost is used as a proxy for current value.

Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year-end, but as a minimum every five years.

Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains.

Exceptionally, gains might be credited to the Surplus or Deficit on the Provision of Services where they arise from the reversal of a loss previously charged to a service.

Where decreases in value are identified, they are accounted for by:

- where there is a balance on 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 Comprehensive Income and Expenditure Statement.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

### Impairment

Material 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.

Where impairment losses are identified, they are accounted for by:

- 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 on the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

### 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 life (i.e. freehold land and certain Community Assets) and assets that are not yet available for use (i.e. assets under construction).

Depreciation is calculated on a straight line basis over the useful life of the asset. Assets are not depreciated in the year of acquisition and are subject to a full year's depreciation in the year of disposal.

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 also depreciated, 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 Non-current Assets Held for Sale

When it becomes probable that the carrying amount of an 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 Comprehensive Income and Expenditure Statement. 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. Depreciation is not charged on 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.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

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 Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposal (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset 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 and are required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment. Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

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



**Provisions, Contingent Liabilities and Contingent Assets****Provisions**

Provisions are made where an event has taken place that gives the Authority 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. For instance, the Authority may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement when the Authority has an 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. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

**Contingent Liabilities**

A contingent liability arises where an event has taken place that gives the Authority a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Authority. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

**Contingent Assets**

A contingent asset arises where an event has taken place that gives the Authority a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Authority.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

**Reserves**

The Authority sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by transferring amounts out of the General Fund. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then transferred back into the General Fund Balance so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, local taxation, retirement and employee benefits and do not represent usable resources for the Authority – these reserves are explained in the relevant policies.

**Revenue Expenditure Funded from Capital under Statute**

Expenditure incurred during the year that may be capitalised under statutory provisions but does not result in the creation of non-current assets has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Authority has determined to meet the cost of this expenditure from existing capital resources 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 there is no impact on the level of council tax.

**VAT**

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.

**Fair Value Measurement**

The Authority measures some of its non-financial assets such as surplus assets and investment properties and some of its financial instruments at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

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

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

When measuring the fair value of a non-financial asset, the Authority takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Authority uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the Authority's financial statements are categorised within the fair value hierarchy, as follows:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the Authority 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.

## **2. Accounting Standards Issued, Not Adopted**

The Authority is required to disclose information relating to the impact of any accounting change on the financial statements, as a result of the adoption by the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 (the Code) of a new standard that has been issued, but is not yet required to be adopted by the Authority.

Full adoption will be required for the 2017/18 financial statements. However the Authority is required to make disclosure of the estimated effect of the new standards in these (2016/17) financial statements.

The 2017/18 Code has adopted:

- An amendment to the reporting of pension fund scheme transaction costs
- An amendment to the reporting of investment concentration.

These changes only affect authorities that are required to prepare Pension Fund Accounts. As South Bucks District Council is not an administering authority, these changes will not affect these Statement of Accounts.

## **3. Critical Judgements in Applying Accounting Policies**

In applying the accounting policies set out in Note 1, the Authority 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:

- The Authority is the sole corporate trustee of the Farnham Park Charitable Trust, a charitable organisation that owns and operates the Farnham Park Sports Fields and the South Buckinghamshire Golf Course. It has been determined that the Authority does not have control of the Trust (except in its capacity as corporate trustee) and it is not a subsidiary of the Authority.
- The Authority has determined that its main office building lease should be accounted for as a finance lease.
- The Authority values its Sports Centre at Current Value for Existing Use. The external valuer has valued this asset as a specialist property using the Depreciated Replacement Cost methodology.

#### 4. Assumptions Made about the Future and Other Major Source of Estimation Uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the Authority 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 different from the assumptions and estimates.

The items in the Authority's Balance Sheet at 31 March 2017 that have a significant risk of causing material adjustment in the forthcoming financial year are as follows.

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for buildings would increase by £29k for every year that useful lives had to be reduced.
Creditor Accruals	Accruals are estimated based on goods or services which have been received but not yet invoiced. The value of estimated creditors is £100k.	If there is a difference of 1% on the value of the actual invoice received, this would equate to £1k.
Debtors	At 31 March 2017, the Council had a balance of invoiced sundry debts of £3,368k. Review suggested that an impairment of doubtful debts of 37% (£1,234k) was appropriate.  Estimated debtors are based on invoices which were not raised prior to 31 March 2017. The value of estimated debtors is £1,171k.	If collection rates were to deteriorate, increasing the impairment of doubtful debts by 10% would require an additional £337k to be set aside.  A difference of 1% on the value of the actual debtors invoice raised would equate to £12k.
Non-Domestic Rates Appeals Provision	Business Ratepayers have the right to appeal against their business rate property valuations. If successful they will be entitled to a refund of overpaid Non-Domestic Rates. The Authority has therefore made a provision of £1,668k for the settlement of successful appeals.	An increase of 10% in either the total number of successful claims or the estimated average settlement would each have the effect of adding £167k to the provision.
Pensions Liability	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 Council with expert advice about the assumptions to be applied. The value of the net pension liability in the balance sheet is £31,484k.	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 net pension liability of £1,259k.

## **5. Events after the Reporting Period**

The unaudited Statement of Accounts were issued by the Director of Resources on 30 June 2017 and the audited accounts were authorised for issue on the 28 September 2017. Events taking place after this date are not reflected in the financial statement or notes.

Where events taking place before this date provided information about the conditions existing at 31 March 2017, the figures in the financial statements and notes would be adjusted in all material respects to reflect the impact of this information.

The financial statement and notes would not be adjusted for events which took place after 31 March 2017 if they provide information that is relevant to an understanding of the Authority's financial position but do not relate to conditions at that date.

There have been no events occurring after the reporting date that would have a material impact on these financial statements.

## **6. Transfer of Historical Disposal to Farnham Park Charitable Trust**

In 1998/99 South Bucks District Council sold Farm Cottages, Farnham Park Lane resulting in a capital receipt of £247,000. This asset formed part of permanent endowment (Farnham Park Sports Field) that was handed to South Bucks District Council under the Eton Rural District Council (ERDC) Act 1971.

In 2006/07 all transactions and balances relating to Farnham Park Charitable Trust were separated out from the main South Bucks District Council accounts. However the £247,000 was omitted.

This means that in 2006/07 the Council's Capital Receipts Reserve was overstated by £247,000 and the cash loan to the Trust was also overstated by £247,000. The Authority has deemed this a non-material misstatement, and therefore the correction for this transaction has been made within the 2016/17 Statement of Accounts.

## **7. Expenditure and Funding Analysis**

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (Government grants, council tax and business rates) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices.

It 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.

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Authority in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Authority to meet future capital and revenue expenditure

## Notes to the Accounts

2016/17	Services within the General Fund					Total General Fund	Other Usable Reserves	Capital Receipts Reserve	Unusable Reserves
	Environment Portfolio	Healthy Communities Portfolio	Resources Portfolio	Sustainable Development Portfolio	Other Income & Expenditure				
	£'000	£'000	£'000	£'000	£'000				
<b>Net Expenditure Chargeable to the General Fund (Per Internal Monitoring)</b>	<b>2,808</b>	<b>1,706</b>	<b>2,003</b>	<b>1,498</b>	<b>-6,608</b>	<b>1,408</b>			
Adjustment for Earmarked Reserves	-2	-3,093	361	56	-924	-3,602			
<b>Net Expenditure Chargeable to the General Fund</b>	<b>2,806</b>	<b>-1,387</b>	<b>2,364</b>	<b>1,553</b>	<b>-7,530</b>	<b>-2,194</b>			
<b>Adjustments to the Revenue Resources</b>									
<i>Amount by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:</i>									
- Pensions costs (transferred to (or from) the Pensions Reserve)	41	96	-348	221	923	<b>933</b>	-	-	-933
- Council Tax and NDR (transfers to or from Collection Fund Adjustment Account)	-	-	-	-	-1,003	<b>-1,003</b>	-	-	1,003
- Charges for depreciation and impairment of non-current assets (these items are charged to the Capital Adjustment Account)	768	81	349	-	-	<b>1,198</b>	-	-	-1,198
- Amortisation of Intangible Assets (these items are charged to the Capital Adjustment Account)	-	-	83	-	-	<b>83</b>	-	-	-83
- Revaluation losses on Property, Plant & Equipment (these items are charged to the Capital Adjustment Account)	307	109	414	-	-	<b>830</b>	-	-	-830
- Movement in the fair value of investment properties (these items are charged to the Capital Adjustment Account)	-	-	-	-	786	<b>786</b>	-	-	-786
- Amounts of non-current assets written off on disposal	-	-	-	-	22	<b>22</b>	-	-	-22
<b>Total Adjustments to Revenue Resources</b>	<b>1,116</b>	<b>286</b>	<b>498</b>	<b>221</b>	<b>728</b>	<b>2,849</b>	-	-	<b>-2,849</b>
<b>Adjustments between Revenue and Capital Resources</b>									
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	-	-	-	-	-300	<b>-300</b>	-	300	-
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	-	330	-	-	-3	<b>327</b>	-	-	-327
<b>Total Adjustments between Revenue and Capital Resources</b>	<b>-</b>	<b>330</b>	<b>-</b>	<b>-</b>	<b>-303</b>	<b>27</b>	-	<b>300</b>	<b>-327</b>
<b>Adjustments to Capital Resources</b>									
Use of the Capital Receipts Reserve to finance capital expenditure	-	-	-	-	-	-	-	-5,286	5,286
Application of capital grants to finance capital expenditure	-	-360	-	-	-	<b>-360</b>	76	-	284
External transfer of historic disposal (Note 6)	-	-	-	-	-	-	-	<b>-247</b>	-
<b>Total Adjustments to Capital Resources</b>	<b>-</b>	<b>-360</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-360</b>	<b>76</b>	<b>-5,533</b>	<b>5,570</b>
<b>Total Adjustments between the Funding and Accounting Basis</b>	<b>1,116</b>	<b>256</b>	<b>498</b>	<b>221</b>	<b>425</b>	<b>2,516</b>	<b>76</b>	<b>-5,233</b>	<b>2,394</b>
<b>Net Expenditure in the Comprehensive Income and Expenditure Statement</b>	<b>3,922</b>	<b>-1,131</b>	<b>2,862</b>	<b>1,774</b>	<b>-7,105</b>	<b>322</b>			

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Appendix

## Notes to the Accounts

2015/16	Services within the General Fund					Total General Fund	Capital Receipts Reserve	Unusable Reserves
	Environment Portfolio	Healthy Communities Portfolio	Resources Portfolio	Sustainable Development Portfolio	Other Income & Expenditure			
	£'000	£'000	£'000	£'000	£'000			
<b>Net Expenditure Chargeable to the General Fund (Per Internal Monitoring)</b>	<b>3,272</b>	<b>1,910</b>	<b>2,466</b>	<b>1,684</b>	<b>-11,815</b>	<b>-2,483</b>		
Adjustment for Earmarked Reserves	-	-569	-	-	-30	-599		
<b>Net Expenditure Chargeable to the General Fund</b>	<b>3,272</b>	<b>1,341</b>	<b>2,466</b>	<b>1,684</b>	<b>-11,847</b>	<b>-3,084</b>		
<b>Adjustments to the Revenue Resources</b>								
<i>Amount by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:</i>								
- Pensions costs (transferred to (or from) the Pensions Reserve)	40	99	-303	221	932	<b>989</b>	-	-989
- Council Tax and NDR (transfers to or from Collection Fund Adjustment Account)	-	-	-	-	1,946	<b>1,946</b>	-	-1,946
- Charges for depreciation and impairment of non-current assets (these items are charged to the Capital Adjustment Account)	-	-	-	-	1,122	<b>1,122</b>	-	-1,122
- Amortisation of Intangible Assets (these items are charged to the Capital Adjustment Account)	-	-	-	-	57	<b>57</b>	-	-57
- Revaluation losses on Property, Plant & Equipment (these items are charged to the Capital Adjustment Account)	1,093	-	-	-	-	<b>1,093</b>	-	-1,093
- Movement in the fair value of investment properties (these items are charged to the Capital Adjustment Account)	-	-	-	-	-757	<b>-757</b>	-	757
- Amounts of non-current assets written off on disposal	-	-	-	-	-116	<b>-116</b>	-	116
<b>Total Adjustments to Revenue Resources</b>	<b>1,134</b>	<b>99</b>	<b>-303</b>	<b>221</b>	<b>3,184</b>	<b>4,334</b>	-	-4,334
<b>Adjustments between Revenue and Capital Resources</b>								-
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	-	-	-	-	455	<b>455</b>	-	-455
<b>Total Adjustments between Revenue and Capital Resources</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>455</b>	<b>455</b>	-	-455
<b>Adjustments to Capital Resources</b>								-
Use of the Capital Receipts Reserve to finance capital expenditure	-	-	-	-	-	-	-1,162	1,162
Application of capital grants to finance capital expenditure	-	-	-	-	-376	<b>-376</b>	-	376
<b>Total Adjustments to Capital Resources</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-376</b>	<b>-376</b>	<b>-1,162</b>	<b>1,538</b>
<b>Total Adjustments between the Funding and Accounting Basis</b>	<b>1,134</b>	<b>99</b>	<b>-303</b>	<b>221</b>	<b>3,263</b>	<b>4,413</b>	<b>-1,162</b>	<b>-3,251</b>
<b>Net Expenditure in the Comprehensive Income and Expenditure Statement</b>	<b>4,406</b>	<b>1,440</b>	<b>2,163</b>	<b>1,905</b>	<b>-8,585</b>	<b>1,329</b>		

**8. Income and Expenditure Analysed by Nature**

	2015/16 £'000	2016/17 £'000
<b>Income</b>		
Fees, charges and other service income	-4,789	-6,007
Interest and investment income	-366	-334
Council Tax income	-6,488	-6,780
Non-Domestic Rates income	-931	-1,138
Government grants and contributions (Note 20)	-20,204	-19,729
Fund from reserves	-566	-3,021
Gain on disposal of non-current assets	-116	-278
	<b>-33,460</b>	<b>-37,287</b>
<b>Expenditure</b>		
Employee expenses	6,576	5,238
Housing Benefit payments	16,049	16,574
Capital financing costs	1,372	1,248
Other operating expenses	8,716	11,350
Support service recharges	-75	123
Interest element of finance leases	244	227
Precepts	1,907	2,019
Revaluation of non-current assets	-	830
	<b>34,789</b>	<b>37,609</b>
<b>Surplus or (deficit) (CI&amp;E Account)</b>	<b>1,329</b>	<b>322</b>

**9. Transfers to / from Earmarked Reserves**

This note sets out the amounts set aside from the General Fund in earmarked reserves to provide financing for future expenditure plans, and the amounts posted back from earmarked reserves to meet General Fund expenditure in the year.

	Balance at 31 March 2016 £'000	Transfers Out £'000	Transfers In £'000	Balance at 31 March 2017 £'000
Allocated Funding	1	-1	4	4
National Infrastructure	80	-	-	80
Bequests	12	-	-	12
Disasters/Emergencies	27	-	-	27
Insurance	34	-10	-	24
Local Development Fund	668	-20	-	648
Economic Development	-	-	50	50
Renewals & Repairs	3	-3	-	-
Farnham Royal Pump	7	-	-	7
Russo Burial Trust	1	-	-	1
Transformation Reserve	253	-3	-	250
Capital Reserve	-	-	557	557
S106 Housing Reserve	1,940	-378	3,406	4,968
	3,026	-415	4,017	6,628



## 10. Property, Plant and Equipment

## Movements in 2016/17

	Land & Buildings (incl Car Parks)	Buildings Acquired Under Finance Leases	Assets Under Construction	Vehicle, Plant & Equipment	Vehicles Acquired Under Finance Leases	Community Assets	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost or valuation:</b>							
As at 1 April 2016	7,544	4,410	-	6,650	350	117	19,071
Additions	44	54	704	60	-	-	862
Revaluation increases / (decreases) recognised in the Revaluation Reserve	5,092	-	-	-	-	-	5,092
Revaluation increases / (decreases) - recognised in the Surplus / Deficit on the Provision of Services	-476	-1,746	-	-	-	-	-2,222
Transfers	94	-	-	-	-	41	135
Disposals	-	-	-	-667	-	-	-667
<b>As at 31 March 2017</b>	<b>12,298</b>	<b>2,718</b>	<b>704</b>	<b>6,043</b>	<b>350</b>	<b>158</b>	<b>22,271</b>
<b>Depreciation &amp; Impairments:</b>							
As at 1 April 2016	-196	-1,454	-	-3,487	-350	-	-5,487
Charge for year	-95	-252	-	-851	-	-	-1,198
Depreciation written out to the Revaluation Reserve	143	-	-	-	-	-	143
Depreciation written out to the Surplus/Deficit on the Provision of Service	53	1,339	-	-	-	-	1,392
Disposals	-	-	-	667	-	-	667
<b>At 31 March 2017</b>	<b>-95</b>	<b>-367</b>	<b>-</b>	<b>-3,671</b>	<b>-350</b>	<b>-</b>	<b>-4,483</b>
<b>Net book value at 31 March 2017</b>	<b>12,203</b>	<b>2,351</b>	<b>704</b>	<b>2,372</b>	<b>-</b>	<b>158</b>	<b>17,788</b>

## Comparative movements in 2015/16

	Land & Buildings (incl Car Parks)	Buildings Acquired Under Finance Leases	Assets Under Construction	Vehicle, Plant & Equipment	Vehicles Acquired Under Finance Leases	Community Assets	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost or valuation:</b>							
As at 1 April 2015	6,825	4,410	-	5,875	528	67	17,705
Additions	154	-	-	775	-	-	929
Revaluation - recognised in the Surplus/Deficit on the Provision of Service	1,544	-	-	-	-	-	1,544
Revaluation increases / (decreases) - recognised in the Surplus / Deficit on the Provision of Services	-1,145	-	-	-	-	-	-1,145
Transfers	-	-	-	-	-	50	50
Disposals	166	-	-	-	-178	-	-12
<b>As at 31 March 2016</b>	<b>7,544</b>	<b>4,410</b>	<b>-</b>	<b>6,650</b>	<b>350</b>	<b>117</b>	<b>19,071</b>
<b>Depreciation &amp; Impairments:</b>							
As at 1 April 2015	-335	-1,163	-	-2,759	-528	-	-4,785
Charge for year	-103	-291	-	-728	-	-	-1,122
Depreciation written out to the revaluation reserve	191	-	-	-	-	-	191
Depreciation written out to the Surplus/Deficit on the Provision of Service	51	-	-	-	-	-	51
Disposals	-	-	-	-	178	-	178
<b>At 31 March 2016</b>	<b>-196</b>	<b>-1,454</b>	<b>-</b>	<b>-3,487</b>	<b>-350</b>	<b>-</b>	<b>-5,487</b>
<b>Net book value at 31 March 2016</b>	<b>7,348</b>	<b>2,956</b>	<b>-</b>	<b>3,163</b>	<b>-</b>	<b>117</b>	<b>13,584</b>

**Major Assets Held**

Council Offices - Held under Finance Lease	
Refuse, Recycling & Street Cleaning Vehicles - Acquired under Finance Lease	
Refuse, Recycling & Street Cleaning Vehicles - Owned	
Off-street car parks	
The Academy Leisure Facility	
Sports centres	
Cemeteries & memorial gardens	
Public conveniences	

**Number  
at 31  
March  
2017**

1  
4  
26  
13  
1  
1  
4  
3

**Impairment Losses**

During 2016/17, the Authority has recognised an impairment loss of £nil (2015/16 £nil).

**Depreciation**

All Property, Plant and Equipment with a finite useful life is depreciated using the straight-line method after the year of expenditure over the following periods:

Land	– not depreciated
Buildings	– depends on individual property, up to a maximum of 100 years
Fixtures & Fittings	– 10 years
Equipment	– 4 years.

**Contractual Commitments**

There are major capital projects ongoing within South Bucks, the contractual commitments for these equate to less than £200k.

**Revaluations**

The Authority carries out a programme of valuations that ensures that all Property, Plant and Equipment required to be measured at current value is revalued at least every 5 years.

All operational land and buildings were independently revalued by an external valuer as at 1 April 2016 in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. Certifications of valuation were issued by Wilks Head & Eve, Chartered Surveyors and Town Planners, 6<sup>th</sup> Floor, Fairgate House, 78 New Oxford Street, London WC1A 1HB.

	Land & Buildings (including Car Parks) £'000	Buildings Acquired Under Finance Leases £'000	Assets Under Construction £'000	Vehicle, Plant & Equipment £'000	Vehicles Acquired Under Finance Leases £'000	Community Assets £'000	Total £'000
Carried at Historical Cost	44	54	704	6,043	350	158	7,353
Valued at Fair Value as at							
1 April 2016	12,254	2,664	-	-	-	-	14,918
Total Cost or Valuation	12,298	2,718	704	6,043	350	158	22,271

### 11. Investment Property

The following items of income and expense have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

	2015/16 £'000	2016/17 £'000
Income	-306	-395
Expenditure	73	153
Revaluation	-757	786
(Surplus)/Deficit in year	-990	544

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

	2015/16 £'000	2016/17 £'000
Balance at start of year	6,149	6,806
Additions	-	4,307
Disposals	-50	-22
Transfer to Property, Plant & Equipment	-50	-135
Net gains / (losses) from fair value adjustments	757	-786
Balance at end of year	6,806	10,170

**Fair Value Hierarchy**

Details of the Authority's investment properties and information about the fair value hierarchy are as follows:

	Quoted prices in active markets for identical assets (Level 1) £'000	Other significant observable inputs (Level 2) £'000	Significant unobservable inputs (Level 3) £'000	Fair value as at 31 March 2017 £'000
Recurring fair value measurements using:				
Offices	-	3,181		3,181
Community Facilities	-	-	120	120
Depot	-	152	-	152
Open Space / Land / Woodland	-	48	253	301
Health Centre Car Park	-	69	-	69
Commercial	-	2,373	-	2,373
Retail	-	174	-	174
Residential Property	-	3,800	-	3,800
<b>Total</b>	-	<b>9,797</b>	<b>373</b>	<b>10,170</b>

	Quoted prices in active markets for identical assets (Level 1) £'000	Other significant observable inputs (Level 2) £'000	Significant unobservable inputs (Level 3) £'000	Fair value as at 31 March 2016 £'000
Recurring fair value measurements using:				
Offices	-	3,133	-	3,133
Community Facilities	-	-	114	114
Depot	-	152	-	152
Cemetery Chapel	-	-	15	15
Open Space / Land / Woodland	-	515	262	777
Health Centre Car Park	-	69	-	69
Commercial	-	2,372	-	2,372
Retail	-	174	-	174
<b>Total</b>	-	<b>6,415</b>	<b>391</b>	<b>6,806</b>

There were no transfers between Levels 1 and 2 during the year.

**Valuation Techniques used to Determine Level 2 and 3 Fair Values for Investment Properties**Significant Observable Inputs – Level 2

The fair value for the office, commercial and retail units, the depot and some land 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.

Significant Unobservable Inputs – Level 3

The community facilities, cemetery chapel and land are measured using the Term and Reversion approach. The approach has been developed using the Authority's own data requiring it to factor in assumptions such as the duration and timing of cash inflows and outflows, rent growth, occupancy levels, bad debt levels, maintenance costs, etc.

These units are therefore categorised as Level 3 in the fair value hierarchy as the measurement technique uses significant unobservable inputs to determine the fair value measurement (and there is no reasonably available information that indicates the market participants would use different assumptions).

**Highest and Best Use of Investment Properties**

In estimating the fair value of the Authority's investment properties, the highest and best use of the properties is generally their current use. Where this is not the case, it is because there are tenants in occupation with a lease agreement in place or the asset is in use for the benefit of the community.

**Reconciliation of Fair Value Measurement (using Significant Unobservable Inputs) Categorised within Level 3 of the Fair Value Hierarchy**

## Movements in 2016/17

	Community Facilities £'000	Cemetery Chapel £'000	Open Space, Land & Woodland £'000
Balance at start of year	114	15	262
Total gains/(losses) for the period included in the Surplus/Deficit on the Provision of Service resulting from changes in fair value	6	-	-9
Transfer out of Level 3	-	-15	-
Balance at end of year	120	-	253

## Movements in 2015/16

	Community Facilities £'000	Cemetery Chapel £'000	Open Space, Land & Woodland £'000
Balance at start of year	50	15	363
Total gains/(losses) for the period included in the Surplus/Deficit on the Provision of Service resulting from changes in fair value	64	-	-61
Transfer out of Level 3	-	-	-40
Balance at end of year	114	15	262

Gains or losses arising from changes in the fair value of the investment property are recognised in the Surplus or Deficit on the Provision of Services – Financing and Investment Income and Expenditure line.

### Quantitative Information about Fair Value Measurement of Investment Properties using Significant Unobservable Inputs – Level 3

	As at 31 March 2017 £'000	Valuation technique used to measure fair value	Unobservable inputs	Range (weighted average used)	Sensitivity
Community Centres	120	Comparative based on limited rental evidence	Rental Value Yields	£15 - £50 /m <sup>2</sup> 9% -13%	Changes in rental growth, yields, occupancy will result in a lower or higher fair value
			Rental Value Yields	9% -13%	
Open Space/ Recreational Land	253	Comparative based on limited rental evidence	Capital Value	£25,000 - £50,000/ha	Changes in rental growth, yields, occupancy will result in a lower or higher fair value
			Rental Value Yields	£0.25 - £6 /m <sup>2</sup> 8% -12%	

### Valuation Process for Investment Properties

The fair value of the Authority's investment property is measured annually at each reporting date. Valuations in 2016/17 were carried out by registered valuers, Wilks Head & Eve and Kempton Carr Croft, in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

There are no restrictions on the Authority's ability to realise the value inherent in its investment property or on the Authority's right to the remittance of income and the proceeds of disposal.

The Authority has no contractual obligations to purchase, construct or develop investment property.

**12. Intangible Assets**

Expenditure on intangible assets, namely IT software, is charged to service revenue accounts with amounts representing the benefit obtained in the year from expenditure on these items. The useful life assigned to all software is up to five years and is written off on a straight line basis.

The movement on intangible asset balances during the year is as follows:

	2015/16 Purchased Software £'000	2016/17 Purchased Software £'000
Balance at start of year:		
Gross carrying amounts	822	860
Accumulated amortisation	-650	-590
Net carrying amount at start of year	172	270
Additions	155	75
Disposals	-117	-448
Amortisation for the period	-57	-83
Reversal of amortisation on disposal	117	448
Net carrying amount at end of year		
Gross carrying amounts	860	487
Accumulated amortisation	-590	-225
Net carrying amount at end of year	270	262

**13. Financial Instruments**

A financial instrument is any contract which gives rise to a financial asset of one entity (such as cash, an equity instrument or a right to receive cash or an equity instrument) and a financial liability of another (such as an obligation to deliver cash or another financial asset).

**Categories of Financial Instrument**

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

	31 March 2016		31 March 2017	
	Short Term £'000	Long Term £'000	Short Term £'000	Long Term £'000
Fixed deposits / money market loans	7,065	6,000	8,045	3,000
Available-for-sale financial assets	20	1,008	122	624
Total Investments	7,085	7,008	8,167	3,624
Debtors	1,176	1,857	1,635	1,765
Cash and Cash Equivalents	6,864	-	6,491	-
Creditors	-2,269	-	-1,906	-

Note: Some balance sheet categories, for example debtors, include both items that are financial instruments and items which are not financial instruments.

**Income, Expense, Gains and Losses**

The gains and losses recognised in the Income and Expenditure in relation to financial instruments are made up as follows:

	Cash & Bank £'000	Loans & Receivables – Money Market Loans £'000	Available for Sale Bonds £'000	Total £'000
2016/17				
Interest income to I&E	-16	-204	-114	-334
Revaluation (gain)/loss	-	-	58	58
(Gain)/loss for the year	<b>-16</b>	<b>-204</b>	<b>-56</b>	<b>-276</b>
2015/16				
Interest income to I&E	-68	-248	-50	-366
Revaluation (gain)/loss	-	-	34	34
(Gain)/loss for the year	<b>-68</b>	<b>-248</b>	<b>-16</b>	<b>-332</b>

**Fair Values of Assets and Liabilities**

The available for sale assets represent corporate bonds. These have been valued using quoted prices in active markets (level 1 valuation).

Financial liabilities, assets represented by loans and receivables and long-term debtors and creditors are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of cash flows that will take place over the remaining term of the instruments, using the following assumptions:

- Estimated interest rates at 31 March 2017 of between 0.33% and 0.99% depending on the loan duration.
- 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
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values are calculated as follows.

	Short Term		Long Term	
	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
31 March 2017				
Loans and Receivables	8,045	8,045	3,000	2,967
31 March 2016				
Loans and Receivables	7,065	7,062	6,000	5,957

The fair value of loans and receivables as at 31 March 2017 (£11.012m) is lower than the carrying amount (£11.045m) because the Authority's portfolio of investments includes a number of fixed rate loans where the interest rate receivable is lower than the rates available for similar loans at the Balance Sheet date. This decreases the amount that the Authority would receive if it agreed to early repayment of the loans.



The fair value hierarchy for financial assets that are not measured at fair value is as follows.

Recurring fair value measurements using:	Quoted prices in active markets for identical assets (Level 1) £'000	Other significant observable inputs (Level 2) £'000	Significant unobservable inputs (Level 3) £'000	Fair value as at 31 March £'000
31 March 2017				
Loans and receivables	-	11,012	-	11,012
31 March 2016				
Loans and receivables	-	13,019	-	13,019

#### 14. Debtors

The amounts owed to the Council, net of impairment, are summarised as follows.

Long Term Debtors	2015/16 £'000	2016/17 £'000
Car Loans	6	3
Swan Road Finance Lease	89	89
Farnham Park Charitable Trust Loan	1,754	1,665
Other Long Term Debt	8	8
	<b>1,857</b>	<b>1,765</b>

Short Term	2015/16 £'000	2016/17 £'000
Central Government	3,180	2,165
Other Local Authorities	2,330	2,217
Council Tax (net of impairments)	212	72
Business Rates (net of impairments)	103	89
Sundry Debtors (net of impairments)	800	976
Farnham Park Charitable Trust Loan	81	86
Payments in Advance	494	112
	<b>7,200</b>	<b>5,717</b>

In 2013/14 SBDC lent the Farnham Park Charitable Trust £1.98m to fund the redevelopment of its facilities. This will be repaid over 20 years. SBDC is the sole charity trustee. See related party note for further details.

#### 15. Short Term Creditors

	2015/16 £'000	2016/17 £'000
Central Government	-2,840	-2,225
Other Local Authorities	-2,701	-2,822
Council Tax	-119	-119
NNDR	-177	-79
Sundry Creditors	-1,163	-1,088
Receipts in Advance – Green Deal Funding	-1,191	-
	<b>-8,191</b>	<b>-6,333</b>

**16. Provisions**

	NDR Appeals  £'000	Land Charges  £'000	Total  £'000
Balance as at 31 March 2016	-1,560	-49	-1,609
Amounts used	-	11	11
(Increase to)/release of existing provision	-108	38	-70
<b>Balance as at 31 March 2017</b>	<b>-1,668</b>	<b>-</b>	<b>-1,668</b>

A provision has been established in respect of Non-Domestic Rates appeals. Settlement is dependent on when the Valuation Office resolve the appeals.

A provision had been made for potential land charge personal search fee refunds. Some claims were settled in 2016/17. No further claims are expected and the remaining provision has been released to the Income and Expenditure Account.

**17. Unusable Reserves****Revaluation Reserve**

The Revaluation Reserve contains the gains made by the Authority 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.

	2015/16 £'000	2016/17 £'000
Balance at 1 April	2,289	4,019
Upwards Revaluation of Assets	1,995	5,496
Downwards revaluation and impairment losses not charged to CI&E	-261	-261
Difference between fair value depreciation and historical cost depreciation	-52	-73
Accumulated gains on assets sold or scrapped	48	-
<b>Balance at 31 March</b>	<b>4,019</b>	<b>9,181</b>

**Available For Sale Financial Instruments Reserve**

The Available for Sale Financial Instruments Reserve contains the gains / losses made by the Authority arising from increases in the value of its investments that have quoted market prices or otherwise do not have fixed or determinable payments.

	2015/16 £'000	2016/17 £'000
Balance at 1 April	181	147
In year change in fair value of available for sale assets	-34	-3
Redemption of Bond	-	-55
<b>Balance at 31 March</b>	<b>147</b>	<b>89</b>

**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 Authority accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of services, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements requires benefits earned to be financed as the Authority makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Authority has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

	2015/16 £'000	2016/17 £'000
Balance at 1 April	-27,953	-25,370
Remeasurements of pension assets and liabilities	3,572	-5,181
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	-2,093	-2,061
Employer's pensions contributions and direct payments to pensioners payable in the year	1,104	1,128
Balance at 31 March	<b>-25,370</b>	<b>-31,484</b>

Further information relating to the Pension fund can be found in note 25.

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

The Account contains accumulated gains and losses on Investment Properties and 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.

Note 7 (Expenditure and Funding Analysis) provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

	2015/16 £'000	2016/17 £'000
Balance at 1 April	17,016	16,704
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income & Expenditure Statement:		
• Charges for depreciation / amortisation	-888	-1,029
• Charges for Depreciation - Assets acquired under Finance leases - Office	-291	-251
• Revaluation / Impairment of non-current assets (via CI&E)	-1,093	-830
• Revenue expenditure funded from capital under statute	-455	-330
• Disposals	116	-
Adjustment for additional current value depreciation charges	52	73
Remove accumulated gains on disposal	-48	-22
Financing of Capital Expenditure	1,538	5,574
Movement in the market value of Investment Properties	757	-786
Balance at 31 March	16,704	19,101

### **Collection Fund Adjustment Account**

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax and NDR income in the Comprehensive Income and Expenditure Statement as it falls due from council tax payers / business ratepayers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

	2015/16 £'000	2016/17 £'000
Balance at 1 April	94	-1,852
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	107	34
Amount by which business rate income credited to the Comprehensive Income and Expenditure Statement is different from business rate income calculated for the year in accordance with statutory requirements	-2,053	969
Balance at 31 March	-1,852	-849

**18. Members' Allowances**

The Authority paid the following amounts to members of the Council during the year.

	2015/16 £'000	2016/17 £'000
Basic Allowance	125	120
Special Responsibility Allowance	44	47
Expenses	2	2
	171	169

**19. Officers' Remuneration**

The remuneration paid to the Authority's senior employees is shown in the table below.

Chiltern District Council and South Bucks District Council share a joint Senior Management Team. The employees detailed below therefore work across the two authorities and the costs are shared with Chiltern DC contributing 54.9% and South Bucks DC contributing 45.1% towards the costs.

2016/17	Employing Authority	Salary incl fees, allowances £	Expense allowances (chargeable to UK tax) £	Compensation for loss of office £	Benefits in kind £	Total remuneration excluding pension contributions £	Employers pension contributions £	Total remuneration including employers pension contribution £
Chief Executive (note 1)	CDC	47,344	-	-	-	47,344	6,439	53,783
Acting Chief Executive (note 2)	SBDC	78,906	-	-	844	79,750	10,527	90,277
Director of Services (note 3)	Contractor	131,790	-	-	-	117,990	-	117,990
Director of Resources	SBDC	93,748	-	-	1,871	95,619	12,622	108,241
Head of Legal & Democratic Services	CDC	78,038	-	-	338	78,376	10,644	89,020
Head of Finance	SBDC	76,556	-	-	1,159	77,715	10,436	88,151
Head of Customer Services	CDC	78,038	-	-	810	78,848	10,723	89,571
Head of Business Support	CDC	78,038	-	-	1,323	79,361	10,792	90,153
Head of Health & Housing	CDC	78,038	-	-	1,089	79,127	10,760	89,887
Head of Sustainable Development	SBDC	78,038	-	-	2,042	80,080	10,571	90,651
Head of Environment	SBDC	78,038	-	-	1,329	79,367	10,477	89,844

2015/16	Employing Authority	Salary incl fees. £	Expense allowances £	Compensation £	Benefits in kind £	Total remuneration £	Employers pension £	Total remuneration £
Chief Executive (Note 1)	CDC	32,000	-	-	57	32,057	-	32,057
Acting Chief Executive (Note 2)	SBDC	93,750	-	-	845	94,595	12,487	107,082
Director of Services (Note 2)	SBDC	23,205	-	-	260	23,465	3,137	26,602
Director of Services (Note 3)	Contractor	76,590	-	-	-	76,590	-	76,590
Director of Resources	SBDC	92,820	-	-	1,495	94,315	12,490	106,805
Head of Legal & Democratic Services	CDC	77,644	-	-	171	77,815	10,583	88,398
Head of Finance	SBDC	77,644	-	-	968	78,612	10,377	88,989
Head of Customer Services	CDC	72,732	-	-	371	73,103	9,942	83,045
Head of Business Support	CDC	77,644	-	-	493	78,137	10,627	88,764
Head of Health & Housing	CDC	77,644	-	-	438	78,082	10,619	88,701
Head of Sustainable Development	SBDC	77,644	-	-	1,602	79,246	10,461	89,707
Head of Environment	SBDC	77,644	-	-	1,082	78,726	10,392	89,118

Note 1: The Chief Executive retired 30<sup>th</sup> June 2015. An acting Chief Executive was appointed by South Bucks until November 2016 then appointed to Chief Executive in Chiltern thereafter.

Note 2: The Director of Services was appointed to Acting Chief Executive effective 1<sup>st</sup> July 2015 until 15<sup>th</sup> November 2016.

Note 3: The current Director of Services is employed on an agency basis effective September 2015.

The number of officers receiving annual remuneration of £50,000 or more (this includes all amounts paid to or receivable by an employee and includes salary payments, other cash benefits, and the value of any non-cash benefits but excludes pension contributions) was as follows:

Note: This table includes the senior officers detailed in the tables above, but only if they are directly employed by SBDC.

Remuneration Band	2015/16 Number of employees	2016/17 Number of employees
£50,000 to £54,999	1	3
£55,000 to £59,999	1	2
£60,000 to £64,999	2	1
£65,000 to £69,999	-	-
£70,000 to £74,999	-	-
£75,000 to £79,999	3	3
£80,000 to £84,999	-	1
£90,000 to £94,999	1	-
£95,000 to £99,999	-	1
£115,000 to £119,999	1	-
<b>Total</b>	<b>9</b>	<b>11</b>

**Exit Packages 2016/17**

The number of exit packages with total cost per band, and the total cost of the compulsory and other redundancies are set out in the table below.

Exit Package cost 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 £'000s
Under £50,000	3	-	3	23
Over £50,000	-	-	-	-
Total cost included in bandings				23
Amounts provided for in CIES not included in bandings				-
Total cost included in CIES				23

The total cost of £23,000 in the table above has been charged to the Authority's Comprehensive Income and Expenditure Statement in the current year.

**Exit Packages 2015/16**

The number of exit packages with total cost per band, and the total cost of the compulsory and other redundancies are set out in the table below.

Exit Package cost 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 £'000
Under £50,000	4	1	5	40
Over £50,000	-	-	-	-
Total cost included in bandings				40
Amounts provided for in CIES not included in bandings				-
Total cost included in CIES				40

The total cost of £40,000 in the table above was charged to the Authority's Comprehensive Income and Expenditure Statement in 2015/16.

**20. External Audit Costs**

The Authority has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and non-audit services provided by the Authority's external auditors.

This note is prepared based on the fee payable for the audit work related to those years' Accounts, as opposed to what has actually been paid in the year.

	2015/16 £'000	2016/17 £'000
Fees payable to Ernst & Young LLP with regard to external audit services	42	42
Fees payable to Ernst & Young LLP for the certification of grant claims and returns	19	21
Fees payable in respect of other services provided by Ernst & Young LLP	-	-
<b>Total</b>	<b>61</b>	<b>63</b>

**21. Grant Income**

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in the year.

	2015/16 £'000	2016/17 £'000
Credited to Taxation and Non Specific Grant Income		
Revenue Support Grant	871	436
New homes bonus grant	1,334	1,479
Transition Grant	-	80
Credited to Taxation and Non Specific Grant Income		
Small Business Rate Relief	191	187
Business Rates Retail Relief	124	-44
Business Rates 2% Compensation Grant	39	16
Council Tax freeze grant	48	-
New Burdens Grants	44	37
Community Housing Grant	-	29
Custom Build Grant	-	15
Decentralisation & Neighbourhood Grant	-	25
Net Other Grants	14	28
	460	293
Capital Grants and Contributions		
Defra Flood Grant	-5	-
Contribution to Stoke Poges Memorial Gardens	20	-
Transformation Challenge Award	94	-
	109	-
	2,774	2,288



<b>Credited to Services</b>	<b>2015/16 £'000</b>	<b>2016/17 £'000</b>
Housing and Council Tax Benefits Subsidy	15,547	15,265
Housing and Council Tax Benefits Administration	203	194
Cost of Collection Allowance	97	98
Discretionary Housing	57	80
Local Authority Data Sharing	-	13
Green Deal	1,205	1,149
Individual Electoral Registration	-	12
Election Funding	20	189
Improvement Grants	262	360
Police Crime Scrutiny	30	64
Other Grants	8	17
	<b>17,428</b>	<b>17,441</b>

## **22. Related Parties**

The Authority 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 Authority.

### **Central Government**

Central Government has significant influence over the general operations of the Authority – it is responsible for providing the statutory framework within which the Authority operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills, housing benefits).

Grants received from Government departments are set out in Note 21 and amounts due to and from Government are shown in notes 14 and 15 respectively.

### **Other Local Authorities**

The Authority has in place joint working arrangements with Chiltern District Council. Further details are given in the Narrative Report.

### **Members**

Members of the Council have direct control over the Council's financial and operational policies. However any contracts entered into are in full compliance with the Council's constitution. In addition a few minor grants were paid to voluntary bodies in which Members had a position of influence. In such cases grants were made with proper consideration of declarations of interest and the relevant members did not take part in any discussion or decision relating to the grant award. Details of personal interests are recorded in the Register of Members' disclosable pecuniary interests, which is open to public inspection.

### **Officers**

Senior Officers of the Council have control over the day-to-day management of the Council and all senior officers have been asked to declare any related party transactions. From the replies provided there are no such transactions to be declared.

**Entities controlled or significantly influenced by the Authority.**

The Authority did not provide any material assistance to any organisations that comprised more than 50% of their funding, on terms that gave the Authority effective control over their operations.

**Farnham Park Charitable Trust Fund**

The Farnham Park Sports Fields Charity is governed by the Eton Rural District Council (ERDC) Act 1971.

Prior to the ERDC Act land and buildings at Farnham Park Sport Field (FPSF), and parts of The South Buckinghamshire golf course (SBGC) were controlled by the Farnham Park Recreational Trust, which was constituted by a conveyance dated 30th December 1946 between United Commercial Association Limited and the Trustees of the Trust.

The ERDC Act transferred these assets to Eton Rural District Council. South Bucks District Council (SBDC) is the successor in title to Eton Rural District Council, under provisions contained in the Local Government Act 1972.

The ERDC Act obliges SBDC to maintain and manage the transferred land in accordance with the purposes of the original trust (as substantially re-enacted in schedule 4 of the ERDC Act). These assets therefore form a charitable trust, with SBDC being the sole charity trustee.

The objectives of the Trust are set out in the ERDC Act and are as follows:

'The maintenance and improvement of the physical well-being of persons resident in the rural district of Eton and adjoining areas by the provision of facilities for physical training and recreation and for promoting and encouraging all forms of recreational activities calculated to contribute to the health and physical well-being of such persons.'

During 2016/17 the Trust earned income of £823,000 (2015/16 £808,000) and spent £992,000 (2015/16 £984,000) giving a net operating loss for the year of £169,000 (2015/16 loss of £176,000), which was funded from the Trust's accumulated reserves.

As at 31 March 2017 the Trust owned land and buildings valued at £4.165m.

**Interest in Companies**

The Council has an interest in two companies.

**Green Deal Together Community Interest Company**

South Bucks District Council contributed a grant of £35,000 in 2013 in order to become a Founding Member Shareholder of the Green Deal Together Community Interest Company. This entitled the Council to nominate a Director and a share of any dividends.

The aim of the Green Deal Together Community Interest Company was to:

Successfully operate as a Green Deal Provider in the administrative areas of the contributing local authorities with the benefits of:

- Providing residents and businesses with a credible scheme and stimulating energy saving improvements, carbon reduction and thermal comfort.
- Helping local installers access the Green Deal market and achieving local economic development opportunities.
- Providing local authorities with a leadership role within the Green Deal landscape.

In May 2015, the Shareholders agreed to close Green Deal Together Community Interest Company and as at the 31st March 2017, the company is in the process of being wound up. The company is limited by shares. Each local authority has 35,000 shares, each at a value of £1. However, due to amounts outstanding to suppliers at company closure, it is likely that South Bucks will recover only a proportion of this.

Colne Valley Park Community Interest Company

The aim of the Colne Valley Park Community Interest Company is to maintain and enhance the countryside of the Colne Valley through the delivery of 6 objectives: landscape, countryside, biodiversity, recreation, rural economy, community participation.

South Bucks District Council contributed £40,000 in 2013 to help establish this company. This entitles the Council membership of the company and a seat on the board. The Company has a Board of a maximum of 15 members and the SBDC Environment Portfolio Holder is a permanent member of the Board.

The company is limited by guarantee (£1 per member)

Further details on the activities and finances of the company can be obtained from [www.colnevalleypark.org.uk](http://www.colnevalleypark.org.uk)

**23. Capital Expenditure and Capital Financing**

The total amount of capital expenditure incurred in the year is show in the table below 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 Authority, the expenditure results in an increase to the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Authority that has yet to be financed.

	2015/16 £'000	2016/17 £'000
Capital Expenditure		
IT Equipment & Systems	155	23
The Academy Leisure Facility	-	71
Stoke Poges Memorial Gardens	76	35
Cemeteries	17	9
Capswood Refurbishment	-	54
Refuse Vehicles	481	-
Green Waste/Recycling	79	40
Car Park Enhancements	19	-
Depots	28	-
Police Site at Gerrards Cross Purchase	-	4,277
Station Road Car Park GX (Multi Storey)	13	633
ICT Desktop IT (Unified Network)	215	57
Other Schemes	-	45
	1,083	5,244
Revenue Expenditure Funded from Capital Under Statute		
Environmental improvements	1	-
Refuse Vehicles	16	-
Evreham Centre	-	6
Improvement Grants	415	327
Community Development Schemes	23	-3
	455	330
<b>Total Capital Expenditure</b>	<b>1,538</b>	<b>5,574</b>
Sources of finance		
Capital receipts	1,162	5,287
Government grants and other contributions	376	287
<b>Total Funding for Capital Expenditure</b>	<b>1,538</b>	<b>5,574</b>

**24. Leases****a. Authority as Lessee****Authority as Lessee - Finance Leases**

The Authority acquired its main office building by entering into a finance lease.

The Authority is committed to making minimum payments under these leases comprising settlement of the long-term liability for the interest in the asset acquired by the Authority, and finance costs that will be payable by the Authority in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts.

As at 31 March 2017	Finance Lease Liabilities £'000	Future Finance Costs £'000	Minimum Lease Payments £'000
Under one year	285	211	496
In the second to fifth years	1,328	653	1,981
Over five years	1,936	292	2,228
	3,549	1,156	4,705

The minimum lease payments to not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews.

The Authority has sub-let some of the office accommodation held under these finance leases. However these sub leases can be terminated by the lessee, thus as at 31 March 2017 the minimum payments expected to be received under non-cancellable sub leases was £nil.

**Authority as Lessee - Operating Leases**

The land on which the Authority's main office building sits was acquired by entering into an operating lease. The future minimum lease payments due under this lease are:

	2015/16 £'000	2016/17 £'000
Under one year	251	251
In the second to fifth years	1,002	1,002
Over five years	1,436	1,185
	2,689	2,438

The expenditure charged to the Comprehensive Income and Expenditure Statement during to the year in relation to this lease was:

	2015/16 £'000	2016/17 £'000
Operating lease payments	251	251

**b. Authority as Lessor****Authority as Lessor - Finance Leases**

The Authority has leased out a number of its properties on long term leases.

The majority of these are accounted for as Property, Plant and Equipment disposals, as a premium was paid on the disposal and there is only a peppercorn rent due.

However there is one piece of land (Swan Road) which has been disposed of under a 99 year finance lease. The Authority 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 property when the lease comes to an end.

The minimum lease payments comprise settlement of the long-term debtor for the interest in the property acquired by the lessee and finance income that will be earned by the Authority in future years whilst the debtor remains outstanding. The gross investment is made up of the following amounts.

	2015/16 £'000	2016/17 £'000
Finance lease debtor	90	89
Unearned finance income	266	263
Gross investment in the lease	356	352

The annual payment due in respect of this property is £3,870.

**Authority as Lessor - Operating Leases**

The Authority leases out a number of its Investment Properties under operating leases.

The future minimum lease payments receivable under non-cancellable lease in future years are:

	2015/16 £'000	2016/17 £'000
Not later than one year	329	224
Later than one year and no later than five years	1,257	1,308
Later than five years	14,466	14,956
	16,052	16,488

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews.

**25. Defined Benefit Pension Schemes****Participation in pension scheme**

As part of the terms and conditions of employment of its officers, the Authority makes contributions towards the cost of post-employment benefits. Although these benefits will not actually be payable until employees retire, the Authority has a commitment to make the payments that needs to be disclosed at the time that employees earn their future entitlement.

The Authority participates in two post-employment schemes:

- The Local Government Pension Scheme, administered locally by Buckinghamshire County Council – this is a funded defined benefit scheme based on career average revalued salary and length of service on retirement, meaning that the Authority and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.
- Arrangements for the award of discretionary post-retirement benefits upon early retirement - this is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pension liabilities, and cash has to be generated to meet actual pension payments as they eventually fall due.

**Transactions relating to Post-Employment benefits**

We recognise the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are actually paid as pensions. However, the charge we are required to make against council tax is based on the cash payable in the year, so the real cost of employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Account and the General Fund Balance via the Movement in the Reserves Statement during the year.

	Local Government Pension Scheme		Discretionary Benefits	
	2015/16 £'000	2016/17 £'000	2015/16 £'000	2016/17 £'000
Comprehensive Income and Expenditure Statement:				
Cost of Services				
• Service costs	1,161	1,138	-	-
• Administration expenses	27	29	-	-
• Net Interest on the defined liability (asset)	849	839	56	55
Total post-employment benefits charged to the surplus or deficit on the provision of services	2,037	2,006	56	55
Other post-employment benefits charged to the Comprehensive Income and Expenditure Statement:				
Remeasurement of the net defined benefit liability comprising:				
• Return on plan assets	493	-4,864	-	-
• Actuarial gains/(losses) arising on changes in demographic assumptions	-	-1,178	-	-
• Actuarial gains/(losses) arising on changes in financial assumptions	-4,025	12,745	-	-
• Other	-40	-1,522	-	-
Total post-employment benefits charged to the Comprehensive Income and Expenditure Statement	-3,572	5,181	-	-
Movement in Reserves Statement:				
• Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code	-1,044	-987	55	54
Actual amount charged against General Fund Balance for pensions in the year				
• Employer's contributions payable to the scheme	993	1,019	-	-
• Retirement benefits payable to pensioners	-	-	111	109

**Pensions Assets and Liabilities Recognised in the Balance Sheet**

The amount included in the Balance Sheet arising from the Authority's obligation in respect of its defined plans is as follows

	Local Government Pension Scheme		Discretionary Benefits	
	2015/16 £'000	2016/17 £'000	2015/16 £'000	2016/17 £'000
Present Value of Liabilities	60,070	71,928	1,585	1,678
Fair Value of Assets	-36,285	-42,122	-	-
Surplus/(Deficit)	23,785	29,806	1,585	1,678

**Movements in the Fair Value of Scheme Assets**

	Local Government Pension Scheme		Discretionary Benefits	
	2015/16 £'000	2016/17 £'000	2015/16 £'000	2016/17 £'000
Opening fair value of Fund assets 1 April	36,446	36,285	-	-
Interest on Assets	1,189	1,292	-	-
Return on Assets less Interest	-493	4,864	-	-
Other Actuarial Gains/Losses	-	499	-	-
Administration expenses	-27	-29	-	-
Employer Contributions including unfunded	1,104	1,128	-	-
Contributions by Scheme Participants	270	272	-	-
Benefits Paid	-2,204	-2,189	-	-
Closing fair value of Fund assets 31 March	36,285	42,122	-	-

**Present Value of the Scheme Liabilities**

	Local Government Pension Scheme		Discretionary Benefits	
	2015/16 £'000	2016/17 £'000	2015/16 £'000	2016/17 £'000
Opening Liability 1 April	62,656	60,070	1,743	1,585
Service Cost	1,161	1,138	-	-
Interest Cost	2,038	2,131	56	55
Contributions by Scheme Participants	270	272	-	-
Change in financial assumptions	-3,962	12,560	-63	185
Change in demographic assumptions	-	-1,140	-	-38
Experience loss/(gain) on defined benefit obligation	-	-1,023	-40	-
Benefits Paid	-2,093	-2,080	-	-
Unfunded Pension Payments	-	-	-111	-109
Closing Liability 31 March	60,070	71,928	1,585	1,678

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long term real rates of return experienced in the respective markets.

**Basis for estimating assets and liabilities**

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. Both the Local Government Pension Scheme and Discretionary Benefit liabilities have been assessed by Barnett Waddingham, an independent firm of actuaries, and are based on the latest full valuation of the scheme as at 31 March 2016.

The main actuarial assumptions used in their calculations were as follows.

	2015/16	2016/17
Mortality Assumptions		
Longevity at 65 for current pensioners:		
Men	23.8 years	23.9 years
Women	26.2 years	26.0 years
Longevity at 65 for future pensioners:		
Men	26.1 years	26.1 years
Women	28.5 years	28.3 years
Rate of increase in pensions	2.3%	2.6%
Rate of inflation (RPI)	3.2%	3.5%
Rate of inflation (CPI)	2.3%	2.6%
Rate of increase in salaries	4.1%	4.1%
Rate for discounting scheme liabilities	3.6%	2.7%
Take up of option to convert annual pension into retirement lump sum	50%	50%

Note: These are long term actuarial assumptions and do not necessarily reflect current circumstances.

The pension scheme assets consist of the following;

	31 March 2016	31 March 2017		
	Total £'000s	Quoted £'000s	Unquoted £'000s	Total £'000s
Gilts	4,444	4,979	-	4,979
UK Equities	3,848	4,128	-	4,128
Overseas Equities	13,285	16,761	-	16,761
Private Equity	2,287	-	2,918	2,918
UK Other Bonds	4,423	5,168	-	5,168
Property	3,443	3,011	212	3,223
Cash	929	1,324	-	1,324
Alternative Assets	494	-	508	508
Hedge Funds	1,518	-	1,539	1,539
Absolute Return Portfolio	1,614	-	1,574	1,574
Value of Fund Assets	36,285	35,371	6,751	42,122



The Discretionary Benefits arrangements have no assets to cover its liabilities.

Contributions to the Fund are set every three years as a result of the actuarial valuation of the Fund. The next actuarial valuation will be carried out as at 31 March 2019 to set contributions for the period from 1 April 20 to 31 March 2023. Contributions are generally set to target a funding level of 100%.

The total contributions expected to be made to the Local Government Pension Scheme and the Discretionary Benefits scheme by the Council in the year to 31 March 2018 is £1,171,000.

The weighted average duration of the defined benefit obligation for scheme members is 18.0 years.

### **Sensitivity Analysis**

The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring and assumes for each change that the assumption analysed changes while all the other assumptions remain constant.

	£000	£000	£000
Adjustment to discount rate	+0.1%	0.0%	-0.1%
Present value of total obligation	72,347	73,606	74,888
Projected service cost	1,644	1,682	1,721
Adjustment to long term salary increase	+0.1%	0.0%	-0.1%
Present value of total obligation	73,743	73,606	73,469
Projected service cost	1,682	1,682	1,682
Adjustment to pension increases and deferred revaluation	+0.1%	0.0%	-0.1%
Present value of total obligation	74,751	73,606	72,481
Projected service cost	1,721	1,682	1,644
Adjustment to mortality age rating assumption	+1 year	None	-1 year
Present value of total obligation	76,455	73,606	70,866
Projected service cost	1,736	1,682	1,630

## **26. Contingent Assets and Liabilities**

### **Contingent Assets**

The Authority has no material contingent assets.

However the Authority has various rights over certain land and building assets, which could result in future payments being made to the Authority (eg if assets previously sold by SBDC are resold).

### **Contingent Liabilities**

The Authority has the following contingent liabilities:

There are a few outstanding insurance claims that, if settled, will be covered by insurance, subject to the insurance excess.

The Council acts as guarantor for loans raised by the Home Housing Association. The Council has nomination rights on properties owned by the Association. The Association confirmed the outstanding amount as £2.3m. The likelihood of this guarantee ever being called is considered to be very low.

## **27. Nature and Extent of Risks Arising from Financial Instruments**

The Authority's activities expose it to a variety of financial risks:

- Credit risk – the possibility that other parties might fail to pay amounts due to the Authority.
- Liquidity risk – the possibility that the Authority might not have funds available to meet its commitments to make payments.
- Market risk – the possibility that financial loss might arise for the Authority as a result of changes in such measures as interest rates.

The Authority's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by experienced finance officers, under policies approved by the Council in the annual treasury management strategy.

### **Credit Risk**

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Authority's customers.

The risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, as laid down by the credit rating agencies. The Annual Investment Strategy also imposes a maximum sum to be invested with a financial institution located within each category. No investment limits were exceeded during the reporting period and the Authority does not expect any losses from non-performance by any of its counterparties in relation to deposits.

Investments are managed in house by Finance officers placing money in callable or fixed deposits with approved counterparties. The credit criteria in respect of financial assets held by the Authority is approved by Members as part of the Treasury Management Strategy each year.

Before the Authority enters into arrangements, which could result in large amounts being due to the Authority, Finance officers assess potential customers taking into account security, liquidity and yield which are inter-related and the balance of the three is determined by the Authority's needs and risk appetite.

The Authority's maximum exposure to credit risk in relation to investments in banks and building societies cannot be assessed generally, as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for entities that meet the minimum SBDC credit ratings, to be unable to meet their commitments. A risk of irrecoverability applies to all of the Authority's deposits but there was no evidence at the 31 March 2017 that this was likely to crystallise.

The following analysis summarises the Authority's potential maximum exposure to credit risk, based on experience of default and uncollectability over the last 3 financial years, adjusted to reflect current market conditions.

## Notes to the Accounts

	Amount As at 31 March 2017  £'000	Historical Experience of default  %	Experience adjusted for market conditions As at 31 March 2017  %	Estimated maximum exposure to default and uncollectability As at 31 March 2017  £'000	Estimated maximum exposure as at 31 March 2016  £'000
Deposits with banks and other financial institutions					
- Long Term Investments	3,624	-	0.30%	11	21
- Short Term Investments	8,167	-	0.30%	24	40
- Cash & Cash Equivalents	6,491	-	-	-	-
Customers	3,570	1.32%	5.00%	179	173

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

The Authority does not generally allow credit, such that £1.98m of the £5m balance is past its due date for payment. The past due amount can be analysed by age as follows:

	2015/16 £'000	2016/17 £'000
Less than one year	753	727
One to 2 years	596	634
More than 2 years	517	615
	1,866	1,976

**Liquidity Risk**

As the Authority has significant investment holdings there is no significant risk that the Authority will be unable to meet its commitments. Instead, the risk is that the Authority will have to seek early repayment of investments at unfavourable rates in order to finance its short term cash requirements. To prevent this occurring, the strategy is to ensure that a significant proportion of investments are held on demand and / or mature within 1 year.

Furthermore if unexpected movements happen, the Authority has ready access to borrowings from the money markets and the Public Works Loan Board. The maturity analysis of financial assets is as follows:

	Cash and Bank  £'000	Loans and Receivables – Money Market Loans  £'000	Available- for-sale Bonds  £'000	Total  £'000
As at 31 March 2017				
On demand	6,491	-	-	6,491
Less than three months	-	4,035	10	4,045
Between three months and one year	-	4,010	112	4,122
Between one and two years	-	-	-	-
More than two years	-	3,000	624	3,624
Total	6,491	11,045	746	18,282
As at 31 March 2016				
On demand	7,618	-	-	7,618
Less than three months	-	34	10	44
Between three months and one year	-	7,031	10	7,041
Between one and two years	-	3,000	113	3,113
More than two years	-	3,000	895	3,895
Total	7,618	13,065	1,028	21,711

**Market Risk – Interest Rate Risk**

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

- Investments at variable rates – the interest income credited to the Income and Expenditure Account will rise
- Investments at fixed rates – the fair value of the asset will fall

Changes in interest receivable on variable rate investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in Other Comprehensive Income and Expenditure.

The Authority has a number of strategies for managing interest rate risk. In particular the Authority holds a mix of long and short term investments and a mix of fixed and variable rate investments. The upper limit for variable rate investments in 2016/17 was 60% of the portfolio.

Finance officers assess interest rate exposure during the annual budget setting process and review the interest budget forecasts regularly during the year. This allows any adverse changes to be accommodated.

As at end March 2017, if interest rates had been 1% higher with all other variables held constant, the estimated financial effect would be:

	£'000
Increase in interest receivable on Cash & Bank holdings	-208
Decrease in fair value of Available for Sale Investments (Bonds)	29
Decrease in fair value of Long Term Loans & Receivables (no impact on Surplus or Deficit on provision of services)	79

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

This information helps to show the size of potential impact on the Council's finances if interest rates change.

**Market Risk – Price Risk**

The Authority does not invest in equity shares and thus is not exposed to losses arising from movements in the price of shares.

**Market Risk – Foreign Exchange Risk**

The Authority has no financial assets or liabilities denominated in foreign currencies, therefore has no exposure to loss arising from movements in exchange rates.

**27. Building Regulations Chargeable and Non Chargeable Account**

The Building (Local Authority Charges) Regulations 2010 require the disclosure of information regarding the setting of charges for the administration of the building control function. However, certain activities performed by the Building Control Section cannot be charged for, such as providing general advice and liaising with other statutory authorities.

Since 1 April 2014, Chiltern District Council and South Bucks District Council have run a joint Building Control service, and costs and income are split between the two authorities.

The statement below shows the total cost of operating the joint Building Control Section divided between the chargeable and non-chargeable activities.

	Chargeable £'000	Non Chargeable £'000	Total £'000
<b>Expenditure</b>			
Employee Expenses	525	58	583
Central Support Services	198	22	220
Other Costs	57	5	62
	<b>780</b>	<b>85</b>	<b>865</b>
<b>Income</b>			
Building Regulation Charges	-830	-	-830
Miscellaneous Income	-1	-	-1
	<b>-831</b>	<b>-</b>	<b>-831</b>
(Surplus) / Deficit for Year	-51	85	34

This statement reflects a statutory requirement to maintain a separate Collection Fund, which shows the transactions of the Council as a billing authority in relation to council tax and non-domestic rates, and the way in which the total amount collected has been distributed to the precepting authorities and central Government.

	Note	2015/16 Total £'000	2016/17 Council Tax £'000	2016/17 NDR £'000	2016/17 Total £'000
<b>Income</b>					
Income from Council Tax	1	-49,672	-51,540	-	-51,540
Transfers from General Fund		10	-10	-	-10
Income Collectable from Business Ratepayers	2	-30,509	-	-31,416	-31,416
Contribution to Previous Year's Estimated Deficit		-490	-55	-4,576	-4,631
		-80,661	-51,605	-35,992	-87,597
<b>Expenditure</b>					
Precepts and Demands / Shares of Business Rates					
Central Government		15,769	-	16,496	16,496
Buckinghamshire County Council		38,263	37,112	2,969	40,081
Thames Valley Police & Crime Commissioner		5,198	5,341	-	5,341
Bucks and MK Fire Authority		2,174	1,910	330	2,240
South Bucks District Council *		19,062	6,753	13,197	19,950
		80,466	51,116	32,992	84,108
Business Rates Transitional Protection Payments		244	-	-	-
Business Rates Cost of Collection		97	-	98	98
Business Rates Provision for Appeals		-577	-	271	271
Write offs of uncollectable amounts		-48	162	47	209
Increase / (reduction) in allowance for impairment		553	73	156	229
Contribution to previous year's Coll Fund surplus		4,242	-	-	-
		84,977	51,351	33,564	84,915
<b>(Surplus) / Deficit for the Year</b>		<b>4,316</b>	<b>-254</b>	<b>-2,428</b>	<b>-2,682</b>
Balance brought forward 1 April		235	-118	4,669	4,551
<b>Balance carried forward 31 March</b>		<b>4,551</b>	<b>-372</b>	<b>2,241</b>	<b>1,869</b>
<b>Analysis of Share of Surplus / Deficit</b>					
Central Government		2,335	-	1,121	1,121
Buckinghamshire County Council		334	-271	202	-69
Thames Valley Police & Crime Commissioner		-12	-38	-	-38
Bucks and MK Fire Authority		42	-14	22	8
South Bucks District Council		1,852	-49	896	847
		<b>4,551</b>	<b>-372</b>	<b>2,241</b>	<b>1,869</b>

\* Includes Council Tax amounts collected on behalf of parish councils.

**1. Council Tax**

This Council's requirement from the Council Tax was £148.00 (2015/16 £143.00).

The average Council Tax at band D including all precepts on the Collection Fund was £1,597.98 (£2015/16 £1,540.96).

The Council Tax base (adjusted for dwellings where discounts apply) was made up of the following number of equivalent Band D dwellings.

Band	Net Dwellings	Band D Ratio	Band D Dwellings Equivalent
A	451	6/9	301
B	509	7/9	397
C	2,482	8/9	2,207
D	4,735	9/9	4,735
E	4,457	11/9	5,448
F	3,178	13/9	4,591
G	6,584	15/9	10,974
H	1,952	18/9	3,905
Adjust for estimated collection rate of 98.25% - Council Tax Base			31,988

**2. Income from Business Ratepayers**

The Council collects Business Rates for the area, which is based on rateable values multiplied by the rate poundage set by central government.

	2015/16	2016/17
Non-domestic rateable value (at end of year)	£75.618m	£80.183m
Rate poundage – Standard Multiplier	49.3p	49.7p
- Small Business Multiplier	48.0p	48.4p

**Independent Auditor's Report to the Members of South Bucks District Council** Appendix







### 1) Scope of Responsibility

South Bucks District Council (SBDC) is responsible for ensuring that:

- its business is conducted in accordance with the law and proper standards;
- public money is safeguarded and properly accounted for; and
- public money is used economically, efficiently and effectively.

South Bucks District Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, South Bucks District Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

South Bucks District Council has approved and adopted a code of Corporate Governance, which is consistent with the CIPFA / SOLACE *Delivering Good Governance in Local Government Framework 2016*. A copy of the code can be obtained from the Director of Resources. This statement explains how South Bucks District Council has complied with the code and also meets the requirements of the Accounts and Audit Regulations in relation to the publication of an Annual Governance statement.

### 2) The Purpose of the Governance Framework

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

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at South Bucks District Council for the year ended 31 March 2017 and up to the date of approval of the statement of accounts.

### 3) The Governance Framework

South Bucks has put in place appropriate management and reporting arrangements to enable it to satisfy itself that its approach to corporate governance is both adequate and effective in practice. Specifically it has developed and adopted a Code of Corporate Governance and a Risk Management Strategy and the Director of Resources has been given responsibility for:

- overseeing the implementation and monitoring of the operation of the Code and Risk Management Strategy;
- reviewing the operation of the Code and Risk Management Strategy in practice; and
- ensuring that there is an effective internal audit function.

Our internal auditors, have been given the responsibility to review independently the status of the Authority's internal control arrangements and report to the Audit Committee, to provide assurance on the adequacy and effectiveness of internal control.

The system of internal control is based on a framework of regular management information, financial and contract procedure rules, administrative procedures, management supervision and a system of delegation and accountability. Development and maintenance of the system is undertaken by managers within the Council and is reviewed by internal and external audit. In particular the system includes:

- an overall Business Plan and individual Service plans;
- the appointment of a legal Monitoring Officer;
- codes of conduct and staff performance appraisals;
- information asset and data quality policies and procedures;
- setting targets to measure financial and other performance;
- a performance management framework with regular performance monitoring;
- comprehensive budgeting systems; and
- regular reviews of financial reports which indicate financial performance against the forecasts.

#### **4) Role of the Chief Finance Officer**

The Authority fully complies with the CIPFA statement on the Role of the Chief Financial Officer in Local Government, the key principles and requirements of which are summarised below.

The Chief Financial Officer:

- Is a key member of the Leadership Team, helping it to develop and implement strategy and to resource and deliver the Authority's strategic objectives sustainably and in the public interest;
- Must be actively involved in, and able to bring influence to bear on, all material business decisions to ensure immediate and longer term implications, opportunities and risks are fully considered, and alignment with the Authority's financial strategy; and
- Must lead the promotion and delivery by the whole Authority of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently and effectively.

To deliver these responsibilities the Chief Financial Officer:

- Must lead and direct a finance function that is resourced to be fit for purpose; and
- Must be professionally qualified and suitably experienced.

#### **5) Review of Effectiveness**

South Bucks District Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the senior managers within the Authority who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual report, and also by comments made by the external auditors and other review agencies and inspectorates. As part of the process of compiling the Annual Governance Statement, statements of assurance on the effectiveness of internal control are obtained from Heads of Service.

For 2016/17 this review has been undertaken by the Audit Committee and included carrying out an assessment of the SBDC internal control framework.

We have been advised on the implications of the results of the review of the effectiveness of the governance framework by the Audit Committee, and plans are in place to address weaknesses and ensure continuous improvement of the system is in place.

**6) Main Governance Issues**

The following issues arose from a review of the assurance framework or from Internal Audit work.

ISSUE	ACTION
<p>There is a need to review and update the Business Continuity Management processes and plans, recognising that South Bucks does not have a dedicated resource for Business Continuity.</p>	<p>In 2016/17 we implemented a new full Disaster Recovery / Business Continuity IT failover facility at a location independent to the main data centre.</p> <p>We will continue to review during 2017/18 the existing Business Continuity plans, taking into account organisational changes and shared working with Chiltern District Council, and will continue to test the IT business continuity arrangements.</p> <p>We have updated the Business Impact Analysis and Service Continuity Plans for the majority of service areas. The remaining areas will be updated in 2017/18.</p> <p>A Business Continuity Exercise was carried out in September 2016, and a further exercise is planned in 2017/18.</p>
<p>There is a need to review and keep up to date the Council’s Information Management policies and procedures in the light of national issues raised by the Information Commissioner Office (ICO), Public Sector Network (PSN compliance), and as a result of joint working arrangements and other significant service changes.</p>	<p>Full PSN compliance has been maintained.</p> <p>We will continue to progress in a co-ordinated manner with Chiltern District Council work on Information Governance. This will be co-ordinated by the Information Governance Group.</p> <p>Information governance specifically information security and file management will be taken into account in the changes that will be part of the next phase of joint working. Information Asset Registers will be updated to fully reflect changes from shared services.</p> <p>Work will be undertaken to prepare for the GDPR in May 2018.</p>

Bob Smith  
Chief Executive

Date

Cllr Ralph Bagge  
Leader of the Council

Date

**Accounting Period**

This is the length of time covered by the accounts. It is normally a period of twelve months commencing on 1 April. The end of the accounting period is the balance sheet date.

**Accrual**

Accrual accounting is one of the main accounting concepts. It ensures that income / expenditure is shown in the accounting period that it is earned / incurred, and not as money is received or paid.

**Actuary**

A suitably qualified independent person who advises on the financial position of the Pension Fund.

**Actuarial Gains and Losses**

Actuarial gains and losses represent changes in the net pension liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions.

**Amortisation**

A measure of the cost or amount of benefit of an intangible asset that has been consumed during the period.

**Appropriation**

The transfer of resources between reserves.

**Asset**

An asset is something that the Council owns that has a monetary value.

- A current asset is one that will be used or cease to have material value by the end of the next financial year e.g. stock or debtors
- A non-current asset provides benefits for a period of more than one year e.g. Council Offices

**Balance Sheet**

A financial statement summarising the financial position of the Council, in particular its assets, liabilities and other balances at the end of each accounting period.

**Billing Authority**

A local authority charged by statute with responsibility for the collection of, and accounting for, Council Tax and Non-Domestic Rates.

**Budget**

A budget is a financial statement that expresses the Council's service delivery plans and capital programme in monetary terms.

**Capital Adjustment Account**

This account represents amounts set aside from revenue resources or capital receipts to finance expenditure on non-current assets.

**Capital Expenditure**

Expenditure on the acquisition or refurbishment of a non-current asset and other eligible items that will be of benefit to the Council in providing its services for more than one year.

**Capital Financing**

This term describes the various sources of money used to pay for capital expenditure.

**Capital Programme**

This is a plan for capital spending in future years. It shows the capital schemes that the Council intends to carry out.

**Capital Receipt**

The proceeds from the disposal of land or other assets. Capital receipts can be used to finance new capital expenditure, but they cannot be used to finance revenue expenditure.

**Collection Fund**

A statutory fund maintained by the Council, which is used to record council tax and non-domestic rates collected by the Council, along with payments to central Government, precepting authorities and its own general fund.

**Community Assets**

This is the land and property that the Council intends to hold forever. They generally have no determinable useful life and there are often restrictions regarding their sale. Examples include open spaces.

**Council Tax**

Council tax is levied on households and the proceeds are paid into its Collection Fund for distribution to precepting authorities and for use by its own General Fund.

**Creditor**

This term applies to money the Council owes to others for work done or goods and services it has received during the financial year but not paid for at the end of the accounting period.

**Current Asset**

An asset which is easily convertible to cash or expected to become cash within the next year.

**Current Liability**

An amount which will become payable within the next financial year.

**Debtor**

This term applies to money that others owe to the Council for work done or goods and services that have been provided to them by the Council during the financial year but have not been paid for by the end of the accounting period.

**Depreciation**

A measure of the cost or amount of benefit of a non-current asset that has been consumed during the period.

**Events after the Reporting Period**

These are events, both favourable and unfavourable, which occur between the balance sheet date and the date on which the Statement of Accounts is signed.

**External Audit**

The independent examination of the activities and accounts of the Authorities to ensure the accounts have been prepared in accordance with legislative requirements and proper practices and to ensure the Authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

**Fair Value**

The amount for which an asset could be exchanged or a liability settled, assuming that the transaction was negotiated between parties knowledgeable about the market in which they are dealing and willing to buy/sell at an appropriate price, with no other motive in their negotiations other than to secure a fair price.

**Fees and Charges**

Income raised by charging users of services for the facilities. For example, planning applications fees, charges for the use of leisure facilities etc.

**Finance Lease**

A lease that transfers all the risks and rewards of ownership of an asset to the lessee. Such assets are included within the lessee's balance sheet.

## Glossary of Terms

### Financial Instrument

Any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another.

### General Fund

The main fund of the Council from which payments are made to meet the costs of providing services.

### Government Grants

Grants made by central government towards either revenue or capital expenditure to help with the cost of providing services and capital projects. Some government grants have restrictions on how they may be used whilst others are general purpose.

### Gross Expenditure

The total cost of providing the Council's services before taking into account income from fees and charges for services, and grants.

### Heritage Assets

Assets with historical, artistic, scientific, technological, geophysical or environmental qualities that are held and maintained principally for their contribution to knowledge and culture (e.g. antique furniture, paintings, books and manuscripts).

### Housing benefit

An allowance provided by the Council to persons on low income to meet, in whole or part, their rent. The cost of housing benefit is largely met by a central Government grant.

### Impairment

This is a reduction in the value of a non-current asset as shown in the balance sheet to reflect its current value.

### Intangible Assets

Assets that do not have physical substance but are identifiable and are controlled by the Council and bring benefits to the Council for more than one financial year e.g. software licences.

### International Financial Reporting Standards (IFRS)

IFRSs are set by the International Accounting Standards Board, the independent standard setting body of the International Accounting Standards Committee Foundation.

### Inventories

These are items of stores that the Council has bought to use on a continuing basis but has not yet used.

### Liability

A liability arises when the Council owes money or other assets to others.

### Materiality

This is one of the main accounting concepts. It ensures that the statement of accounts includes all the transactions that, if omitted, would lead to a significant distortion of the financial position at the end of the accounting period.

### Non-Current Asset

An asset which is not easily convertible to cash or not expected to become cash within the next year.

### Non-Domestic Rates (NDR)

A levy on businesses, based on a national rate in the pound set by the Government multiplied by the 'rateable value' of the premises they occupy.



**NDR Levy**

A levy is payable to DCLG for any growth on NDR income above the amount deemed to be able to collectable. Ordinarily the levy rate is 50% however this has been reduced in 16/17 as the Authority has entered into a pool with Chiltern District Council, Aylesbury Vale District Council, Bucks & Milton Keynes Fire Authority and Bucks County Council.

**Operating Lease**

This is an agreement for rental of assets where the risks and rewards of ownership of the asset remain with the lessor. Annual rentals are charged to revenue.

**Outturn**

The actual results for the financial year.

**Precept**

The levy made by precepting authorities on billing authorities, requiring the latter to collect income from council taxpayers on their behalf. Precepts are paid from the Collection Fund.

**Precepting Authorities**

Those authorities which are not billing authorities i.e. do not collect the council tax and non-domestic rate. Buckinghamshire County Council, Thames Valley Policy Authority and Buckinghamshire & Milton Keynes Fire Authority are 'major precepting authorities' and parish councils are 'local precepting authorities'.

**Provisions**

Amounts set aside in one year to cover expenditure in the future. Provisions are for liabilities or losses which are likely or certain to be incurred, but the amounts or the dates on which they will arise are uncertain.

**Rateable Value**

The annual assumed rental value of a property that is used for business purposes.

**Related Parties**

Bodies or individuals that have the potential to control or influence the Council, or to be controlled or influenced by the Council.

**Remuneration**

All amounts paid to or receivable by an employee including sums due by way of expenses, allowances and the estimated money value of any other benefits received by an employee otherwise than in cash.

**Reserves**

Reserves are amounts set aside which do not fall within the definition of provisions and include general reserves (or 'balances'), which every authority must maintain as a matter of prudence. A reserve results from an accumulation of surpluses, deficits and appropriations over past years. Reserves of a revenue nature are available and can be spent or earmarked at the Council's discretion.

**Residual Value**

This is the net realisable value of an asset at the end of its useful life.

**Retirement Benefits**

Retirement benefits comprise all forms of consideration given by an employer in exchange for services rendered by employees that are payable after the completion of employment. They do not include termination benefits payable as a result of either an employer's decision to terminate an employee's employment before normal retirement age or an employee's decision to accept voluntary redundancy.

**Revaluation Reserve**

An account containing any unrealised surpluses arising from the revaluation of non-current assets.

## Glossary of Terms

### Revenue Expenditure

The day to day expenses associated with the provision of services.

### Revenue Expenditure Funded from Capital Under Statute (REFCUS)

An example of this type of expenditure is where a capital grant is made by the Council to another organisation. This counts as capital expenditure but does not create an asset that belongs to the Council.

### Revenue Support Grant (RSG)

A general grant paid by central government to local authorities as a contribution towards the cost of their services.

### Section 106 Agreements

Section 106 receipts are monies paid to the Council by developers as a result of the grant of planning permission where works are required to be carried out or new facilities provided as a result of that permission. The sums are restricted to being spent only in accordance with the agreement concluded with the developer.

### Service Reporting Code of Practice (SeRCOP)

The SeRCOP provides guidance on the content and presentation of costs and service activities. The code is driven by the requirements of the International Financial Reporting Standards.

### Useful Life

This is the period over which the Council will derive benefits from the use of a non-current asset.

<b>SUBJECT:</b>	<b>FARNHAM PARK CHARITY – OUTTURN &amp; ACCOUNTS 2016/17</b>
<b>REPORT OF:</b>	<b>Director of Resources</b>
<b>RESPONSIBLE OFFICER</b>	<b>Director of Resources Jim Burness email jim.burness@southbucks.gov.uk</b>
<b>WARD/S AFFECTED</b>	<b>N/a</b>

## 1. Purpose of Report

- 1.1 To provide Members with information about the financial outturn for the Charity's activities in 2016/17, and to formally present the Charity's financial accounts for the year.

### RECOMMENDATIONS

**1. The Panel notes this report.**

**2. The Audit Committee considers the report and formally approves the 2016/17 Accounts.**

## 2. 2016/17 Financial Outturn

- 2.1 The financial outturn for the Charity's activities is summarised in the following table.

	2016/17			2015/16
	Budget	Actual	Variance	Actual
			(Act-LB)	
	£'000	£'000	£'000	
<b>Farnham Park Sports Fields</b>				
Income	83	57	-26	64
Expenditure	-206	-162	44	-127
Depreciation	-19	-17	2	-15
	-142	-122	20	-78
<b>South Buckinghamshire Golf</b>				
Income	627	529	-98	529
Expenditure	-510	-447	63	-507
Depreciation	-67	-76	-9	-69
	50	6	-44	-47
<b>South Buckinghamshire Catering</b>				
Income	263	241	-22	219
Expenditure	-302	-289	13	-266
Depreciation	-	-2	-2	-2
	-39	-50	-11	-49
<b>Net Movement</b>	<b>-131</b>	<b>-166</b>	<b>-35</b>	<b>-174</b>

2.2 The main points to note are as follows.

- The overall deficit for the year £166k was £35k higher than budgeted, but less than the 2015/16 deficit.
- Golf made a small surplus, even after income being significantly affected by the weather during parts of the year (see below).
- The catering service returned a deficit of £50k, which was £11k more than budgeted. This is attributed to a combination of the weather as previously referred to and that for most of the year the Charity had to employ an agency chef as it was unable to recruit to the position, and this increased costs. The post was filled in April 2017.
- The main element of the deficit arises from the Playing Fields. The income from users of the facilities falls significantly short of covering the costs. This is why the Council is actively looking at options to reconfigure the facilities provided in order to improve them and make the Playing Fields more financial sustainable.
- The depreciation charge was higher than budgeted as the Trust had purchased a new tractor and air conditioning units in 2015/16. The first depreciation charge was made in 2016/17 which was not budgeted for due to the timing of the asset purchases.

2.3 The following table shows the number of rounds played in 2016/17 compared to the two previous years. Overall the number of rounds was 866 (2.5%) less than the previous year.

	Number of rounds		
	2014/15	2015/16	2016/17
Apr	3,500	3,826	3,184
May	3,301	3,761	3,756
June	4,179	4,211	3,268
July	3,847	3,915	3,867
August	3,787	4,006	4,520
September	3,449	3,152	3,300
October	3,061	2,931	2,628
November	2,174	2,027	2,037
December	1,931	1,919	1,877
January	1,580	1,291	1,650
February	2,161	1,903	1,813
March	2,604	2,068	2,244
<b>Total</b>	<b>35,374</b>	<b>35,010</b>	<b>34,144</b>

2.4 During the course of the year the Charity's staffing structure was reorganised to reflect the closure of the Academy 9 Hole Golf Course. The savings from this staffing restructuring were, £87k, but these were reflected in the recharge to South Bucks DC for managing the Academy site and did not impact on the Charity's net financial position.

2.5 Also during the year staff were moved on to a harmonised set of terms and conditions, and this included for nine staff moving them to be paid at the national living wage level in line with Council policy, the cost of which was £16k.

### 3. Charity Accounts 2016/17

- 3.1 Appendix A sets out the Charity's accounts for 2016/17. The overall movement in the Trust's reserves during the year is summarised in the following table.

#### 2016/17 Movement of Reserves

	Un-restricted Funds £'000	Restricted Funds (1) £'000	Endowment Fund (2) £'000	Total £'000
Balance 1 April 2016	-259	358	1,444	1,543
In year movement	-131	-40	5	-166
Balance 31 March 2017	-390	318	1,449	1,377

(1) The restricted funds arise from the Sport England donation in 2014 which are being applied to cover depreciation on the new Clubhouse, and £247k capital receipt from disposal of Farm Cottages in 1998/99.

(2) The Endowment Funds represent the current value of the assets that were originally transferred to the Trust. These cannot be spent.

- 3.2 In 1998/99 South Bucks District Council sold Farm Cottages resulting in a capital receipt of £247,000. During 2016/17 it was discovered that this receipt was not passed onto the Trust, even though it formed part of the Charity Assets. The correction of this has resulted in a debtor of £247K from SBDC being money due to the restricted fund to fund improvements to the Sports Fields. The correction has been backdated to 1998/99.
- 3.3 The Accounts are required to make a statement regarding the Charity as a going concern. The basis of the statement is that the Charity is seen by the Council as a key delivery vehicle for providing leisure facilities for the area. As the Accounts show the current financial losses of the Charity largely relate to the Playing Fields. The Council has identified these as being an underperforming asset and is currently undertaking an options analysis for the Playing Fields with the aims of improving service and usage and making them financial sustainable.

### 4. Next Steps

- 4.1 Once the external audit of the Annual Report and Accounts has been completed and the external audit opinion provided, these will be presented to the Audit Committee for formal approval.
- 4.2 Members will receive in initial report on options for the Playing Fields and decide on which option to pursue. Any formal decisions required will be taken at the October Cabinet meeting. Any redevelopment would commence some time during the second half of 2018.

<b>Background Papers:</b>	None
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**FARNHAM PARK SPORTS FIELDS  
CHARITY NO 308164**

**Annual Report and Accounts**  
For the year ended 31 March 2017

# FARNHAM PARK SPORTS FIELDS CHARITY NO 308164

## Annual Report and Accounts For the year ended 31 March 2017

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**Charity Details**

Official charity name	Farnham Park Sports Fields	
Registered charity number	308164	
Charity's principal address	Council Offices Capswood Business Centre Oxford Road, Denham Bucks, UB9 4LH	
Charity trustee	South Bucks District Council is the sole Corporate Trustee	
Principal Officers	Chief Executive	Bob Smith Chief Executive of South Bucks District Council
	Treasurer	Jim Burness Director of Resources of South Bucks District Council
Principal advisors	External audit	Wilkins Kennedy LLP Anglo House, Bell Lane Office Village, Bell Lane, Amersham, Bucks HP6 6FA
	Financial and legal advice is provided by South Bucks District Council.	

**Structure, Governance and Management**Governing Document and how the Charitable Trust is Constituted

The Farnham Park Sports Fields Charity is governed by the Eton Rural District Council (ERDC) Act 1971.

Prior to the ERDC Act land and buildings at Farnham Park Sport Field (FPSF), and parts of the South Buckinghamshire Golf Course (SBGC) were controlled by the Farnham Park Recreational Trust, which was constituted by a conveyance dated 30th December 1946 between United Commercial Association Limited and the Trustees of the Trust.

The ERDC Act transferred these assets to Eton Rural District Council. South Bucks District Council (SBDC) is the successor in title to Eton Rural District Council, under provisions contained in the Local Government Act 1972.

The ERDC Act obliges SBDC to maintain and manage the transferred land in accordance with the purposes of the original trust (as substantially re-enacted in schedule 4 of the ERDC Act). These assets therefore form a charitable trust, with SBDC being the sole corporate trustee. Furthermore as the usage of these assets is subject to the restrictions contained within this Act, these assets represent a permanent endowment.

Trustee Appointment

As South Bucks District Council is the sole Corporate Trustee, Members of SBDC act in a corporate capacity as trustee. There are no other charity trustees.

Members of SBDC are elected every 4 years and are provided with induction training after each election.

## Organisational Structure of the Charitable Trust

The Members of SBDC (acting as corporate trustee) make the strategic decisions relating to the operation of the facilities.

The day-to-day management is undertaken by Council officers in line with approved guidelines.

## Relationship between the Charitable Trust and Related Parties

All financial, legal and operational support is provided by SBDC and this affects the Charitable Trust in the following ways:

- All staff who are involved in the Charitable Trust are employed by SBDC;
- The key management personnel are members and officers of SBDC who receive no remuneration from the Charitable Trust;
- All financial records are maintained within the SBDC financial system;
- The Charitable Trust does not have its own bank account; instead its funds are a part of the SBDC accounts.

## Risks

The Charitable Trust complies with the SBDC risk management strategy and the SBDC risk management policy. In particular risks relating to the Charitable Trust's activities are identified, evaluated and monitored in an appropriate risk register.

The main risk that the Charitable Trust faces is that its income is solely dependant on attracting people to use its facilities. It has to compete in a competitive market for leisure facilities and therefore has to ensure its facilities and prices are comparable to its competitors whilst still promoting its charitable objectives. Furthermore expenditure on leisure activities can be affected by external economic conditions and thus the Charitable Trust needs to be able to cope with and appropriately respond to changes in demand.

The nature of the Charitable Trust's facilities also means that there will periodically need to be significant investment to maintain / modernise the facilities in line with changing customer expectations. The Charitable Trust therefore needs to ensure that there is a long term robust business plan to ensure that it is able to continue to operate within the Charitable Trust's available resources over the long term.

## **Objectives and Activities**

### Objects of Charitable Trust

The objects of the Charitable Trust are set out in the ERDC Act and are as follows:

'The maintenance and improvement of the physical well-being of persons resident in the rural district of Eton and adjoining areas by the provision of facilities for physical training and recreation and for promoting and encouraging all forms of recreational activities calculated to contribute to the health and physical well-being of such persons.'

### Charitable Trust Aims

The Charitable Trust aims to maintain and improve the physical well-being of local residents by providing high quality, public sporting facilities at reasonable prices.

Specifically it:

- maintains the Farnham Park Sports Fields to enable clubs to let these facilities, and
- operates the South Buckinghamshire Golf Course on a pay and play basis.

### Objectives for Year

The key objectives for 2016/17 were:

1. To ensure that the facilities continue to provide value for money for users, and
2. To ensure that the facilities operated within the Charitable Trust's available resources.

### Strategies for Achieving Objectives

1. To ensure that the facilities provide value for money for users, the Charitable Trust aims to:
  - maintain the facilities to a high standard,
  - annually review its fees and charges to ensure that they remain competitive, and
  - offer discounted prices for under 18s, older people and those on low incomes.
2. To ensure that the facilities operate within the Charitable Trust's available resources, the Charitable Trust sets an annual budget and monitors this throughout the year, taking corrective action as necessary.

### Public Benefit

Public Benefit is the legal requirement that every organisation set up for one or more charitable aims must be able to demonstrate that its aims are for the public benefit.

The Charitable Trust is aware of the Charity Commission's guidance on public benefit, and believes that the Charitable Trust's aims meet the two key public benefit principles which are set out in the Charity Commission guidance:

- Principle 1: There must be an identifiable benefit or benefits
- Principle 2: Benefit must be to the public, or a section of the public.

## **Achievements and Performance**

### Review of Activities Undertaken

The Farnham Park Sports Fields comprise full size rugby / football pitches, cricket squares, softball pitches, a baseball pitch and a children's playground. During 2016/17 the following organisations let some of these facilities:

- |                      |                       |                                |
|----------------------|-----------------------|--------------------------------|
| - Taplow Boys FC     | - Slough Town FC      | - Farnham Royal Rugby Club     |
| - Unity Martial Arts | - Phoenix Old Boys FC | - Baseballsoftball UK Limited. |

During the year several of these leases came to an end and are in the process of renegotiation.

2016/17 was a difficult year for golf in general with the wet weather affecting business significantly across the country, especially during the summer. The South Buckinghamshire saw a drop in the number of rounds played against 2015/16, with only 34,144 rounds played against a figure of 35,010 the previous year. There are a large number of golf courses in the area competing for the same market and therefore offering a high quality course at a competitive price in future years is imperative to the success of the business.

The Catering Service at The South Buckinghamshire has been provided in house since 2015/16. Catering income has increased by 10% from the previous year, which in the current climate is a good result, especially as green fee attendance was affected by the weather during the year, which would have led to less spend on food and drink. The increase can therefore be attributed to an increase in private function bookings, which have included a number of birthday parties, social functions and family gatherings. Bookings for 2017/18 also look promising.

The Academy Driving Range and 9 hole course, which is owned by South Bucks District Council but maintained by Trust staff, closed during the year and this has resulted in a change in the staffing structure.

## Financial Review

## Review of Year

During 2016/17 the Charitable Trust generated income totalling £827,000 and spent £993,000 giving a net deficit for the year of £166,000. The table below compares the budget for the year with the actual expenditure.

	Amended Budget Figures* £'000	Actual £'000	Variance (Act-Budget) £'000
Farnham Park Sports Fields			
Income	83	57	-26
Expenditure	-206	-162	44
Depreciation	-19	-17	2
	<hr/>	<hr/>	<hr/>
	-142	-122	20
South Buckinghamshire Golf Course			
Income	627	529	-98
Expenditure	-510	-447	63
Depreciation	-67	-76	-9
	<hr/>	<hr/>	<hr/>
	50	6	-44
South Buckinghamshire Catering			
Income	263	241	-22
Expenditure	-302	-289	13
Depreciation	-	-2	-2
	<hr/>	<hr/>	<hr/>
	-39	-50	-11
<b>Total</b>	<hr/> <b>-131</b>	<hr/> <b>-166</b>	<hr/> <b>-35</b>

\*Expenditure relating to Golf Management and Grounds Maintenance costs have been recharged to each of the areas above. The budget figures above were amended from the original budget to reflect this change.

As can be seen from the table above, the Golf Course roughly breaks even and the Catering operation only incurred a small loss. However the Sports Fields, in common with many playing fields, continues to operate at a loss.

Charitable Trust income comes from fees and charges paid by users of the facilities, and all charitable expenditure relates to providing sporting facilities to help maintain and improve the physical well-being of local residents.

The following table provides a summary of the Charitable Trust's key assets and liabilities:

	At 31 March 2017 £'000	At 31 March 2016 £'000
Fixed Assets	4,293	4,338
Current Assets	73	98
Loan from South Bucks District Council	-1,751	-1,835
Other Liabilities	-1,238	-1,058
<b>Total Funds</b>	<hr/> <b>1,377</b>	<hr/> <b>1,543</b>

Reserve Policy - Unrestricted Fund

Nature of Reserve: The Fund represent the accumulated year on year surplus of income over expenditure that has been accumulated by the Charitable Trust.

Minimum Value of Fund: The Charitable Trust aims to ensure that the charity operates within its means and therefore aims to ensure that it always holds a balance on its unrestricted funds sufficient to meet its known future commitments. In particular there is a need to hold a working balance to meet unexpected demands equivalent to at least 2 months budgeted running costs, which is equivalent to approximately £170,000. In addition it may be appropriate to build up a balance on the unrestricted funds to fund future projects.

The current Unrestricted Fund balance is minus £390,000. As in previous years the Charitable Trust continues to rely on the ongoing support of South Bucks District Council.

Usage: The Unrestricted Funds can be applied for any lawful purpose of the charitable trust.

Reserve Policy - Restricted Fund

Nature of Reserve: The Restricted Fund is made up of monies received in 1998/99 for the sale of Farm Cottages and a grant from Sport England received in 2014 to assist with the costs of the new Clubhouse. The current balances are £247,000 for Farm Cottages Sale and £71,000 for the Sport England Grant making a total of £318,000.

Minimum Value of Fund: The value of the restricted funds will reduce over time to reflect the depreciation of the clubhouse and the use of the sale monies to fund redevelopment.

Usage: The Restricted Funds consist of the Farm Cottage Fund is set aside for any future redevelopment of the Sports Fields and money from Sport England set aside to cover ongoing usage of the new Clubhouse.

Reserve Policy - Endowment Fund

Nature of Reserve: The Endowment Fund represents the value of the assets that were transferred under the ERDC Act.

Minimum Value of Fund: The value of the Endowment Fund will reduce over time to reflect depreciation of the endowment assets.

Usage: Endowment funds cannot generally be spent, and thus changes to the value of the endowment reserve will only be due to changes in the value of the endowment assets.

**Statement of Trustee's Responsibilities**

The trustee is responsible for preparing a Trustee's annual report and financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

The law applicable to charities in England and Wales, The Charities Act 2011 and the Charity (Accounts and Reports) Regulations 2008 requires the trustee to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the charity and the incoming resources and application of resources, including the net income and expenditure of the charity for that year. In preparing those financial statements, the trustee is required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP 2015 (FRS102);
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going-concern basis unless it is inappropriate to presume that the charity will continue in business.

The trustee is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the charity and which enable them to ensure that the financial statements comply with the Charities Act 2011. The Trustee is also responsible for safeguarding the assets of the charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**Plans for Future Periods**

Looking ahead the Charitable Trust aims to continue to provide value for money facilities whilst operating within its available funds.

The Trust will continue to review its asset base to ensure community use and appropriate investment.

**Declaration**

The Council acting as Corporate Trustee has given the SBDC Audit Committee the authority to review and approve the Charitable Trust's Accounts.

It is therefore declared that the SBDC Audit Committee, on behalf of the Charity, approved this Annual Report and the accompanying Accounts for the financial year ending 31 March 2017 at their meeting on 28th September 2017.

Signature:

Position: Chair of Audit Committee

Date: 28th September 2017

# Statement of Financial Activities (SoFA)

This statement shows the income and expenditure of the Charitable Trust during the year and the accumulated funds at the Charitable Trust's disposal. All operations are continuing.

Notes	2016/17 Unrestricted Funds £'000	2016/17 Restricted Funds £'000	2016/17 Endowment Funds £'000	<b>2016/17 Total Funds £'000</b>	2015/16 Unrestricted Funds £'000	2015/16 Restricted Funds £'000	2015/16 Endowment Funds £'000	2015/16 Total Funds £'000
<b>Income and Endowments</b>								
Income from charitable activities								
- Farnham Park Sports Fields	57	-	-	<b>57</b>	64	-	-	<b>64</b>
- South Buckinghamshire Golf Course	529	-	-	<b>529</b>	529	-	-	<b>529</b>
- South Buckinghamshire Catering	241	-	-	<b>241</b>	219	-	-	<b>219</b>
<b>Total income and endowments</b>	<b>827</b>	<b>-</b>	<b>-</b>	<b>827</b>	<b>812</b>	<b>-</b>	<b>-</b>	<b>812</b>
<b>Expenditure</b>								
Charitable activities								
- Farnham Park Sports Fields	-162	-	-	<b>-162</b>	-127	-	-	<b>-127</b>
- South Buckinghamshire Golf Course	-447	-	-	<b>-447</b>	-507	-	-	<b>-507</b>
- South Buckinghamshire Catering	-289	-	-	<b>-289</b>	-266	-	-	<b>-266</b>
- Depreciation – Intangible Assets	-	-	-	<b>-</b>	-3	-	-	<b>-3</b>
- Depreciation – Tangible Assets	-46	-40	-9	<b>-95</b>	-36	-39	-8	<b>-83</b>
<b>Total expenditure on Charitable activities</b>	<b>-944</b>	<b>-40</b>	<b>-9</b>	<b>-993</b>	<b>-939</b>	<b>-39</b>	<b>-8</b>	<b>-986</b>
<b>Gross transfers between funds</b>								
- FPSF additions to buildings	-14	-	14	<b>-</b>	-	-	-	<b>-</b>
<b>Net movement in funds</b>	<b>-131</b>	<b>-40</b>	<b>5</b>	<b>-166</b>	<b>-127</b>	<b>-39</b>	<b>-8</b>	<b>-174</b>
Total funds brought forward (restated)	-259	358	1,444	<b>1,543</b>	-132	397	1,452	<b>1,717</b>
<b>Total funds carried forward</b>	<b>-390</b>	<b>318</b>	<b>1,449</b>	<b>1,377</b>	<b>-259</b>	<b>358</b>	<b>1,444</b>	<b>1,543</b>

This statement shows the assets and liabilities of the Charitable Trust and the balances and reserves at the Charitable Trust's disposal.

Notes	At 31	At 31	At 31	At 31	<b>At 31</b>	At 31
	March 2017	March 2017	March 2017	March 2017	<b>March 2017</b>	March 2016
	Unrestricted Funds	Restricted Funds Farm Cottage Sale	Restricted Funds Sport England Grant for Clubhouse	Endowment Funds	<b>Total Funds</b>	Total Funds
	£'000	£'000	£'000	£'000	<b>£'000</b>	Restated £'000
<b>Fixed Assets</b>						
8	Intangible Assets – software	2	-	-	-	2
9	Tangible Assets	2,771	-	71	1,449	4,336
		2,773	-	71	1,449	4,338
<b>Current Assets</b>						
10	Stock – finished goods	24	-	-	-	32
11	Debtors	49	-	-	-	66
		73	-	-	-	98
<b>Current Liabilities</b>						
12	Creditors: Amounts due within 1 year	-160	-	-	-	-152
	Amount due to related party (SBDC)	-1,325	247	-	-	-906
13	Loan from South Bucks District Council	-86	-	-	-	-81
		-1,571	247	-	-	-1,139
	<b>Net Current Assets or Liabilities</b>	-1,498	247	-	-	-1,041
	<b>Total Assets less Current Liabilities</b>	1,275	247	71	1,449	3,297
<b>Long Term Liabilities</b>						
13	Loan from South Bucks District Council	-1,665	-	-	-	-1,754
	<b>Net Assets</b>	<b>-390</b>	<b>247</b>	<b>71</b>	<b>1,449</b>	<b>1,543</b>
	Unrestricted Fund	-390	-	-	-	-259
	Restricted Fund	-	247	71	-	358
14	Endowment Fund	-	-	-	1,449	1,444
	<b>Total Funds</b>	<b>-390</b>	<b>247</b>	<b>71</b>	<b>1,449</b>	<b>1,543</b>

Signed on behalf of the charity trustee

Signature:

Position: Chair of Audit Committee

Date: 28th September 2017



This statement shows the changes in cash and cash equivalents during the reporting period.

	<b>2016/17</b>	2015/16
	<b>£'000</b>	£'000
		Restated
<b>Cash flows from operating activities</b>		
Loss for the financial year	-166	-174
Adjustments for:		
Depreciation of tangible assets	95	83
Amortisation of intangible assets	-	3
Interest Paid	41	51
(Increase)/decrease in stocks	8	5
(Increase)/decrease in debtors	17	-33
Increase/(decrease) in creditors	8	92
<b>Net cash provided by (used in) operating activities</b>	<u>3</u>	<u>27</u>
<b>Cash flows from investing activities:</b>		
Purchase of tangible assets	-50	-147
Purchase of intangible assets	-	-2
<b>Net Cash provided by (used in) investing activities</b>	<u>-50</u>	<u>-149</u>
<b>Cash flows from financing activities:</b>		
Repayments of loan from SBDC	-84	-78
Interest Paid	-41	-51
<b>Net Cash provided by (used in) financing activities</b>	<u>-125</u>	<u>-129</u>
<b>Change in cash and cash equivalents in the year</b>	<u>-172</u>	<u>-251</u>
Amounts due to SBDC at the beginning of the year	<u>-906</u>	<u>-655</u>
Amounts due to SBDC at the end of the year	<u>-1,078</u>	<u>-906</u>

## 1. General Information

Farnham Park Sports Fields is a Charitable Trust governed by the Eton Rural District Council (ERDC) Act 1971 and is registered charity number 308164. The principal address is Council Offices, Capswood Business Centre, Oxford Road, Denham, Buckinghamshire, UB9 4LH.

## 2. Statement of Accounting Policies

### Basis of Accounting

These Accounts have been prepared in accordance with:

- Statement of Recommended Practice: Accounting and Reporting by Charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland (FRS102) issued on 16 July 2014 and update bulletin 1 effective 1 January 2016.
- Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland (FRS 102), and
- The Charities Act 2011.

Farnham Park Sports Fields meets the definition of a public benefit entity under FRS 102. Assets and liabilities are initially recognised at historical cost or transaction value unless otherwise stated in the relevant accounting policy note(s).

### Income

Recognition of income	These are included in the Statement of Financial Activities (SoFA) when: <ul style="list-style-type: none"> <li>- the Charitable Trust becomes entitled to the income;</li> <li>- the Trustees are virtually certain they will receive the income; and</li> <li>- the monetary value can be measured with sufficient reliability.</li> </ul>
Income with related expenditure	Where income has related expenditure (as with fundraising or contract income) the income and related expenditure are reported gross in the SoFA.
Grants and donations	Grants and donations are only included in the SoFA when the Charitable Trust has unconditional entitlement to the resources.
Contractual income and performance related grant	This is only included in the SoFA once the related goods or services have been delivered.
Gifts in kind	<p>Gifts in kind are accounted for at a reasonable estimate of their value to the Charitable Trust or the amount actually realised.</p> <p>Gifts in kind for sale or distribution are included in the accounts as gifts only when sold or distributed by the Charitable Trust.</p> <p>Gifts in kind for use by the Charitable Trust are included in the SoFA as incoming resources when receivable.</p>
Donated services and facilities	These are only included in incoming resources (with an equivalent amount in resources expended) where the benefit to the Charitable Trust is reasonably quantifiable, measurable and material. The value placed on these resources is the estimated value to the Charitable Trust of the service or facility received.

**Expenditure and Liabilities**

Liability recognition	Liabilities are recognised if it is probable that there is a legal or constructive obligation committing the Charitable Trust to pay out resources.
Expenditure	<p>All expenditure is accounted for on an accruals basis. All expenses including support costs are allocated or apportioned to the applicable expenditure headings.</p> <p>Costs of charitable activities consist of those costs incurred by the charity in the delivery of its activities and services for its beneficiaries. It includes both costs allocated directly to such activities and those costs of an indirect nature necessary to support them.</p> <p>Support costs include central functions and have been allocated to activity cost categories on a basis consistent with the use of resources, eg allocating property costs by floor areas, or per capita, staff costs by the time spent and other costs by their usage.</p>
Grants with performance conditions	Where the Charitable Trust gives a grant with conditions for its payment being a specific level of service or output to be provided, such grants are only recognised in the SoFA once the recipient of the grant has provided the specified service or output.
Grants payable without performance conditions	These are only recognised in the accounts when a commitment has been made and there are no conditions to be met relating to the grant which remain in the control of the Charitable Trust.
Pension Contributions	<p>The Charitable Trust operates a defined benefits pension scheme. The scheme is a multi-employer scheme where it is not possible, in the normal course of events, to identify on a consistent and reasonable basis, the share of underlying assets and liabilities belonging to the Charitable Trust.</p> <p>The Charitable Trust accounts for this scheme as if it was a defined contribution scheme.</p> <p>The amount charged to the Statement of Financial Activities (SoFA) represents contributions payable to the scheme in respect of the accounting period.</p>
Creditors	Creditors are recognised at the settlement amount due.

**Assets**

Intangible fixed assets for use by the Charitable Trust	<p>These are capitalised if the cost is significant and they can be used for more than one year. Expenditure that maintains but does not add to an asset's future economic benefits is charged as an expense.</p> <p>Assets are measured at cost, comprising all expenditure that is directly attributable to bringing the asset into working condition for its intended use.</p>
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**Assets - continued**

Tangible fixed assets for use by the Charitable Trust These are capitalised if the cost is significant and they can be used for more than one year. Expenditure that maintains but does not add to an asset's future economic benefits is charged as an expense.

Assets are measured at cost, comprising all expenditure that is directly attributable to bringing the asset into working condition for its intended use.

The Trust does not adopt an accounting policy of revaluing any classes of assets.

Stocks These are valued at the lower of cost or market value. Where necessary, provision is made for obsolete, slow moving and defective stocks.

Debtors Debtors are recognised at the settlement amount due.

**VAT**

The Charitable Trust is able to exempt from VAT any charges it makes to individuals of services closely linked with and essential to sport, per the VAT Act 1994, Schedule 9, Group 10, Item 3. This includes green fees.

As a consequence VAT payable is not generally recoverable from Her Majesty's Revenue and Customs, and is included as an expense when appropriate.

**Going Concern**

As Corporate Trustee, SBDC has a duty to ensure that the Trust operates within its available resources. If the Trust were ever to run out of unrestricted funds, then SBDC as corporate Trustee would need to put in place a recovery plan which could include supporting the Trust financially.

**Presentational Currency**

These Accounts have been presented in sterling (£) which is also the functional currency of the Charitable Trust.

**3. Charitable Expenditure**

	Sports Field £'000	Golf Course £'000	Catering £'000	<b>2016/17 Total £'000</b>	2015/16 Total £'000
Employees	73	222	155	<b>450</b>	392
Premises	31	76	-	<b>107</b>	109
Transport	8	17	1	<b>26</b>	30
Supplies & Services	27	119	128	<b>274</b>	283
Depreciation & Amortisation	17	76	2	<b>95</b>	86
Support Costs					
Human Resources	7	2	2	<b>11</b>	17
Finance	3	1	1	<b>5</b>	5
ICT	2	1	1	<b>4</b>	27
Property & Facilities	5	1	-	<b>6</b>	23
Governance	6	8	1	<b>15</b>	14
	<b>179</b>	<b>523</b>	<b>291</b>	<b>993</b>	<b>986</b>

Governance costs are those costs that are associated with the general running of the Charitable Trust, as opposed to those costs associated with specific charitable activity. Governance costs include: internal and external audit; legal advice for trustees; the cost of preparing statutory accounts; and costs associated with strategic management.

#### 4. Trustee Expenses

The key management personnel comprise the members who received no remuneration or other financial benefits from the Charitable Trust during either the current or previous year. Any expenses claimed by Members are paid by SBDC rather than the Charitable Trust.

#### 5. Audit Costs

The Charitable Trust incurred the following fees relating to external audit. This note is prepared based on the fee payable for the audit work related to those years' financial statements, as opposed to what has actually been paid in the year.

	<b>2016/17</b>	2015/16
	<b>£'000</b>	£'000
Auditors' fees for reporting on the accounts	<b>6</b>	6
Other fees paid to the independent auditor	-	-
	<b>6</b>	6

#### 6. Paid Employees

There was an average of 26 staff who worked at the Farnham Park Sports Fields and the South Buckinghamshire Golf Course during 2016/17. This includes full-time, part-time and casual staff. Some of these staff also worked at the Academy Golf Course – which is owned by South Bucks District Council (SBDC) and has now closed - and the cost of these staff is apportioned between the Trust and SBDC.

	<b>2016/17</b>	2015/16
	<b>£'000</b>	£'000
Basic pay	<b>338</b>	283
National insurance	<b>29</b>	20
Pension costs	<b>36</b>	34
Other employee costs	<b>47</b>	55
	<b>450</b>	392

No employee earns more than £60,000 a year.

The employee costs have increased during the year. Employee costs were above budget as a result of a staff vacancy for most of the year, which led to increased costs due to the use of agency staff. In addition all staff moved to new terms and conditions from 1 January 2017, which led to a number of staff salaries being increased to the "Voluntary Living Wage" in line with South Bucks DC pay policy.

In addition as SBDC provides support services to the Trust, a number of other SBDC employees also provide support to the Trust. None of these support staff spend more than 50% of their time on supporting the Trust and they have therefore been excluded from the analysis above.

**7. Pensions**

As part of the terms and conditions of employment of its officers, the Charitable Trust makes contributions towards the cost of post-employment benefits (ie pensions).

The Charitable Trust participates in the Local Government Pension Scheme which is administered by Bucks County Council. This scheme is a defined benefit scheme based on Career Average Revalued Earnings (CARE).

It is not possible, in the normal course of events, to identify on a consistent and reasonable basis, the share of underlying assets and liabilities belonging to the Charitable Trust.

The pension cost charge represents contributions payable by the Charitable Trust to the fund and amounted to £36,000. There were no outstanding contributions payable to the fund as at 31 March 2017.

Contributions of £44,000 are estimated to be payable in the year ending 31 March 2018. The increase is due partly to catering staff now being paid the National Living wage. The percentage of costs remaining in the Trust has also increased as a result of less chargeable staff time being spent on The Academy following its closure.

**8. Intangible Fixed Assets - Software**

	<b>2016/17</b>	2015/16
	<b>£'000</b>	£'000
<b>Valuation</b>		
Balance brought forward	<b>15</b>	13
Additions	-	2
Balance carried forward	<b>15</b>	15
<b>Accumulated Depreciation and Impairment Provisions</b>		
Balance brought forward	<b>13</b>	10
Depreciation charge for year	-	3
Balance carried forward	<b>13</b>	13
<b>Net Book Value</b>		
Brought forward	<b>2</b>	3
Carried forward	<b>2</b>	2

We amortise intangible assets using the straight-line method over a period of up to 5 years after the year of expenditure.

## 9. Tangible Fixed Assets

	Freehold Land Sports Fields £'000 PE	Freehold Buildings Sports Fields £'000 PE	Freehold Buildings Sports Fields £'000	Freehold Land Golf Course £'000 PE	Freehold Buildings Golf Course £'000	Vehicles Equip't and IT Systems £'000	Total  £'000
<b>Valuation</b>							
Balance b/f	327	278	420	858	2,397	350	4,630
Additions	-	15	-	-	-	35	50
Balance c/f	327	293	420	858	2,397	385	4,680
<b>Accumulated Depreciation and Impairment Provisions</b>							
Balance b/f	-	20	14	-	39	221	294
Depreciation charge	-	10	7	-	40	38	95
Balance c/f	-	30	21	-	79	259	389
<b>Net Book Value</b>							
Brought forward	327	258	406	858	2,358	129	4,336
Carried forward	327	263	399	858	2,318	126	4,291

PE - These assets are part of the Charitable Trust's permanent endowment.

Depreciation is provided on all fixed assets with a finite useful life in accordance with FRS 15 as follows:

Land	Not depreciated.
Buildings	Using the straight-line method over the useful life of the asset after the year of expenditure. These range from 20 to 60 years.
Fixtures & Fittings	Using the straight-line method over a period of 10 years after the year of expenditure.
Vehicles, equipment and IT Systems	Using the straight-line method over a period of up to 10 years after the year of expenditure.

Security over Assets

None of the assets of the Charitable Trust have been used as security for any loan, overdraft or other credit arrangement.

Capital Commitments

There are no monies due in relation to capital contracts as at 31 March 2017.

Investment in Fixed Endowment Assets

During 2016/17 the Trust incurred expenditure on the Land and Buildings that are held as a Permanent Endowment (PE). The expenditure of £15,000 related to refurbishment works at some of the buildings at the Sports Fields.

Leases

The Charitable Trust leases a number of the buildings and sports pitches at the Farnham Park Sports Fields to clubs. Most of these leases are for under 5 years.

However in June 2016 a 25 year lease (with a 10 year break clause) was granted by the Charity to BSUK (Baseball Softball UK Limited) to enable them to build a full sized baseball pitch and one softball pitch on land that was previously used for football, and to convert an unused bungalow into a clubhouse.

The future minimum lease payments due under the lease are:

	<b>At 31 March 2017</b>	At 31 March 2016
	<b>£'000</b>	£'000
Not later than one year	<b>19</b>	18
Later than one year not later than five years	<b>80</b>	42
Later than five years	<b>77</b>	11
	<b>176</b>	71

The increase is due to the signing of the new long term lease with Baseballsoftball UK Limited.

The income credited to the Comprehensive Income and Expenditure Statement during the year in relation to these leases was:

	<b>2016/17</b>	2015/16
	<b>£'000</b>	£'000
Minimum lease payments	<b>34</b>	34
Contingent rents	-	-
	<b>34</b>	34

**10. Stock**

All stock held by the Charitable Trust are classified as finished goods. Stock recognised as an expense during the year was £110,000 (2015/16 £116,000).

**11. Debtors and Prepayments – Amounts Falling Due Within 1 Year**

	<b>At 31 March 2017</b>	At 31 March 2016
	<b>£'000</b>	£'000
Amounts due for rent of facilities	<b>18</b>	16
Prepayments and accrued income	<b>31</b>	50
	<b>49</b>	66

**12. Creditors and Accruals - Amounts Falling Due Within 1 Year**

	<b>At 31 March 2017</b>	At 31 March 2016
	<b>£'000</b>	£'000
Accruals	<b>76</b>	82
Audit fee	<b>6</b>	6
Prepayment of season tickets	<b>78</b>	64
	<b>160</b>	152



**13. Loan from South Bucks District Council**

The clubhouse building which opened April 2014 was primarily funded from an unsecured £1.98m loan from South Bucks District Council. This will be repaid over 20 years from 2015. The interest rate charged is based on the Public Works Loan Board (PWLB) variable annuity rate published for 1<sup>st</sup> April each year.

The principal payments due under the loan are as follows:

	<b>At 31 March 2017</b>	At 31 March 2016
	<b>£'000</b>	£'000
Not later than one year	<b>86</b>	<b>81</b>
Later than one year not later than five years	<b>362</b>	<b>345</b>
Later than five years	<b>1,303</b>	<b>1,409</b>
<b>Total Liability</b>	<b>1,751</b>	<b>1,835</b>
Interest repayments on the loan was	<b>41</b>	<b>51</b>

**14. Endowment Funds**

The Farnham Park Sports Fields Charity is governed by the Eton Rural District Council Act 1971. This Act transferred to SBDC land and buildings at Farnham Park Sport Field, and parts of South Buckinghamshire Golf Course, and the usage of these assets is subject to the restrictions contained within that Act. These assets therefore represent a permanent endowment.

**15. Operating Lease Commitments**

The Farnham Park Sports Fields has the following commitments under a rental agreement for the supply of eight golf buggies.

	<b>At 31 March 2017</b>	At 31 March 2016
	<b>£'000</b>	£'000
Not later than one year	<b>9</b>	9
Later than one year not later than five years	<b>1</b>	10
	<b>10</b>	19

Lease payments recognised as an expense during the year was £9,000 (2015/16 £9,000).

**16. Related Party Transactions**

The Charitable Trust is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Charitable Trust, or to be controlled or influenced by the Charitable Trust. Disclosure of these transactions allows readers to assess the extent to which the Charitable Trust 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 Charitable Trust.

The Eton Rural District Council Act 1971 transferred the Charitable Assets to Eton Rural District Council. SBDC is the successor in title to Eton Rural District Council, under provisions contained in the Local Government Act 1972. As such the charitable activities form part of the activities of SBDC.

Members of SBDC.

Members of SBDC have direct control over the Charitable Trust's financial and operational policies and senior officers of the Council have control over the day-to-day management of the Charitable Trust. However any actions taken are required to comply with the Charitable Trust's objectives and procedurally must follow the Council's constitution, financial and contract procedure rules, and codes of conduct.

Assisted organisations.

The Charitable Trust did not provide any material assistance to any organisations that comprised more than 50% of their funding, on terms that gave the Charitable Trust effective control over their operations.

Companies and joint ventures.

The Charitable Trust does not have any interests in companies outside of its normal contractual arrangements.

Transactions with South Bucks District Council as sole Corporate Trustee

	<b>2016/17</b>	2015/16
	<b>£'000</b>	£'000
As at 31 March included in creditors:-		
Funding payable to SBDC	<b>1,078</b>	906
Loans payable to SBDC	<b>1,751</b>	1,835
For the year ended 31 March included within the Statement of Financial Activities:-		
Interest payable on loans to SBDC	<b>41</b>	51

**17. Contingent Assets and Liabilities**Contingent Assets

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within Charitable Trust's control.

For the 2016/17 accounts there are no contingent assets to disclose.

Contingent Liabilities

A contingent liability is either:

- a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Charitable Trust's control, or
- a present obligation that arises from past events but is not recognised because:
  - (i) it is not probable that a transfer of economic benefits will be required to settle the obligation, or
  - (ii) the amount of the obligation cannot be measured with sufficient reliability.

For the 2016/17 accounts there are no contingent liabilities to disclose.

**18. Events after the Balance Sheet Date**

Events arising after the balance sheet date should be reflected in the Statement of Accounts if they provide additional evidence of conditions that existed at the balance sheet date and materially affect the amounts to be included (adjusting events).

For the 2016/17 accounts there are no significant adjusting events to disclose.

Similarly events which arise after the balance sheet date and concern conditions which did not exist at that time should be detailed in the notes if they are of such materiality that their disclosure is required for the fair presentation of the financial statements (non adjusting events).

For the 2016/17 accounts there are no significant non-adjusting events to disclose.

**19. Prior Period Adjustment**

In 1998/99 South Bucks District Council sold Farm Cottages resulting in a capital receipt of £247,000. During 2016/17 it was discovered that this receipt was not passed onto the Trust, even though it formed part of the Charity Assets.

The correction of this has resulted in a debtor of £247K from South Bucks District Council being money due a restricted fund of £247K to fund improvements to the Sports Fields. The correction has been backdated to 1998/99.

We have audited the financial statements of Farnham Park Sports Fields for the year ended 31 March 2017 which comprises the primary statements such as the Statement of Financial Activities, the Balance Sheet, the Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

This report is made solely to the Charity's Trustee, as a body, in accordance with regulations made under section 154 of the Charities Act 2011. Our audit work has been undertaken so that we might state to the Charity's trustee 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 Charity and the Charity's Trustee as a body, for our audit work, for this report, or for the opinions we have formed.

## Respective responsibilities of Trustee and Auditor

As explained more fully in the Trustee's Responsibilities Statement set out on page 7, the Trustee is responsible for the preparation of financial statements which give a true and fair view.

We have been appointed as auditor under section 144 of the Charities Act 2011 and report in accordance with regulations made under section 154 of that Act. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

## Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

## Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the charity's affairs as at 31 March 2016 and of its incoming resources and application of resources, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Charities Act 2011.

## Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Charities Act 2011 requires us to report to you if, in our opinion:

- the information given in the Trustee's Annual Report is inconsistent in any material respect with the financial statements; or
- sufficient accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

Wilkins Kennedy LLP  
Statutory Auditor and Chartered Accountants  
Anglo House  
Bell Lane Office Village  
Bell Lane, Amersham  
Buckinghamshire  
HP6 6FA

28th September 2017

Wilkins Kennedy LLP is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006.

# Management Report to The Trustee

Prepared for  
Farnham Park Sports Fields  
Audit for the Year Ended 31 March 2017

Presented by Wilkins Kennedy LLP  
September 2017

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# 1 PURPOSE OF THIS REPORT

## PURPOSE OF THIS REPORT

We set out within this report our findings and recommendations on various matters which came to our attention during the course of the audit of the Accounts of Farnham Park Sports Fields for the year ended 31 March 2017 and form the basis for discussion.

In order to comply with the provisions of International Standards on Auditing we are required to report to you our audit findings and in particular:

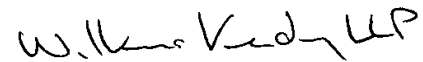
- The nature and scope of audit work we have undertaken and any expected modifications to the audit opinion;
- Provide constructive observations arising from the audit;
- Any unadjusted and adjusted misstatements identified during the audit process;
- Matters specifically required by Auditing Standards to be communicated to those charged with governance (such as fraud and error);
- Material weaknesses in the accounting and internal control systems; and
- Any other relevant and material matters relating to the audit.

Please note that this report has been prepared for the sole use of Farnham Park Sports Fields. It must not be disclosed to third parties, quoted or referred to, without our prior written consent. No responsibility is assumed by Wilkins Kennedy LLP to any other person.

We would like to take this opportunity of expressing our thanks to your staff for their assistance during the course of our audit.

If we can be of any further assistance, please contact Tim Collerton.

Yours faithfully



Wilkins Kennedy LLP

## 2 INDEPENDENCE & RESPONSIBILITIES

### INDEPENDENCE

As a firm we have policies and procedures in place to monitor regularly auditor objectivity and independence. No further threats to our independence have been identified since the communications at planning stage covered by our letter on 24 July 2017.

### AUDIT APPROACH

The audit has been conducted in accordance with International Standards of Auditing (UK and Ireland) issued by the Auditing Practices Board.

A description of the scope of an audit of financial statements is provided on the FRC's website at [www.frc.org.uk/apb/scope/private](http://www.frc.org.uk/apb/scope/private)

### LIMITATIONS

Our audit procedures, which have been designed to enable us to express an opinion on the financial statements, have included the examination of the transactions and the controls thereon of the Charitable Trust.

As advised in our letter of engagement dated 28 January 2015, our audit procedures were directed towards testing the accounting systems in operation upon which we have based our assessment of the financial statements. The work we have undertaken was not primarily directed towards identifying weaknesses in the accounting systems other than those that would affect our audit opinion, nor to the detection of fraud.

As our audit has been conducted on a test basis we are thus unable to provide a comprehensive statement of all weaknesses which may exist in

the accounting and internal control systems or of all improvements which may be made. We can only address those matters, which have come to our attention as a result of the audit procedures, which we have performed.

In making our recommendations, we have considered the size of your Charity and the number of staff that act for the Charity. We would be grateful for any feedback on matters raised within this document and any steps that will be taken.

### RESPONSIBILITIES

The Trustee is responsible for preparing the Trustee's Annual Report and Accounts. Wilkins Kennedy LLP as auditors are responsible for forming an opinion on the Accounts.



### 3 MATTERS ARISING FROM THE AUDIT

#### AUDIT APPROACH

In the approach to our audit, we have not had to alter or change any of our audit procedures, which we communicated to you in our letter dated 24 July 2017.

#### AREAS CONSIDERED EITHER AT PLANNING STAGE OR DURING THE COURSE OF THE AUDIT

	Significant Audit Risks	How we addressed the risks	Conclusion
1	<p><b>Completeness of income/revenue recognition</b></p> <p>We considered the following:</p> <ul style="list-style-type: none"> <li>• Completeness</li> <li>• Recognition (is the correct amount recognised in the period under consideration) i.e. is income included in the period to which the activity is undertaken</li> <li>• Fund accounting – Any restrictions on use and are these correctly recorded</li> </ul>	<p>We documented and tested the controls around income, to ensure all income is included in the accounts within the correct accounting period and traced a sample of transactions through the system to ensure completeness.</p>	<p>We did not identify any areas of material misstatement</p>
2	<p><b>Going concern</b></p> <p>The Charity's accounts are prepared on the basis that it is a going concern. Therefore the assumption that the Charity has sufficient funds to meet its obligations as they arise for at least the 12 months following the sign-off of the accounts.</p> <p>The Charity is dependent on the funding support from SBDC without which the ability of the Charity to operate as a going concern could be in question</p>	<p>We considered the Trustee's assessment of the Charity Trust ability to continue as a going concern for a period of 12 months from the date of signing off the audit report.</p>	<p>A letter has been supplied from the Director of Resources South Bucks and Chiltern District Councils confirming that as Corporate Trustee SBDC would put in place a recovery plan to address the issue when the Trust has negative unrestricted funds which could include supporting directly the Charity financially.</p> <p>We are satisfied that sufficient support to maintain the Charity as a going concern is in place.</p>

### 3 MATTERS ARISING FROM THE AUDIT

#### AREAS CONSIDERED EITHER AT PLANNING STAGE OR DURING THE COURSE OF THE AUDIT - continued

	Significant Audit Risks	How we addressed the risks	Conclusion
3	<p><b>Valuation of land and buildings and completeness of tangible and intangible fixed assets</b></p> <p>We considered the following</p> <ul style="list-style-type: none"> <li>Beneficial entitlement to land and buildings and the valuation placed thereon with specific consideration towards any potential impairment in value;</li> <li>Capitalisation policy on fixed assets and depreciation policies adopted.</li> </ul>	<p>We reviewed the beneficial ownership of land and buildings including review of Trust deed and land registry searches, together with confirmation of existence and usage.</p> <p>We also undertook a physical verification of other fixed assets to confirm existence.</p> <p>We considered capitalisation and depreciation policies adopted.</p>	<p>We are satisfied there has been no impairment in the value of land and buildings.</p> <p>We have reviewed the capitalisation and depreciation policies and did not identify any material issues.</p>
4	<p><b>Stock</b></p> <p>We considered the following:</p> <ul style="list-style-type: none"> <li>Completeness;</li> <li>Whether stock was reflected at the lower of cost and net realisable value.</li> </ul>	<ul style="list-style-type: none"> <li>We attended the stocktake and reviewed the completeness of the count.</li> <li>We compared the stock count to final stock figures to confirm no omissions.</li> <li>We undertook a sample of stock items and compared pricing to both original supplier invoices and to subsequent sales to confirm the value of stock was not overstated.</li> <li>We also considered management's assessment of year end stock provisions.</li> </ul>	<p>We are satisfied the overall value of stock is appropriate.</p>

### 3 MATTERS ARISING FROM THE AUDIT

#### AREAS CONSIDERED EITHER AT PLANNING STAGE OR DURING THE COURSE OF THE AUDIT - continued

	Significant Audit Risks	How we addressed the risks	Conclusion
5	<p><b>Management and staff override</b></p> <p>We considered</p> <ul style="list-style-type: none"> <li>The ability of management and staff to manipulate the accounting records and thereby undertake fraudulent transactions as a result of overriding the internal controls of the Charity.</li> </ul>	<p>We addressed this risk through analytical review and sample transaction testing of both income and expenditure, including a review of supporting documentation such as invoices from suppliers.</p> <p>We also undertook a sample review of journal postings to ensure entries to the accounting records were appropriate and reasonable.</p>	<p>No issues have been identified from our work.</p> <p>Any weaknesses identified are covered within Audit Results Section 5.</p>
6	<p><b>Support costs and direct charitable expenditure</b></p> <p>We considered</p> <ul style="list-style-type: none"> <li>The reasonableness of expenditure allocated to the Charity.</li> </ul>	<p>We reviewed the basis for allocating support costs and direct expenditure to ensure that it was in accordance with previous years.</p>	<p>We are satisfied that the basis of allocation of support costs and direct charitable expenditure is reasonable, appropriate and in accordance with the approach undertaken in previous years.</p>
7	<p><b>Financial Reporting</b></p> <p>We considered the risk the financial statements are:</p> <ol style="list-style-type: none"> <li>not fully compliant with the Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (SORP 2015 (FRS 102));</li> <li>materially misstated through errors in their compilation.</li> </ol>	<p>We undertook a review of the draft accounts, formal review of the presentation and disclosures using a bespoke disclosure checklist, and made recommendations in relation to compliance with relevant legislation.</p>	<p>We have reviewed the accounts and recommendations were made as to disclosures. We are satisfied that the accounts are not materially misstated and are in compliance with SORP 2015 (FRS 102).</p>

# 3 MATTERS ARISING FROM THE AUDIT

## AUDIT STATUS

The audit work undertaken on the accounts is now substantially complete and as there are no expected modifications to the auditors' report we therefore anticipate issuing an unqualified audit opinion for the year ended 31 March 2017 for the Charity, following:

- Receipt of approved financial statements signed on behalf of the Trustee; and
- Receipt of a signed letter of representation (which confirms continuing support for the 12 months from the date of signing of the balance sheet).

Our work to enable us to sign off the audit report comprises of:

- A final post balance sheet review; and
- A final going concern review.

# 4 AUDIT RESULTS

## AUDIT MISSTATEMENTS

As part of the requirements of International Auditing Standards on Auditing we are required to report any material or agreed adjusted audit misstatements arising from our work.

We are also required to report any unadjusted audit misstatements and why they are unadjusted, other than those that are “clearly trivial”.

These are both set out in Section 5.

## RISK OF FRAUD AND ERROR IN THE FINANCIAL STATEMENTS

We are required under international auditing standards to consider fraud risk throughout the audit. In particular, we must consider management arrangements for preventing and detecting fraud and error.

Fraud risks can be varied and include false expenditure, diversion of income as well as the manipulation of financial results.

This work is now complete and as stated in Section 3 we have not identified any matters which we wish to draw to your attention.

## ACCOUNTING POLICIES

Financial Reporting Standard 102 (FRS 102) and FRS 102 Charities SORP 2015 requires that an entity applies appropriate accounting policies in line with guidance in the Standard, or if within the scope of a SORP then to apply those requirements, in order to give a true and fair view.

We have reviewed the Charity's accounting policies, as stated in the financial statements, and confirm that they are materially appropriate to provide relevant, reliable, comparable and understandable information.

## ACCOUNTING ESTIMATES

As auditors, we are aware that the selected basis of an accounting estimate may have a significant impact on the financial statements so in our work we need to identify all accounting estimates and the basis of the estimate and, where we consider there to be a high estimation uncertainty, we must ensure our audit work challenges the basis of the estimate.

We have reviewed these accounting estimates for the Charity and conclude that materially they have been calculated on a basis that is consistent with our knowledge of the Charity and the sector as a whole, although we would draw your attention to depreciation policy on fixed assets referred to on page 9.

# 5 AUDIT MISSTATEMENTS

## INTERNAL CONTROL

We have set out below internal control recommendations in the accounting and internal control systems. As previously stated, our audit has been conducted on a test basis and thus we are unable to provide a comprehensive statement of all weaknesses which may exist in the accounting and internal control systems or of improvements which may be made. We can only address those matters which have come to our attention as a result of the audit procedures which we have performed.

	Current Procedure	Possible Consequences	Suggested Improvement	Benefit of Control
1	In relation to fixed assets, and as has been mentioned in previous years, there were a number of items of equipment that have been fully depreciated however the indications are that these continue to be used within the Charity.	If the assets are still being used within the business this would suggest the depreciation policy might need to be revised for new assets as the indication is that the current policy of depreciation does not reflect the true economic life of the assets. If in fact there are assets on the register no longer used by the Charity these should be removed from the register and cost and accumulated depreciation in the note to the accounts adjusted to reflect the disposal.	A review should be undertaken of the useful economic lives of assets so that going forward they reasonably reflect the lifespan over which usage is expected.  With regard to additions there is an opportunity to reconsider economic lives based on past experience with similar assets.  If assets are no longer used or have been disposed of the fixed asset registers should reflect this.	For all of the recommendations for fixed assets the purpose is to ensure charitable fixed assets are identified, recorded and appropriately accounted for and reflected within the accounting.
2	VAT is being accounted for bar and catering income through the VAT returns of South Bucks District Council.	Unless you are satisfied that the charities trading income relates to your charities primary purpose or is ancillary to it, exemption from taxation might only be available if turnover is below the small trading tax exemption level for which currently, if a charity, gross annual income is over £200,000. Exemption is available only if	As recommended previously consideration should also be given to trading through a subsidiary company, as the rules which allow tax exemption for a Charity's trading income are limited to the £50,000 unless "primary purpose trade" can be successfully argued. A trading subsidiary avoids the need to consider this issue.	As mentioned last year consideration could also be given to transferring trading income and expenditure to a separate trading subsidiary in future if there is a risk of complex partial VAT exemption rules applying if trading is retained in the Charity itself or just as a matter of convenience.

# 5 AUDIT MISSTATEMENTS

## INTERNAL CONTROL - continued

	Current Procedure	Possible Consequences	Suggested Improvement	Benefit of Control
		trading turnover is less than £50,000 although ultimately there is only a tax liability if the trading activities generate a profit.		
3	For year ended 31 March 2017 VAT on some of the Trust expenditure has been recovered by SBDC and the net cost allocated to the Trust.	VAT claimed on expenditure relating to the Charity might be reclaimed by HM Revenue.  It also has the effect that expenditure is incorrectly recorded in the Charity's financial statements.	We however acknowledge that effective 1 April 2017 the charity has become VAT registered which should address these issues going forward, although because elements of the charities income are exempt from VAT you will need to be mindful of the VAT partial exemption rules when recovering VAT on expenditure.	VAT registration effective 1 April 2017 should address concerns raised going forward.

# 5 AUDIT MISSTATEMENTS

## ADJUSTED MISSTATEMENTS

We are required to inform you of any significant misstatements within the accounts presented for audit that have been discovered during the course of the audit. No material misstatements were identified, however there were some recommendations that it was agreed with your staff should be reflected within the accounts as set out below. There were also some recommendations to disclosures to the financial statements and following discussions with your staff the accounts have been adjusted accordingly. Confirmation that you are satisfied with the disclosures in the financial statements should be communicated to us within the letter of representation.

Description		DR £	CR £	Impact on funds £'000
<b>Net Movement in funds before adjustments</b>				<b>(166)</b>
1	SBDC Creditor	247,000		-
	SBDC Debtor		247,000	-
	Prior period adjustment relating to Farm Cottage netted off against liability as all monies Go through SBDC			
2	Creditors		3,000	-
	SBDC Creditor	3,000		-
	Correction for under removal from SBDC balances in 2015/16 relating to Phoenix Old Boys FC.			
<b>Net Movement in fund after adjustments</b>				<b>(166)</b>



# 5 AUDIT MISSTATEMENTS

## UNADJUSTED MISSTATEMENTS

A number of non-trivial unadjusted misstatements were discovered during the course of our audit which are set out below. These have been discussed with your accounts staff. It was accepted that the following need not be adjusted as not material and do not impact on the true and fair view of the accounts.

Description		DR £	CR £	Impact on funds £'000
<b>Net Movement in funds before potential adjustments</b>				<b>(166)</b>
1	Expenditure SBDC	880	880	(1) -
	Expenditure VAT	592	592	1
<p>Expenditure recorded net of VAT incorrectly claimed by SBDC rather than gross, offset by VAT that element of expenditure incurred within six months of VAT registration and therefore recoverable by Farnham Park Sports Fields.</p>				
2	Expenditure Sundry Income	960	960	(1) 1
<p>Being reversal of netting off the recharge to the Academy of using one of the leased golf buggy's used during 2016.</p>				

# 5 AUDIT MISSTATEMENTS

3	Cost		4,370	-
	Accumulated depreciation	4,370		-
	Being removal of Amenity Sprayer from the fixed asset register as no longer in a useable condition.			
	<b>Impact on Net Movement in funds of potential adjustments</b>			<u>          </u>
	<b>Movement in funds if potential journal adjustments posted</b>			<b>(166)</b>

## 6 ANY OTHER MATTERS

The following matters have been identified by us which we believe will be of interest to you:

### **NEW CHARITY COMMISSION GUIDANCE**

#### **Guidance Charity finances: trustee essentials**

On the 16<sup>th</sup> March 2017 the charity commission issued updated guidance which sets out the basics of the most common areas of trustees financial responsibilities when running a charity.

#### **Official warnings to charities and trustees**

The Charities (Protection and Social Investment) Act 2016 gives the Charity Commissioner a new power to issue official warnings when it considers mismanagement in a charity and which supplements its existing ability and power to deal with wrongdoings in charities.

#### **Trustees trading and tax: how charities may lawfully trade**

Guidance was published in February 2016 explaining how and when charities may engage in trading for the purpose of raising funds rather than trading to carry out the charities objectives. It also explains when a separate trading company should be established to carry out such an activity.

All of the guidance notes referred to above can be accessed from the Charity Commission website.

### **DEPOSIT PROTECTION LIMIT – NEW LIMIT**

The Financial Services Compensation Scheme protected bank deposits of up to £75,000. This was increased to £85,000 effective from 30 January 2017.

# APPENDIX 1: LETTER OF REPRESENTATION

WILKINS KENNEDY LLP  
Anglo House  
Bell Lane Office Village  
Bell Lane  
Amersham  
Bucks HP6 6FA

28 September 2017

Dear Sirs

## **Farnham Park Sports Fields – Audit for year ended 31 March 2017 – Letter of Representation**

The following representations are made on the basis of enquiries of management and staff with relevant knowledge and experience such as we consider necessary in connection with your audit of the Charity's financial statements for the year ended 31 March 2017. These enquiries have included inspection of supporting documentation where appropriate. All representations are made to the best of our knowledge and belief.

### **General**

- 1 We have fulfilled our responsibilities as Trustee, as set out in the terms of your engagement letter dated 28 January 2015, for being satisfied that they give a true and fair view and for making accurate representations to you under:
  - a. the Charities Act 2011 for preparing financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice); and
  - b. the Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (SORP 2015 (FRS 102)).
- 2 All the transactions undertaken by the Charity have been properly reflected and recorded in the accounting records.

- 3 All the accounting records have been made available to you for the purpose of your audit. We have provided you with unrestricted access to all appropriate persons within the Charity, and with all other records and related information requested, including minutes of all management and Trustee meetings and correspondence with The Charity Commission.
- 4 The financial statements are free of material misstatements, including omissions.
- 5 The effects of uncorrected misstatements are immaterial both individually and in total.

### **Internal control and fraud**

- 6 We acknowledge our responsibility for the design, implementation and maintenance of internal control systems to prevent and detect fraud and error. We have disclosed to you the results of our risk assessment that the financial statements may be misstated as a result of fraud.
- 7 We have disclosed to you all instances of known or suspected fraud affecting the entity involving management, employees who have a significant role in internal control or others that could have a material effect on the financial statements.
- 8 We have also disclosed to you all information in relation to allegations of fraud or suspected fraud affecting the entity's financial statements communicated by current or former employees, analysts, regulators or others.

### **Assets and liabilities**

- 9 The Charity has satisfactory right to all assets and there are no liens or encumbrances on the Charity's assets, except for those that are disclosed in the notes to the financial statements.
- 10 The rights to Land reflected in the financial statements of Farnham Park Sports Fields but for which the registered title is in the name of South Bucks District Council are ultimately for the benefit and use of the Charitable Trust.

# APPENDIX 1: LETTER OF REPRESENTATION

- 11 Vehicles included in fixed assets, registered with the DVLA as ownership of South Bucks District Council are recognised as being held on behalf of the Charitable Trust.
- 12 All actual liabilities, contingent liabilities and guarantees given to third parties have been recorded or disclosed as appropriate.
- 13 We have no plans or intentions that may materially alter the carrying value and where relevant the fair value measurements or classification of assets and liabilities reflected in the financial statements.
- 14 To the best of our knowledge, there is nothing to indicate that there is a permanent reduction in the recoverable amount of the fixed assets and intangible assets below their carrying value at the balance sheet date.

## **Cash and bank**

- 15 We are satisfied that all sales transactions received by cash have been included within income in the financial statements.
- 16 We confirm there is no separate bank account held by Farnham Park Sports Fields. Payments and receipts are dealt with through a shared bank account with South Bucks District Council. The amounts due to South Bucks District Council as reflected in the financial statements is a true representation of the monies owed to South Bucks District Council by the Charity.

## **Accounting estimates**

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

## **Loans and arrangements**

- 18 The Charity has not granted any advances or credits to, or made guarantees on behalf of, Trustees other than those disclosed in the financial statements.

## **Legal claims**

- 19 We have disclosed to you all claims in connection with litigation that have been, or are expected to be, received and such matters, as appropriate, have been properly accounted for, and disclosed in, the financial statements.

## **Laws and regulations**

- 20 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 the financial statements.

## **Related parties**

- 21 Related party relationships and transactions have been appropriately accounted for and disclosed in the financial statements. We have disclosed to you all relevant information concerning such relationships and transactions and are not aware of any other matters which require disclosure in order to comply with legislative and accounting standards requirements.

## **Subsequent events**

- 22 All events subsequent to the date of the financial statements which require adjustment or disclosure have been properly accounted for and disclosed.

## **Going concern**

- 23 We believe that the Charity'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 Charity's needs. We have considered a period of twelve months from the date of approval of the financial statements. We believe that no further disclosures relating to the Charity's ability to continue as a going concern need to be made in the financial statements.

## **Grants and donations**

- 24 All grants, donations and other income, the receipt of which is subject to specific terms or conditions, have been notified to you. There have been no breaches of terms or conditions in the application of such income.

# APPENDIX 1: LETTER OF REPRESENTATION

## Unadjusted journals

25 We confirm that the effects of the uncorrected misstatements are immaterial, both individually and in aggregate, to the financial statements as a whole.

We acknowledge our legal responsibilities regarding disclosure of information to you as auditors and confirm that so far as we are aware, there is no relevant audit information needed by you in connection with preparing your audit report of which you are unaware.

We confirm as Trustee that we have taken all the necessary steps to make us aware, as Trustee, of any relevant audit information and to establish that you, as auditors, are aware of this information.

Yours faithfully

.....  
Chairman of SBDC Audit Committee on behalf of the Charity Trustee

**SBDC AUDIT COMMITTEE WORK PROGRAMME**

Classification: OFFICIAL

Members are asked to consider whether there are any items they wish to add to, remove from, or move within, the proposed work programme.

Topic	Frequency	Sept 17	Jan 18	Mar 18	Jul 18	Sept 17
<b>Risk Management</b>						
Risk Management Update	Annual					
<b>Assurance Statements</b>						
Annual Governance Report	Annual					
Update on Governance / Internal Control Issues	As and when					
<b>Internal Audit</b>						
Audit Plan	Annual					
Interim Progress Reports	Each meeting					
Follow up of Internal Audit Recommendations Report	Annual					
Comparision of Assurance Levels	Annual					
Annual Internal Audit Report	Annual					
<b>Fraud &amp; Corruption</b>						
Fraud & Corruption Annual Report	Annual					
<b>External Audit</b>						
Annual Audit Plan	Annual					
Annual Assurance Letter from Committee	Annual					
External Audit Results Report	Annual					
Certification of Claims & Returns Annual Report	Annual					
Annual Audit Letter (Sent out by email to all Members)	-					
<b>Statement of Accounts</b>						
Approval of Main Accounts	Annual					
Approval of Farnham Charitable Trust Accounts	Annual					
<b>Other</b>						
Contract & Financial Procedure Rules	As necessary					
Training	As necessary					
Work Programme	Each meeting					

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